

Appendix 3 – Transitional Grant Funding

Council Tax Support – Proposed final scheme P&R 29th November 2012

1. On 16th October the Government announced the Department of Communities and Local Government (DCLG) was making an extra £100million available to local authorities to support their local Council Tax Support schemes. The value of this grant to Brighton and Hove is £601,000
2. This grant is only available if the council's scheme meet certain requirements, those requirements are:
 - **Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;**
 - **The taper rate does not increase above 25%;**
 - **There is no sharp reduction in support for those entering work.**
3. The proposed scheme set out in the July P&R report would not meet these requirements because it proposed benefit paid up to 90% of liability. The first provision above means this would have to be 91.5% or more.
4. The options as to whether to take advantage of the grant or not are detailed in the table below.
5. The two options which officers consider meet the provisions above with little or no risk of challenge are:
 - a. Basing reduction on 91.5% of net liability for all working age recipients; that is after other discounts have been applied.
 - b. Basing reduction on 93.625% of gross liability for all working age recipients; that is before other discounts have been applied.

Option a. would result in a stronger financial situation for year 1; however given that the transitional grant will only be in place for the first year option b. is structurally the same as the original proposal (albeit at a different percentage point) and as such there may be less complication in terms of communication should the council need to amend the scheme in the second year back to a figure based on gross liability.

The Policy & Resources Committee noted that we should proceed on the basis of option a – the net liability option and the main reason is set out in the main report (see paragraph 6.3).

CTS scheme Combined BHCC, Police and Fire financial implications

The Council Tax Reduction Scheme applied **after** Single Person discount

	Maximum Liability	Cap	Savings generated £m	Complies with Transition grant rule			Grant	Admin difficulty (system does not support)	Total Savings generated
				8.50%	No more than 25% taper restriction	No Sharp reduction entering work			
Scheme proposed in July 2012	90%	£3.00	1.512	No	Yes	Yes	0	Low	1.512
8.5% Max liability reduction	91.5%	£3.00	1.269	Yes	Yes	Yes	0.601	Low	1.870
10% max liability with 8.5% cap on benefit reduction for those on 100% benefit	90%	8.5% and £3	1.327	Liable to challenge	Yes	No	0	High	1.327
10% max liability with 8.5% cap for all	90%	8.5% and £3	1.140	Liable to challenge	Yes	Yes	0.601	High	1.741

The Council Tax reduction scheme applied **before** Single Person Discount

	Maximum Liability	Cap	Savings generated £m	Complies with Transition grant rule			Grant	Admin difficulty (system does not support)	Total Savings generated
				8.50%	25% taper restriction	No Sharp reduction entering work			
Scheme proposed in July 2012	90%	£3.00	1.789	No	Yes	Yes	0	High	1.789
8.5% Max liability reduction	91.50%	£3.00	1.508	No	Yes	Yes	0	High	1.508
6.375% Max liability reduction*	93.625%*	£3.00	1.099	Yes	Yes	Yes	0.601	High	1.700
10% max liability with 8.5% cap for those on 100% benefit	90%	8.5% and £3	1.382	Liable to challenge	Yes	No	0	High	1.382
10% max liability with 8.5% cap for all	90%	8.5% and £3	1.272	Liable to challenge	Yes	Yes	0.601	High	1.873