

 <b>Brent</b>	<b>Cabinet</b> 20 July 2020
	<b>Report from</b> <b>Strategic Director, Customer and Digital Services</b>
<b>Financial Inclusion: COVID-19 Support Fund</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision</b>	Key
<b>Open or Part/Fully Exempt:</b>	Open
<b>No. of Appendices:</b>	Appendix 1: Poverty Commission Feedback Appendix 2: Interest Free Loans Eligibility Criteria
<b>Background Papers</b>	None
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## 1.0 Purpose of the Report

- 1.1 In May 2020 a cross-council group was convened to look at the impact of COVID-19 on Financial Inclusion in Brent and develop solutions to address the issues arising in response to the pandemic. The group included Officers from Brent Community Hubs, the Children and Young People Directorate, Employment Skills and Enterprise, Customer Access, Strategy and Partnerships and Housing and Neighbourhood Services.
- 1.2 This report outlines a proposal that arose from the group, which is to introduce two new support funds using the surplus money from the Council Tax: COVID-19 Hardship Fund 2020-21 and seeks cabinet approval to such proposals. The proposals include:
1. A grant facility delivered by the Council
  2. An interest free loan administered by a Credit Union

## **2.0 Recommendations**

That Cabinet:

- 2.1 Note the proposals set out in sections 5 and 6 of this report to introduce two new support funds using the surplus money from the Council Tax: COVID-19 Hardship Fund 2020-21.
- 2.2 Approve the establishment of a grant facility to assist Brent residents financially impacted by Covid-19 as set out in section 5 of the report (“Covid-19 Support Fund Grant”).
- 2.3 Delegate to the Strategic Director for Customer Services in consultation with the Cabinet Member for Housing and Welfare Reform authority to agree eligibility criteria for the Covid-19 Support Fund Grant above and thereafter administer and award grants.
- 2.4 Approve the establishment of an interest free loan arrangement to assist Brent residents financially impacted by Covid-19 as set out in section 6 of the report (“Covid-19 Support Fund Loan”).
- 2.5 Approves payment to the Credit Union of such sums remaining in the Council Tax – COVID – 19 Hardship Fund 2020 – 21 and at such frequency as the Director of Finance considers appropriate from which Covid-19 Support Fund Loans will be made and delegates to the Director of Finance in consultation with the Director of Legal, HR, Audit and Investigations authority to finalise the terms of the investment.
- 2.6 Delegate to the Strategic Director for Customer Services in consultation with the Cabinet Member for Housing and Welfare Reform authority to agree final eligibility criteria based on draft eligibility criteria in Appendix 2 for the Covid-19 Support Fund Loan and thereafter administer it in association with the Credit Union.
- 2.7 Delegate to the Strategic Director for Customer Services in consultation with the Cabinet Member for Housing and Welfare Reform authority to review and agree revised eligibility criteria for both the Covid-19 Support Fund Grant and the Covid-19 Support Fund Loan for the reasons detailed in paragraphs 5.16 and 6.19.

## **3.0 Source of funding**

- 3.1 The Ministry of Housing Communities and Local Government (MCHLG) has paid each Local Authority under the Council Tax: – Covid-19 Hardship Fund 2020 to 2021 Local Authority Guidance an amount of money, with the “strong expectation” that this will be used to credit £150 to the Council Tax liabilities to all Working Age Council Tax Support Customers, where the liability is not already nil.
- 3.2 Brent’s allocation is £3.9 million.

- 3.3 Brent's new Council Tax Support scheme award pays 100% to a relatively large proportion of the Working Age tax base already. Modelling suggests that after £150 has been paid to all current and future liabilities in 20/21, there will be approximately £2.6 million remaining in this fund. That said the amount spent is expected to increase, as more residents are likely to apply for Local Council Tax Support (LCTS) in the current COVID-19 climate.
- 3.4 The Government guidance is that having allocated payments to reduce the council tax bill of working age LCTS recipients by £150, billing authorities should establish their own local approach to using any remaining grant to assist those most in need, and to revisit this broader approach at intervals during the financial year, in order to ensure expenditure for 2020-21 remains within the allocation.
- 3.5 The Council is free to use this additional money to meet the needs of local residents who have been affected by the virus outbreak, though there are two immovable factors that must be considered:
- Any monies paid out must be to support individuals or households affected by the virus outbreak.
  - The fund must be spent by 31<sup>st</sup> March 2021. In deciding on how we will spend this money, we should consider the long-term effects of the virus outbreak and how we can support people into 2021/22 and beyond, albeit with payments made to them by the end of this financial year. An Office of Budget Responsibility (OBR) forecast published in May 2020, suggests there will be a national 92% increase in unemployment by March 2021 and that the effects of the economic downturn could be felt until 2024.
- 3.6 Paragraph 19 of the "Council Tax – COVID-19 hardship fund 2020-21 – Local Authority Guidance" document, which was issued by the Ministry for Housing, Communities and Local Government in March 2020, states as follows:
- "Having allocated grant to reduce the council tax bill of working age LCTS (Local Council Tax Support Scheme) recipients by a further £150, billing authorities should establish their own local approach to using any remaining grant to assist those in need. Billing authorities will want to revisit their broader approach at intervals during the financial year, in order to ensure expenditure for 2020-21 remains within their allocation. In determining any broader approach to delivering support, authorities are best placed to reflect on the financial needs of their most vulnerable residents. In doing so, they may wish to consider using their remaining grant allocation as part of wider local support mechanisms. These may include, but are not restricted to:
- a. Council tax relief using existing discretionary discount/hardship policies (adapted where necessary in order to capture those most likely to be affected by COVID-19); and
  - b. Additional support outside the council tax system through Local Welfare or similar schemes;
  - c. A higher level of council tax reduction for those working age LCTS recipients whose annual liability exceeds £150."

## 4.0 Current Financial Context

- 4.1 The government has introduced a number of national schemes to protect individual's income and help those who may be facing financial hardship due to COVID-19. These include:
- The Coronavirus Job Retention Scheme and Self-Employed Income Support Scheme
  - Repayment holidays for mortgage, personal loans and other credit products
  - Pause on debt enforcement, housing possessions and evictions
- 4.2 Despite these measures, Citizen's Advice estimate that approximately 9% of the national population has fallen behind on one or more household bills, and that 30% of adults have had a 20% or more decrease in their income due to Coronavirus. It is estimated that the financial impact of the virus will disproportionately affect those with health risks, adults under age 40, and those in insecure work<sup>1</sup>. When the government support measures end, it is expected that the number of people facing financial hardship will increase.
- 4.3 In April 2020 it was reported that the UK economy shrank by 20.4%, which is the largest monthly contraction on record and three times greater than the decline seen during the 2008 – 2009 economic downturn<sup>2</sup>.
- 4.4 It is reported that 63% of private renters do not have savings, meaning that many have limited resilience in meeting unexpected expenses<sup>3</sup>. Affordable credit is not always available to people on low income, so many will turn to high-interest 'pay-day' loans to meet unexpected financial shortfalls, which in turn can contribute to the cycle of indebtedness. In 2018 it was reported that 17% of London's population were over-indebted<sup>4</sup>. The most-extreme impact of these types of debt can result in evictions and homelessness.
- 4.5 In Brent, 1,215 residents have contacted the Council to inform that they are struggling to pay their Council Tax bill due to Coronavirus. To support the whole tax-paying base, as well as the additional £150 for Council Tax Support customers, the newly approved S13a scheme is available.

Table 1. Number of new Universal Credit claims in Brent

UC Claims	12 March	14 May
Wembley	5,428	12,149
Harlesden	11,837	24,652
Total	17,265	36,801

- 4.6 According to data released by HMRC in early June, Brent has the 2<sup>nd</sup> highest number of employees furloughed (49,900) compared to other London Boroughs, and the 2<sup>nd</sup> highest number of residents in receipt of self-employment income support (22,600).

<sup>1</sup> Citizens Advice, [Near the cliff-edge: how to protect households facing debt during COVID-19](#)

<sup>2</sup> Office for National Statistics, [Coronavirus and the impact on the UK economy](#)

<sup>3</sup> Joseph Rowntree Foundation, [MP's briefing April 2020](#)

<sup>4</sup> London Assembly, [Short Changed: the financial health of Londoners](#)

- 4.7 Further measures are required to support those impacted by COVID-19 to meet the increased financial pressures. By doing so this will help to limit the long-term impact on individual's mental health, increase confidence in money management, and aid the overall financial recovery of individuals.

## **5.0 Grants Proposal**

- 5.1 It is proposed to establish a grant facility referred to as the Covid-19 Support Fund Grant. The grants made from the Covid-19 Support Fund Grant will be delivered by colleagues across Brent in Customer Access, Housing, and the Community Hubs. Decisions will be made at these first points of contact. An eligibility criteria is being developed and will include the need for those accessing grant funding to be Brent residents financial impacted by COVID-19, and a simple means test which is likely to include a capital disregard sum in line with other benefits and grants administered by the Council, such as the Council Tax Reduction Scheme.

- 5.2 Feedback has been sought from the Poverty Commission and they are positive about the approach.

- 5.3 Colleagues across Brent were widely consulted and case studies of residents they have helped since the virus outbreak were provided. These case studies are set out below, with a brief explanation of how the fund will help residents where current support mechanisms fall short of remedying the fundamental issues they are facing.

### **5.4 *Parachute payments***

- 5.4.1 Recently unemployed residents may have been able to comfortably afford their expenditure while in secure work, but are no longer able to make ends meet. Such unemployed residents looking for work will receive a payment to ease their financial stress while they are waiting for their first Universal Credit payment or in the event that their first Universal Credit payment is insufficient for all reasonable bills to be paid.

### **5.5 *Training***

- 5.5.1 Residents put out of work may need help with retraining, to either refresh their skills or learn new ones.

- 5.5.2 With some forecasts suggesting the possibility of the economic downturn not remedying itself until 2024, the process of supporting residents to gain new skills to improve their chances of finding employment will in the long run increase their ability to pay Council Tax and avoid potential homelessness.

- 5.5.3 Brent Works job and apprenticeship brokerage is working in partnership with Jobcentre Plus and the United Colleges Group to engage employers that are recruiting and to develop a responsive set of courses that help people to re-train and access these opportunities. It is likely that some qualifications will need to be paid for by the job seekers, in which case access to funding for training could be vital to enable them to access work. Support will be offered for unemployed residents as well as those that are under-employed requiring more hours, as well as people seeking to increase their income through better

quality employment.

5.5.4 Funds will be made available to support individual's access to new qualifications that may arise because of COVID-19. For example, training for those in the beauty industry to update their skills and practise in accordance with government guidelines on health and safety.

## 5.6 *Rent arrears*

5.6.1 The Council has the Discretionary Housing Payment scheme to support Housing Benefit claimants with rent costs above their benefit entitlement. However, colleagues in Housing have given examples of rent arrears building up over the last few months – for both those entitled to benefits and those who are not. If someone had fallen into rent arrears because of the pandemic situation, an award will be made to cover that as well as looking at the wider circumstances to see if there was any training or apprenticeships the fund will be used to pay for to improve the prospects of that person.

## 5.7 *Supporting Digital Inclusion*

5.7.1 From work with the Community and Voluntary Sector and officers' own interactions with residents, officers already know that the restrictions in place around COVID-19 are magnifying the impacts of digital exclusion. Work with the Young Brent Foundation and Age UK Brent has highlighted that the impact is being felt across generations.

5.7.2 Social isolation has been a problem for both younger and older people because of the social-distancing restrictions in place to help manage the COVID-19 outbreak. School closures mean that much learning and support for young people has shifted online. Research has shown that access to a suitable broadband connection can be problematic. Prior to the COVID-19 outbreak, many young people accessed free Wi-Fi in libraries and cafes for example, to do their homework. These options are currently not available to them. Where broadband is available in the home, it needs to be reasonably high speed to support streaming of educational materials, often via video streaming for example, particularly where a number of young people are accessing it at the same time and where parents may also be working from home.

5.7.3 A similar need exists amongst some older people. The over 70s have been largely confined to their homes since mid-March. It is envisaged they will be one of the last cohorts to be released from lockdown. Digital exclusion is high amongst older people in normal circumstances. Online access and training could enable excluded and isolated older people to connect with their family and friends. Older people would also be able to access online exercise groups, maintaining their physical health and psychological wellbeing.

5.7.4 There is an increasing demand for Council services to replace many face-face interactions with online ones. For example, consultation and action planning events are taking place via Zoom. Some services that might have been accessed in the Customer Service Centre, or by some residents at one of the Hubs, are available online. Brent Start has been offering some of its courses online.

- 5.7.5 As the furlough scheme winds down the impact on employment is already being felt. Residents finding themselves newly unemployed will need online access to apply for jobs, participate in online interviews and upskill online.
- 5.7.6 Brent Start has an extensive digital skills offer that can be provided virtually or in the community when the service re-opens classes from September 2020 (based on current plans and adhering to social distancing guidelines). Residents should be encouraged to utilise this. For those claiming out of work benefits such as Universal Credit, this will be free.
- 5.7.7 All of these uses demand fast and robust connections without data limits. For example, an hour's call on Zoom uses 1GB of data. Brent's Digital Strategy outlines the Council's commitment to improving the Borough's digital infrastructure. Use of some of the Resident Support Fund to support residents with online access presents a real opportunity to accelerate this work in some of the most digitally excluded areas of the Borough.
- 5.7.8 The Children and Young People directorate is already working with schools in Brent to identify families with school-aged children without a broadband connection. This is to allow them to benefit from the new partnership between the Department of Education and BT, which will provide eligible households with a free internet connection for six months. Data will be shared with CYP to avoid duplication.
- 5.7.9 A digital inclusion package will comprise of some, or all of the following elements shown in table 2.

Table 2.

	Est. cost per person 12 mths	Est. cost per person 24 mths
A Chromebook device	£205	£205
Locking down Chromebook to make it easier to use for those that require this	£15	£15
Microsoft Office 365 software package	£80	£160
Gadget Insurance (loss / theft etc.)	£65	£130
Technical support service for residents (based on service used by Age Concern UK Brent)	£240	£480
12 or 24 months 50 mbps broadband connection paid in advance to the provider by the Council.  Wherever possible a full fibre connection should be sought to progress the objectives of the Digital Strategy, however, this will not be possible for all properties, in which case alternative connections will be used.  <i>(Cost estimates based on a wholesale price for a 50 mbps full fibre connection with providers Brent has wayleave arrangements with, but costs are similar to providing a 4G sim card. If a fixed broadband connection is required in a property not served by providers we've got wholesale agreement with the cost of the connection is likely to be higher at around £360 for 12 mths)</i>	£180	£360
A digital skills package – this will take the form of £100 to cover the cost of online training, or to be used to fund places on the basic digital skills course offered to Brent Start. These short courses are currently £20 for three hours over two weeks. They cover subjects like how to access online help and information; creating an email account and online job searches.	£100	£100
<b>FULL PACKAGE COST*</b>	<b>£885</b>	<b>£1,450</b>

\*Not all residents qualifying for a grant would require each element of the package.

## 5.8 Reduced reserves

5.8.1 An elderly resident may have had to incur unusual expenditure over the last several weeks, taking more taxis rather than buses or using more expensive online shopping than they would otherwise have done. The average online delivery charge for a food delivery is £5 which – although ostensibly not a huge amount would add up for someone on a limited budget. If a resident could show that their small amount of savings had decreased because of this, a reimbursement will be arranged.

## 5.9 Council Tax

5.9.1 If a Working Age Council Tax Support (“CTS”) claimant needed more than the £150 towards their Council Tax bill, after the credit from the Hardship Fund, a further award could be made. Additionally, awards could be made to Pensioners and Working Age taxpayers not in receipt of CTS. This will be

covered by the Council Tax Discretionary Reduction Policy, which will be considered by Cabinet on 20 July 2020.

#### 5.10 *Meeting resident's basic needs*

5.10.1 Foodbanks have seen a significant increase in referrals throughout the lockdown, a grant could be made to our Foodbanks to support them while they regroup and refresh their stock and infrastructure. A second wave of the virus outbreak, or a double-dip recession, will mean that Foodbanks will need to be as resilient as possible.

5.10.2 There are currently only a few places for people to get support in tackling fuel poverty. This includes Shine which is a fuel poverty referral network and free energy advice service for Londoners, as well as the Warm Home discount where certain energy companies provide a rebate on energy bills in the winter to residents such as low income pensioners as well as other people on low income.

5.10.3 Fuel vouchers via the Trussel Trust can also be accessed by residents with pre-payment meter vouchers for gas or electricity, so they do not have to choose between 'heating and eating'. These however are only available by collection at the Trussel Trust foodbank in Neasden and some residents struggle to travel to the site to collect the vouchers.

5.10.4 With the potential risk of an increase in cases of COVID-19 in the winter, grant funding will be used to fund additional support for Brent residents in accessing support with fuel payments.

#### 5.11 *Respite/Support for Young Carers*

5.11.1 Young Carers, already under pressure in normal times, have had to spend 24/7 caring for family members without the option for respite or support. A payment could be made to such a person should they be able to arrange respite care, for days out or other expenditure relating to their own well-being.

#### 5.12 *Funding debt advice*

5.12.1 A grant to a Brent-based money advice agency to fund some debt and budgeting advisors. Based on the assumption that 1.5 FTEs would cost £50k a year, a grant of £100k would fund either three advisors for a year or 1.5 advisors for two years. We would be meeting our obligations to spend the money in this financial year, while ensuring that we have secured support for our residents for at least some of the long-term period in which the virus outbreak will affect our residents.

5.12.2 The debt advisors will be employed to engage with anyone struggling to meet their loan repayments, or as a conditional obligation we could apply to some loans or grants to ensure that the grant or loan being arranged will be used sensibly to encourage the long-term stability of that household.

### 5.13 *Mortgage support*

5.13.1 Universal Credit does not support customers with mortgage payments, unlike the legacy scheme whereby the interest on a mortgage could be paid by Job Seekers Allowance. Support towards the interest on repayments will be given.

### 5.14 *Counselling*

5.14.1 Costs of bereavement counselling will be partly or fully met.

### 5.15 *Track and Trace*

5.15.1 Residents may experience a number of financial barriers that prevent them from isolating as part of the government's Track and Trace programme. Grant funding will be made available to supplement the salaries of those who would otherwise not be able to isolate due to the loss of income and the subsequent impact of this on their households.

Figure 1.

#### **Case Study One**

The tenant is in rent arrears of £951 but this is historic from water charges rather than rent. As we no longer collect water charges the debt is static but it is the arrangement of paying £10 monthly that the tenant continues to fail on making. Efforts have been made to establish a direct debit but just doesn't seem to come to fruition.

The Officer has written to the DWP numerous times to get a third-party deduction arrangement in place but this has never been implemented and at present the DWP have ceased third party deduction payments due to Covid-19.

The tenant suffers with COPD and will make payments for a few months then drop off again.

All of her rent account otherwise is up to date, but it will take her over 8 years to clear the arrears so will continue to receive letters and potentially Notices' seeking possession without it being cleared.

Figure 2.

### **Case Study Two**

Adult A receives ESA and this was stopped on the 2nd March due to him not returning the medical assessment form. He struggles to read his post and does not have a phone. Social worker supported him to contact DWP to try and get the ESA reinstated and have referred him for a support worker to provide support with his ongoing practical issues.

He is not eligible for PIP however suffers from chronic leg ulcers after an accident over 20 years ago. He is a recovering alcoholic and suffers from frailty and therefore does not leave the house very much. He has a friend that visits him to try and support him but due to the state of the property struggles to support him as much as he would like (items not working, smoke stained walls). His flat would really benefit from re-painting and replacing some of the items such as curtains, microwave and a new bed. All are nearly 30 years old. He has no disposable income so would not be able to purchase any new items himself as he lives hand to mouth. The flat is owned by Brent Housing but they are not responsible for the furnishings of the property. The assistance would improve his living conditions and wellbeing and also enable a friend that supports him to continue to do so and reduce the need for services in the future.

Figure 3.

### **Case Study Three**

An elderly resident was making frequent travels to a local shop during lockdown, and receiving food parcels arranged by Brent.

It has since been discovered that she needed such frequent food deliveries and purchases as the only freezer she has was a small one at the top of her fridge.

Had she had the means to buy a bigger freezer, she would have been able to store food more readily reducing her reliance on food parcels and the need to venture out.

5.16 Delegated authority is sought for the Strategic Director for Customer Services in consultation with the Cabinet Member for Housing and Welfare Reform authority to agree eligibility criteria. However given the range of situations it is envisaged the Covid-19 Support Fund Grant may assist with going forward, delegated authority is sought for the Strategic Director for Customer Services, to review and agree revised eligibility criteria as and when required.

## **6.0 Interest Free Loan proposal**

6.1 As the virus outbreak and lockdown have advanced, there has been a significant increase in the uptake of Welfare Benefits. In the first weeks following the lockdown 1.5 million claims for Universal Credit were made in a week, rather

than the usual 150,000 (an increase of 1000%). The delay in the first payment of Universal Credit to new claimants, and the inability of that scheme to meet the expenditure of someone recently unemployed for the first time, are well documented.

6.2 There is a risk that someone with an impaired credit history who is unable to access bank loans, may be in a position that they turn to a loan shark or pay-day lender for financial support, with repayment plans that are unrealistic and inflated interest rates.

6.3 The LGA have recently called on Government to support Councils in dealing with this. A quote from Cllr Simon Blackburn, Chairman of the LGA's Safer and Stronger Communities Board:

*"We know many people are struggling to make ends meet during the coronavirus crisis, but loan sharks should be avoided at all costs. These illegal loans typically come with astronomical interest rates, soon spiral into uncontrollable debt that can never be repaid, and are typically enforced through intimidation and violence.*

*There are much better, safer and cheaper ways people can manage their money.*

*Anyone struggling with debt problems can contact their local council or advice provider first, while charities also offer similar services. These will all be focused on offering genuine help in the most affordable way, rather than illegal money lenders who profit from other people's misery and should not be used for any quick cash fix."<sup>5</sup>*

6.4 There are two options for how we could make funds available for loans:

1. Commission a Credit Union to administer the loan
2. Set ourselves up as a lending service, with the administration and recovery costs also met from the available fund

6.5 Either of these two options would recycle the available funds, potentially making further loans possible to more residents in Brent depending on the attrition rate of the loan.

6.6 The Poverty Commission has opined on these plans (appendix 1), and the feedback has been positive – one representative described it as "necessary".

6.7 The joint working with a Credit Union is the recommended option as they already have in place a test for the applicant's eligibility and ability to repay, debt advice expertise and necessary recovery mechanisms.

6.8 The Credit Union will be FCA certified, meaning that loans can be awarded with longer repayment periods. Without FCA approval, the loan repayment period is restricted to a maximum of 12 months and 12 repayments. Using a Credit Union

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<sup>5</sup> [https://www.local.gov.uk/lga-avoid-loan-sharks-exploiting-covid-19-crisis-average-benefit-claims-1000-cent?utm\\_source=LinkedIn&utm\\_medium=social&utm\\_campaign=SocialSignIn](https://www.local.gov.uk/lga-avoid-loan-sharks-exploiting-covid-19-crisis-average-benefit-claims-1000-cent?utm_source=LinkedIn&utm_medium=social&utm_campaign=SocialSignIn)

to broker the loan would ease the pressure on individuals to make loan repayments in a short period whilst maintaining other ongoing expenses, for example monthly rental payments.

- 6.9 Additionally, the Credit Union will report to the credit agency. As residents start making repayments, this will be reported to the credit agency and will improve their credit rating and overall ability to access mainstream funding in the future.
- 6.10 If the Council were to operate this lending programme internally, officers would need to ensure the programme is up and running within a short period of time. The Council considers it essential for the programme to commence immediately to ensure that the necessary support reaches people as soon as possible.
- 6.11 It is therefore proposed that the Council uses surplus money from the Hardship Fund to cover the funding for the loan facility and to cover the costs to a Credit Union for the administration of each loan.
- 6.12 It is anticipated that the Council will pay a fee to the Credit Union for each loan administered. The exact cost of the scheme will be dependent on a number of factors including the term and amount of the loan. Market testing has indicated that the contract will be 'low value' under the Council's constitution and as such, officers will seek to obtain at least three quotes from Credit Unions which operate in the Brent to ensure value for money.
- 6.13 Appendix 2 outlines the proposed draft eligibility criteria required to access an interest free loan. The loan will be targeted towards residents who have been financially impacted by COVID-19 as per the obligations of the MHCLG fund, have multiple debts, and are unable to access mainstream financial support. An interest-free loan will be provided to residents to clear outstanding debts in order to maintain their housing tenure, whilst helping them build a credit profile.
- 6.14 Residents who meet the initial eligibility criteria will be referred to the Credit Union to undertake an independent financial assessment; the financial assessment will determine the resident's eligibility for a loan and identify their debtors.
- 6.15 If the assessment deems them as eligible, residents will be required to sign a loan agreement with the Credit Union. The Credit Union will then make payments directly to the resident's identified debtors. The duration of the loan and frequency of loan repayments will be determined during the financial assessment.
- 6.16 For those residents whose financial assessment deems them as not eligible for a loan, referral routes into a Brent-based money advice agency will be established to provide advice on accessing grant funding and additional support on money management.
- 6.17 As a guide, officers anticipate that loans of up to £15K will be available to residents who are homeowners and £7.5K to those who are tenants<sup>6</sup>. The exact loan amount will be determined on an individual basis and will be dependent on the outcome of the financial assessment.

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<sup>6</sup> Figure based upon benchmarking exercise undertaken with a Credit Union

- 6.18 Action taken against those who default on loan repayments will be determined in conjunction with the Credit Union. A soft approach will be taken with referral routes into a Brent-based money advice agency for additional support and will not include the use of bailiffs. Once the agreed enforcement action has been exhausted, the Credit Union will be required to seek approval from the Council to write-off defaulted loans.
- 6.19 Monthly reports will be provided to the Council on the number of loans administered and the repayment rate. The lending criteria of the loan will be reviewed as required based upon the rate of monthly repayments. For example, if it is apparent that there is a large number defaults in the first month, then the lending criteria will be reviewed to reduce the risk to the Council.
- 6.20 Work is ongoing to determine the best way of providing the funding for the Credit Union to bolster its lending capacity. This could be with a corporate guarantee. An effective system of feeding through the money as the pot diminishes will need to be established.
- 6.21 We will be ring fencing a sum of money for this initiative, and from this paying the interest that would otherwise have been due as a 'fee' for the credit union. So, if they paid a loan of £1000 for example, and would usually charge 1% interest the Credit Union would take the interest from the 'pot' rather than the debtor – and as such over time the available pot of money would reduce to nil through this and defaulted, and not recovered loan amounts.

## **7.0 Financial Implications**

- 7.1 The Hardship grant awarded to the Council is £3.9m and modelling undertaken to date suggests £1.3m will be spent on reducing the bills of working age claimants of CTS by up to £150, leaving £2.6m to fund the activities proposed in this report.
- 7.2 There is a risk that the cost of providing further CTS to working age claimants increases beyond the £1.3m spend currently forecast as more residents become eligible for CTS. If this transpires, the activities proposed in this report will need to be scaled back accordingly. Therefore, strong financial controls will need to be implemented from the outset to ensure total expenditure does not exceed the £3.9m grant amount.
- 7.3 As the Council will be underwriting these loans, any defaults will become the liability of the Council to fund, which will reduce the amount of grant available for further loans and direct grants.

## **8.0 Legal Implications**

- 8.1 The money that is paid out under the Council Tax COVID-19 hardship fund 2020-21 by MHCLG to Brent Council as a billing authority is made through a grant under section 31 of the Local Government Act 2003.

- 8.2 Paragraph 13 of the Council Tax COVID-19 hardship fund 2020-21 Local Authority Guidance (“the Guidance”) states the Government’s strong expectation is that billing authorities will provide all recipients of working age local council tax support (‘LCTS’) during the financial year 2020-21 with a further reduction in their annual council tax bill of £150, using their discretionary powers to reduce the liability of council tax payers outside of their formal LCTS scheme design. On 26 May 2020, the Chief Executive used her emergency powers to approve the reduction in council tax liability of up to £150 for the period of 2020/21 for those council tax payers living in Brent who are of working age and in receipt of LCTS.
- 8.3 The Council Tax COVID-19 hardship fund 2020-21 Local Authority Guidance (“the Guidance”) sets out the grant provisions for those working age Local Council Tax Support recipients. The said Guidance also states that having allocated grant monies to reduce the council tax bill of working age Local Council Tax Support recipients by a further £150, billing authorities should establish their own local approach to using any remaining grant monies to assist those in need. This point is expanded in paragraph 19 of the Guidance which is quoted above in paragraph 3.6 of this report.
- 8.4 The Council is also proposing to use grant monies under the Council Tax COVID-19 hardship fund 2020-21 to fund discretionary reductions in council tax liability pursuant to its proposed policy under section 13A(1)(c) of the Local Government Finance Act 1992 and that policy will be submitted to the Cabinet for approval on 20 July 2020.
- 8.5 The Council has powers to administer and distribute grant funding and implement the proposals set out in sections 5 and 6 of this report pursuant to the general power of competence as set out in section 1 of the Localism Act 2011. Any distribution of grant funding will need to be in accordance with delegated powers in Part 3 of the Council’s Constitution. There will need to be an agreement between the Council and the recipient to govern the terms and conditions of the grant.
- 8.6 With regard to the recommendation to make interest free loans, the selection of a Credit Union for processing loans would be classed as a procurement. Based on the estimated value referred to in paragraph 6.12 above for the delivery of the service, the value of the contract for the purposes of the Council’s Constitution will be classified as a “Low Value Contract”. Contracts valued between £25,000 and £189,330 are classed as “Low Value Contracts” under the Council’s constitution. Pursuant to Contract Standing Order 86 (c) of Part 2 of the Council’s Constitution no formal tendering procedures apply to Low Value Contracts, except that at least three (3) written quotes must be sought and the quotes sought and/or obtained shall be recorded or alternatively the contract is procured through the Online Market Place. Where quotes are sought, advice must be sought from the Council’s procurement officers about how to select the three organisations to be invited to quote and how to structure the quotation process. Unless the Council’s procurement officers advise that it is not necessary or appropriate, all quotes shall be sought using the Electronic Tender Facility and at least one of the quotes shall be sought from a Local Brent provider.
- 8.7 Consideration will also need to be given to ensuring that such arrangements for capital funding are state aid compliant. Given the purpose of the funding, it is

likely to satisfy the requirements of the Services of General Economic Interest Block Exemption.

- 8.8 There will need to be an agreement between the Council and Credit Union to govern the contractual relationship between the parties and to ensure that any monies invested are ring-fenced for the categories of borrowers identified. The Council will also need to approve any loan template between the Credit Union and the individual borrowers.

## **9.0 Equality Implications**

- 9.1 The public sector equality duty, as set out in section 149 of the Equality Act 2010, requires the Council, when exercising its functions, to have “due regard” to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, to advance equality of opportunity and foster good relations between those who have a “protected characteristic” and those who do not share that protected characteristic. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
- 9.2 Having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.
- 9.3 There is no prescribed manner in which the council must exercise its public sector equality duty but having an adequate evidence base for its decision is necessary.
- 9.4 An Equalities Impact Assessment has not to date been carried out. However, this scheme will benefit all residents in Brent affected by the virus-outbreak and will be available to all eligible residents, including those in one of the 9 protected groups.
- 9.5 We will be advertising this scheme through our partners in the charity sector and would expect them to help us reach their clients and patrons to make sure they are applying for this additional support.
- 9.6 No resident will be worse off because of these proposals.

## **10.0 Consultation with Ward Members and Stakeholders**

- 10.1 Because of the urgency of the current pandemic situation, the need for payments in loans and grants to be made as soon as possible to support local residents in financial difficulty arising from the pandemic situation and as this funding from the Government must be spent by March 2021, no formal consultation process has been carried in relation to the proposals in this report.

**Report sign off:**

**Peter Gadsdon**  
Strategic Director Customer and  
Digital Services