

## **Localising council tax support: transitional grant scheme**

### **Frequently Asked Questions (version 1/11/2012)**

#### **Will there be a further grant in 2014-15?**

This grant is for 2013-14 only. The Government expects that this will provide local authorities with a greater opportunity to explore other options for delivering savings in the longer term, for example, through greater efficiencies, or making use of flexibilities over council tax.

#### **Do we need to consult again if we change our scheme to comply with the grant?**

Local authorities that have already consulted on their proposals for a scheme, will need to consider, if they want to claim the grant, whether they will need to make changes to their proposed schemes in order to be eligible for the funding, the scale of any changes that are required and whether these require further consultation.

#### **Can we change the Second Adult Rebate and still claim the grant?**

Yes, we want to keep the scheme as simple as possible for councils, and give them some flexibility over how they manage the funding reduction.

Those in receipt of Second Adult Rebate can in most cases afford to meet the liability in their own right – and if they cannot, they are eligible for support - again in their own right.

#### **For a small group of people changes in the Second Adult Rebate could lead to people currently on 100% support paying up to 75% of their total liability. Does this mean we cannot remove the Second Adult Rebate and still claim the grant?**

Some changes might have a significant effect on a very small number of people. (For example, where a student who owns a property has someone living with them who qualifies for the Second Adult Rebate). In such circumstances local authorities may wish to use their discretionary powers in relation to council tax reductions to mitigate the effects of changes to awards. We are not prescribing what local authorities may do in relation to the Second Adult Rebate. Local authorities can remove the Second Adult Rebate and still be eligible for the grant.

#### **Can we change existing non-dependant deductions and still claim the grant?**

Yes - we want to keep the scheme as simple as possible for councils, and give them some flexibility over how they manage the funding reduction. However, while local authorities will be able to change existing non-dependant deduction rates and still be compliant with the scheme, Government would not expect local authorities to make large increases in non-dependant deductions.

**Can we add a new non-dependant deduction and still receive the grant?**

Where a local authority is considering introducing new non-dependant deductions, for example a deduction for non-dependants in receipt of Income Support, the scheme must ensure that claimants who would receive 100% on the default scheme pay no more than 8.5% of their net council tax liability in order to be eligible for the grant. Local authorities may find it easier not to introduce new non-dependant deductions if they wish to be eligible to claim the transition grant.

**How will the grant be paid?**

The grant will be paid as a specific non-ringfenced grant by the Department for Communities and Local Government, to individual billing and major precepting authorities.

**I am a major precepting authority, and only 2 out of 4 billing authorities in my area have adopted schemes that would be eligible to claim the grant – will I receive any funding?**

Yes, you will receive funding in respect of each scheme in your area that complies with the terms of the grant. The funding allocations document sets out for each billing authority area the entitlements for the billing and major precepting authorities covered by the scheme.

**Does this mean no-one can have a more than 8.5% reduction in their current council tax benefit award if the scheme is to be eligible for the grant?**

The intention of the scheme is that no-one who would be entitled to 100% support under the default scheme should be required to pay more than 8.5% of their liability as a result of the introduction of the new scheme.

Clearly, for some claimants who would be entitled to partial support, changes to the taper within the parameters of the grant scheme, for example, could result in an increase in liability greater than 8.5%. Increases greater than 8.5% may also occur as a result of a combination of changes to factors such as changes to non-dependant deductions.

The important thing is that no-one who would have been entitled to 100% support under the default scheme has a reduction in their starting liability – after the application of discounts such as the single person discount, but before the application of the taper or non-dependant deductions - which is greater than 8.5%

Local authorities are not therefore required to ensure that no-one experiences a greater than 8.5% reduction, for example through a 'better-buy' calculation compared to their previous liability, provided their scheme is compliant with the terms of the grant.

**As an authority, we are proposing to change capital limits, which would lead to some people on 100% support not qualifying for any support. Would this be compliant with the transitional grant scheme?**

No. To comply with the scheme, local authorities should ensure that those who would receive 100% support under the default scheme would not be required to pay more than 8.5% of their net liability under the local scheme.

**How does the 8.5% relate to council tax liabilities that have already been reduced as a result of other discounts and exemptions?**

The 8.5% refers to the net liability – so after discounts such as the single person discount have been applied.

**Can I limit liability to a particular band?**

No. The reduction in liability of any households living in properties in higher bands will be greater than the 8.5% and therefore it will not comply with the grant scheme.

**For people not receiving 100% support can we make them all pay at least 20% towards their council tax and be eligible for the grant?**

No, this will result in a sharp reduction in support for those entering work or earning more. It is important the support is tapered away from the starting liability to avoid cliff edges which could discourage work.

**My authority is planning to adopt the default scheme. Will we be eligible for the grant?**

Yes – the default scheme is compliant with the grant scheme.

**Do major precepting authorities need to claim separately for funding?**

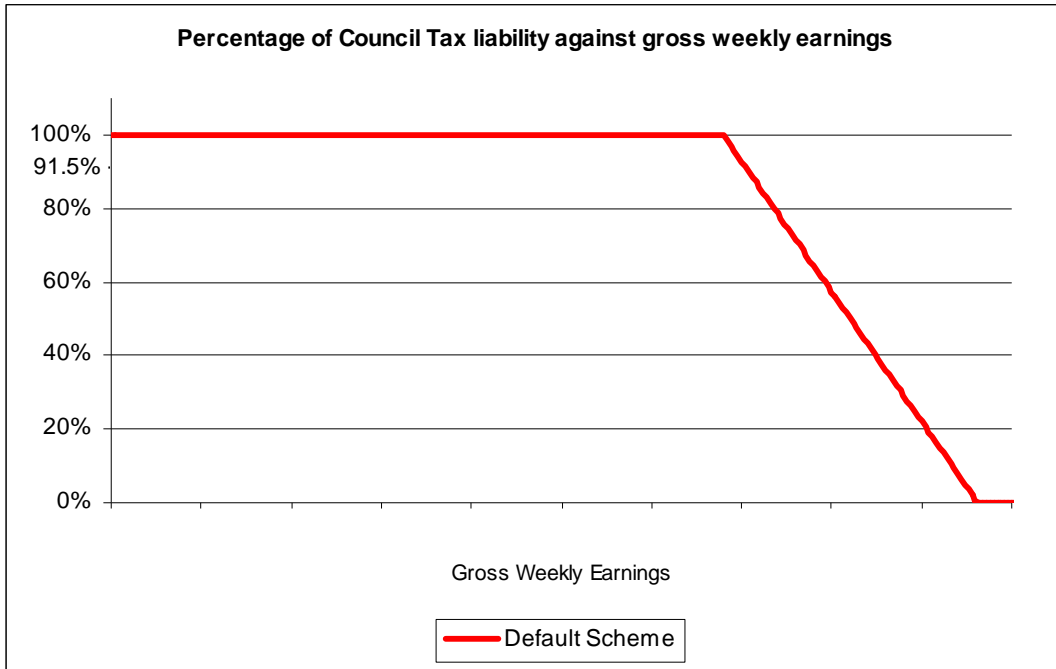
No – for each scheme, a single claim must be made by the billing authority that has adopted the scheme. Funding will be attributed to both the billing and major precepting authorities in response to the application.

**Does the scheme only need to guarantee support for existing claimants or does it apply to claimants moving onto support throughout the year?**

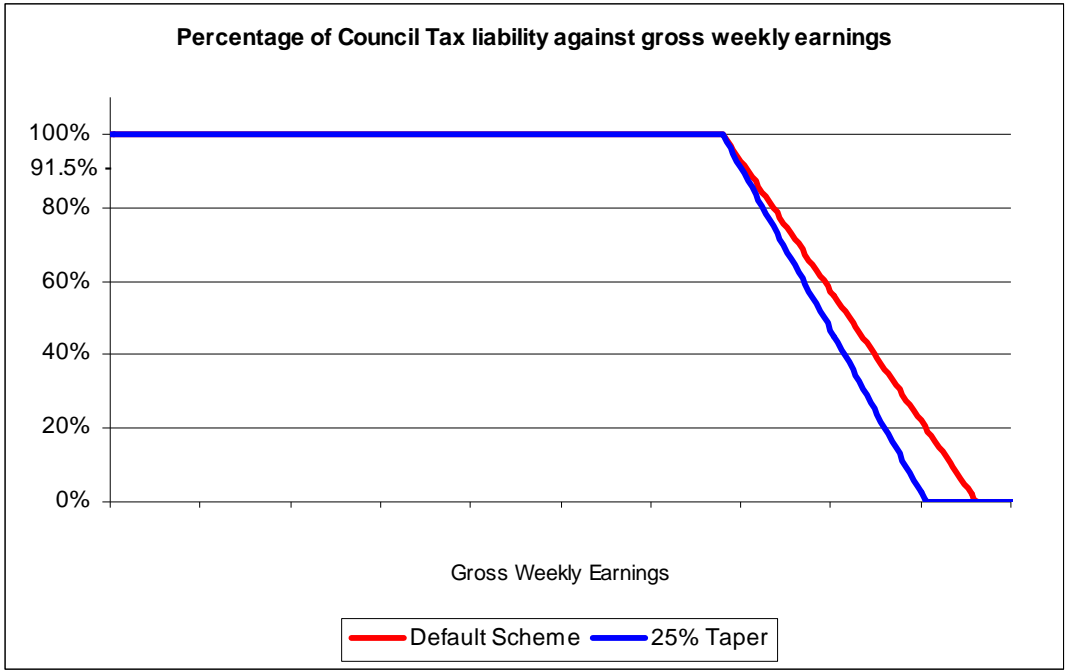
To qualify for the grant the scheme must be compliant for all claimants - both existing claimants and those who qualify for support during the year.

**Examples of Compliant Schemes:** Schemes which local authorities could adopt which would be compliant with the terms of the grant scheme:

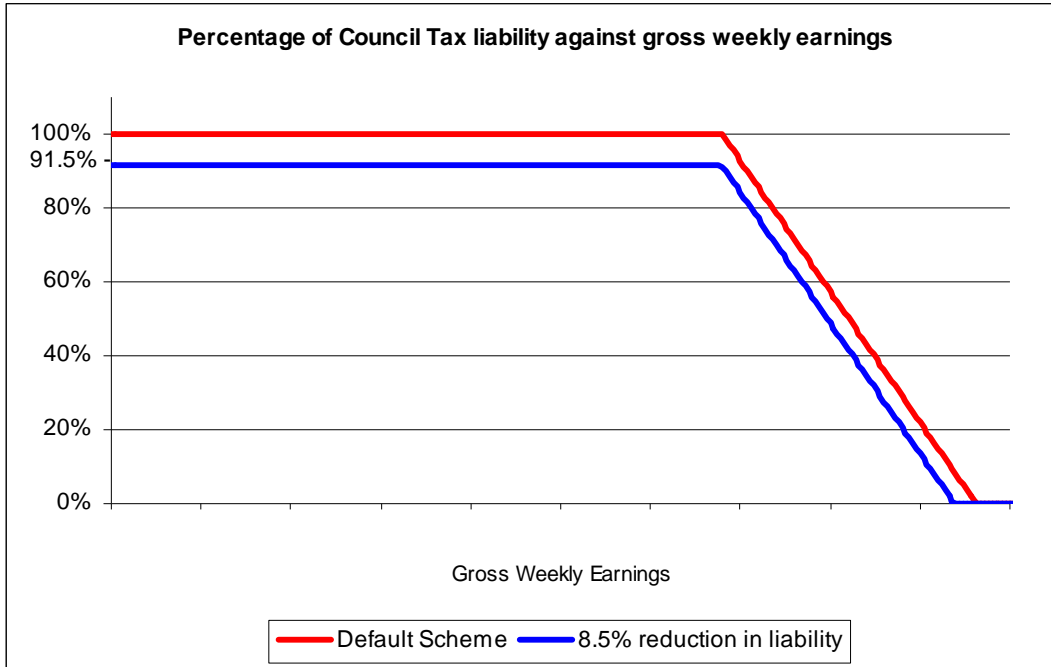
**Scenario A: Adopt the default scheme**



**Scenario B: Adopt the default scheme but increase the taper rate to 25%**  
Local authorities would be free to keep to the 20% taper rate – or introduce a lower rate



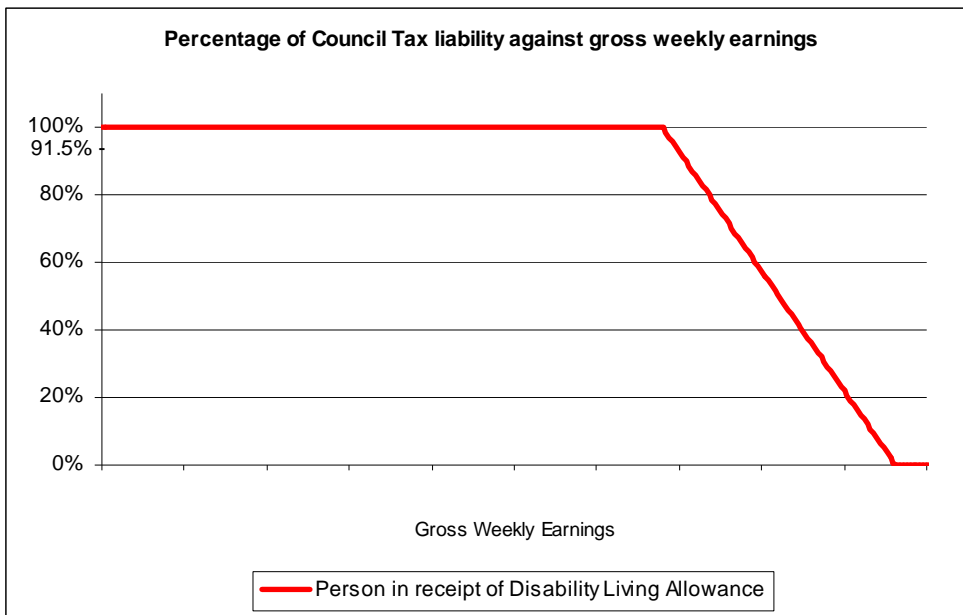
**Scenario C: Adopt the default scheme but reduce the starting liability (i.e. after other discounts, such as single person discount, have been applied) by 8.5% for both passported and means tested claimants**



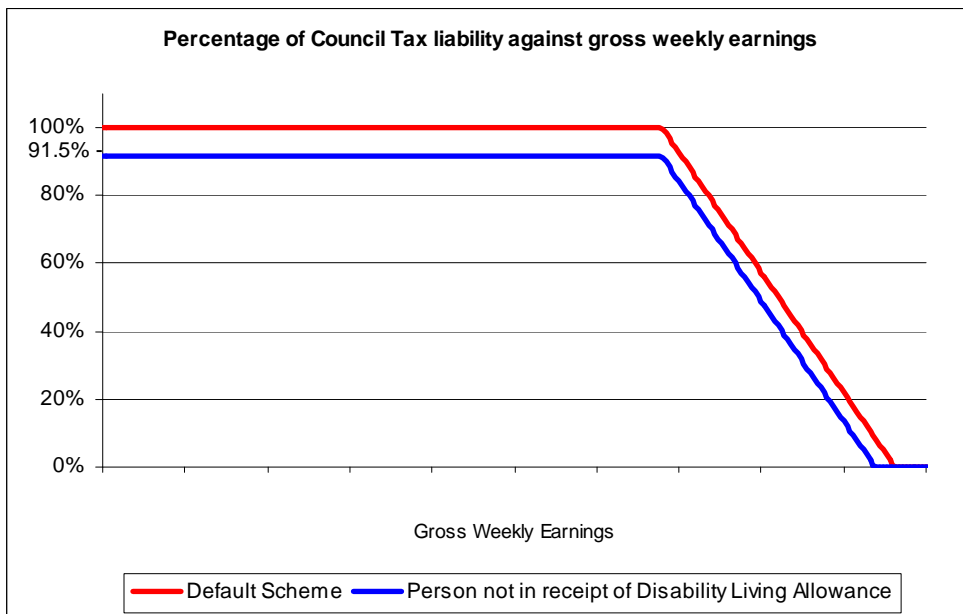
**Scenario D: Adopt the default scheme but reduce the maximum net liability by 3% for both passported and means tested claimants BUT protect a selected client group by applying the default scheme to these claimants**

As long as both schemes (protected and non protected) meet the criteria the scheme will be compliant.

**For example:  
Person in receipt of disability living allowance**



**Person not in receipt of disability living allowance**



**Scenario E: Change existing non-dependant deduction rates**

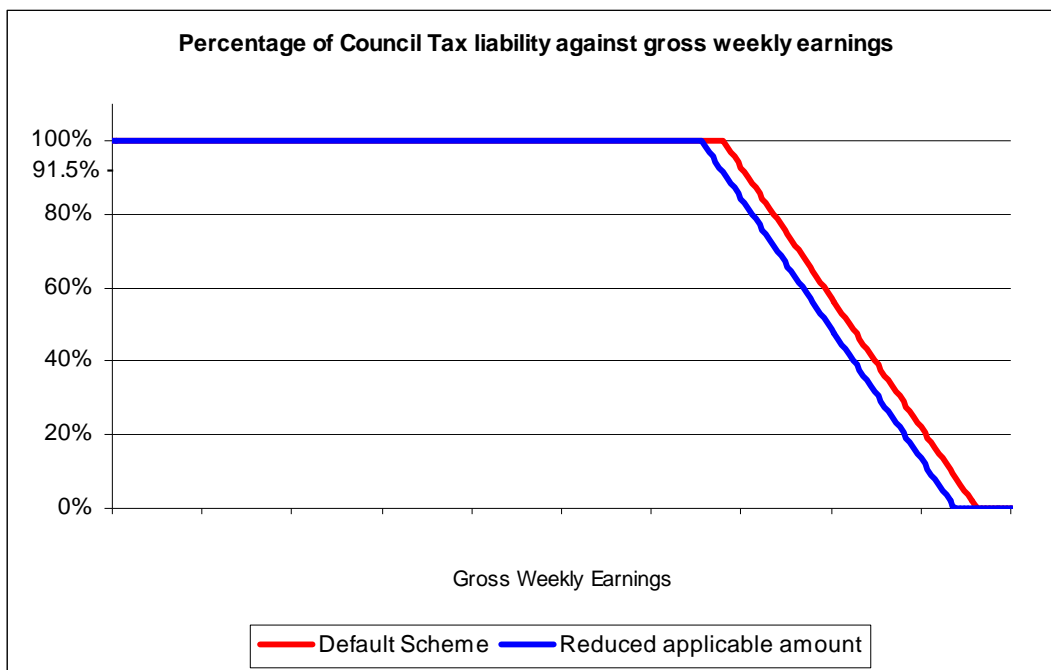
- Local authorities will be able to change existing non-dependant deduction rates and still be compliant with the scheme. Government would not expect local authorities to make large increases in non-dependant deductions.
- Where a local authority is considering introducing new non-dependant deductions, the scheme must ensure that claimants with non-dependants in receipt of Pension Credit, Income Support, Job Seekers Allowance (Income Based), Employment Support Allowance (Income Related) who would receive 100% on the default scheme pay no more than 8.5% of their net council tax liability in order to be compliant. Local authorities may find it easier not to introduce new non-dependant deductions.



## Scenario F: Change applicable amount

It would be possible for a local authority to make small reductions to applicable amounts and still be compliant with the scheme. However, in doing so they would need to ensure that the reduction for those who would get 100% support on the default scheme was not greater than 8.5%.

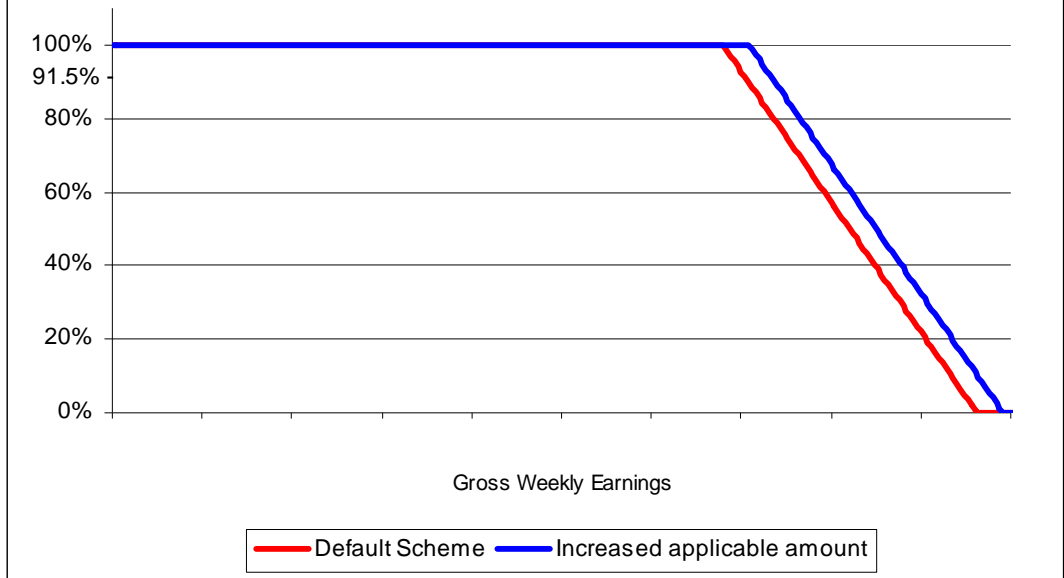
The following example illustrates no reduction in the starting liability, but a reduction in the applicable amount, which means that support begins to be withdrawn more quickly (i.e. the taper is applied to a lower level of income) than under the default scheme.



To be compliant in this scenario the applicable amount cannot be reduced by more than 42.5% of the weekly liability. For example, if the weekly liability is £10 then the most the applicable amount can be reduced by is £4.25.

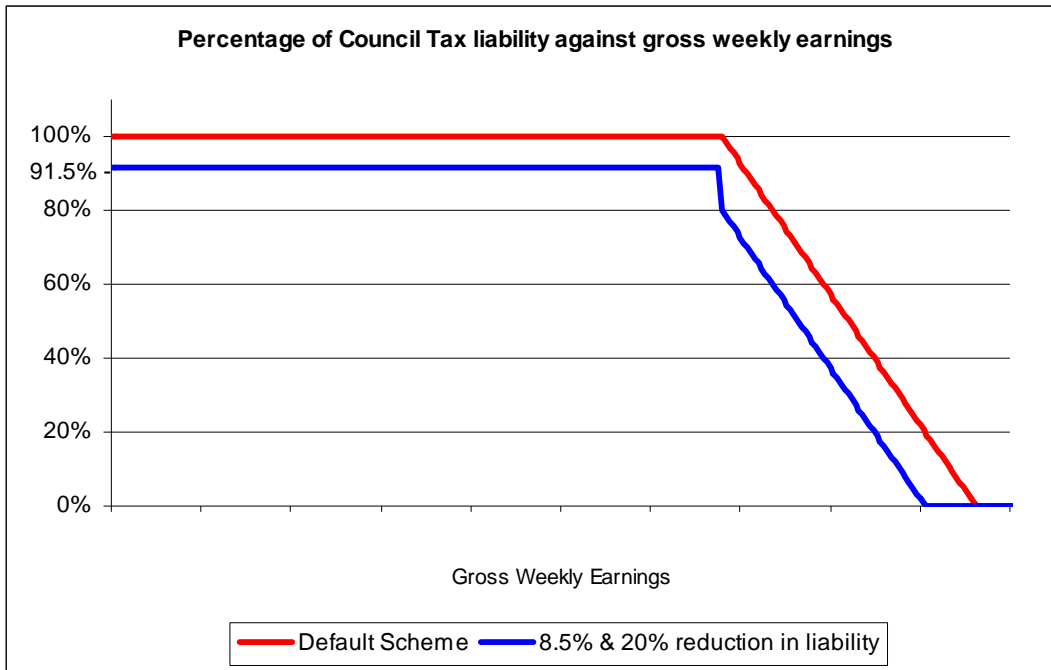
Local authorities may find it easier not to reduce applicable amounts to avoid complexity in establishing whether the scheme is compliant. Local authorities would be free to introduce more generous applicable amounts, meaning support is tapered away later – see below:

Percentage of Council Tax liability against gross weekly earnings



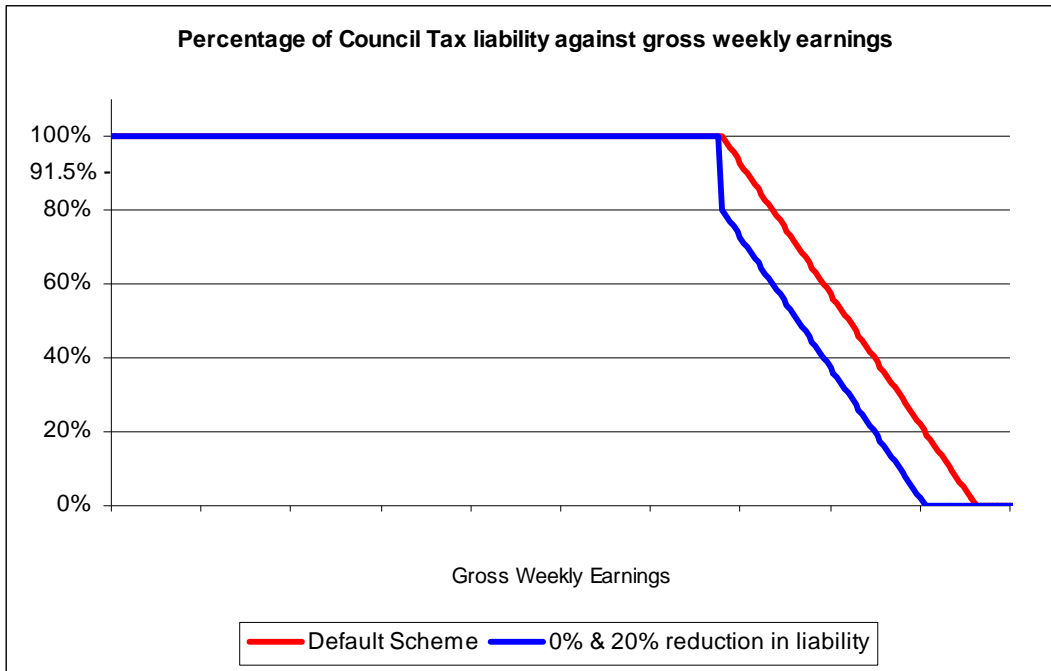
**Examples of Non-compliant Schemes:** Schemes which local authorities could adopt which would not be compliant with the terms of the grant scheme:

**Scenario G: Adopt the default scheme but reduce the maximum net liability by 8.5% for those who would have been entitled to 100% support on the default scheme and reduce the maximum net liability by 20% for all other claimants.**



This approach would not be compliant because those moving onto the taper see a sharp reduction in support - i.e. a 'cliff edge'.

Similarly a scheme which protects those not on the taper from any reduction in support, but increases the starting liability for all other claimants to 20%, as illustrated below, would not be compliant.



**Scenario H: Adopt the default scheme but cap at a council tax band**

Schemes which cap support at a band level would not be compliant – as the starting point for all is a greater than 8.5% minimum liability.