



Ministry of Housing,
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Local Taxation Division

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FOR THE ATTENTION OF THE COUNCIL TAX SECTION

Council Tax Information Letter – 16 April 2020

COVID-19 hardship fund

Dear Colleague,

Following the announcement of the £500m hardship fund at the Budget on 11 March, the Department has received a number of queries on some detailed implementation aspects of the scheme. This letter sets out the Department's view on some of the most common queries.

On 24 March, the Department published guidance and allocations to billing authorities on delivery of the hardship fund. The guidance can be found at: <https://www.gov.uk/government/publications/council-tax-covid-19-hardship-fund-2020-to-2021-guidance>

In preparing the guidance, the Government took into account requests from the sector for a balanced approach which gave a clear steer on the target group for the support while providing opportunities for local discretion, allowing councils to reflect the existing support mechanisms available locally.

Following queries from local authorities and others, we have developed the **Q&A at Annex A** to address some of the most common topics raised and assist councils in determining how to administer the fund locally in line with the published guidance. The Q&A provides views on how councils might want to implement their schemes. Local authorities are responsible for administering the hardship fund and retain the discretion to make their own decisions on the levels and methods of delivering the additional support. In doing so, they should have regard to the hardship fund guidance and the Government's aims for the fund, which are to support economically vulnerable people and households through additional council tax relief.

COVID-19 hardship fund Q&A

Q. Who qualifies for a discount?

The Government's expectation is that all working-age LCTS claimants in 2020-21 (who are entitled to working-age LCTS in respect of any part of the 2020-21 council tax liability) will receive a further discount of £150.

Where, at the point a claimant first becomes entitled to working-age LCTS in 2020-21, their liability for the remainder of the financial year is less than £150, the discount should be applied to bring the liability down to nil.

The reduction is to be made through the use of powers under section 13A(1)(c) of the Local Government Finance Act 1992 and is referred to in this document as a hardship fund discount.

Q. Should the hardship fund discount be applied pro-rata based on length of LCTS eligibility?

The hardship fund discount should be applied at the point a claimant first becomes entitled to working-age LCTS in 2020-21.

It should be applied against the claimant's liability for the remainder of the financial year, after the application of any relevant discounts, exemptions and council tax support. Where the liability for the remainder of the financial year is less than £150, the discount should be applied to bring the liability down to nil.

A current working-age LCTS claimant whose LCTS eligibility ends part way through the year (or who reaches pension-age and switches to pension-age LCTS), should retain their hardship fund discount unaltered.

A claimant receiving working-age LCTS for the first time from, for example, mid-year, should also be entitled to a full £150 discount against their liability for the remainder of the financial year, after the application of any relevant discounts, exemptions and council tax support. Where the liability for the remainder of the financial year is less than £150, the discount should be applied to bring the liability down to nil.

Q. How should the discount be applied?

Councils should consider how best to profile support delivered using the fund, balancing the need to get support quickly to those in need with deliverability and simplicity of administration.

Where council tax discounts are offered, councils can spread the reduction over the usual instalments.

Q. What happens where an individual's liability for council tax changes mid-year?

An individual's liability may change mid-year due to a change in their circumstances which impacts on relevant discounts, exemptions or level of council tax support. In such cases, councils may also need to reassess the level of hardship fund discount.

If liability increases, and an individual had not previously been entitled to a full hardship fund discount because their former liability was less than £150, they should receive a further reduction to take their total hardship fund discount to £150, even if their LCTS eligibility has ended.

If liability decreases mid-year (as a result of increased eligibility for LCTS or discounts and exemptions), councils may need to reassess the level of hardship fund discount, noting that the level of discounts cannot exceed the total liability.

Individual councils should satisfy themselves that they are using their discretionary section 13A(1)(c) powers in accordance with the regulations, noting that a taxpayer's liability cannot be reduced below nil.

Q. Can we offer a discount of more than £150?

Yes. Councils can use their discretionary section 13A(1)(c) powers to reduce council tax liability to any level.

When determining the level of discount to provide, councils will want to reflect on their allocated amount from the hardship fund and the Government's expectation that all working-age LCTS claimants in 2020-21 will receive a further discount of £150.

Q. Can we use the fund to award reductions to non-LCTS recipients/to fund local welfare schemes?

Where councils have allocated funding to meet the Government's expectation that all working-age LCTS claimants in 2020-21 will receive a further discount of £150 (up to a maximum of the remaining liability for the financial year from the point of LCTS eligibility, after the application of any relevant discounts, exemptions and LCTS) they can use any remaining allocation as they see fit.

In doing so, they should take into account the Government's expectation that the fund should support economically vulnerable people and households, and that most of the funding will be used to provide more council tax relief, either through existing local council tax support schemes, or through complementary reliefs.

Q. What happens where an individual moves address?

When individuals move address within an authority area, councils should ensure that all working-age LCTS recipients receive a discount of £150 against their total council tax liability from the point they first became entitled to LCTS.

If people move between local authority areas, where possible the councils should liaise to ensure that an appropriate level of assistance is provided.

Q. What happens in the case of joint and several liability?

Where individuals are jointly and severally liable for council tax, and any of the individuals are entitled to LCTS, the government expects the reduction of £150 to be applied to the liability for the whole property (regardless of whether one or all of the liable parties are entitled to LCTS), from the earliest date of LCTS entitlement for any of the liable parties.

Q. What records should councils be keeping?

Authorities should keep a separate record of grant expenditure under this scheme, both through the council tax system and their own local support mechanisms. MHCLG will be collecting data on the implementation of the scheme as part of wider data collection exercises regarding the response to COVID-19.

Councils should as a minimum keep records as follows:

- Grant expenditure on the expected £150 s13A(1)(c) reductions for working-age LCTS recipients
- Grant expenditure on any other s13A(1)(c) council tax reductions
- Grant expenditure through additional support outside of the council tax system (eg. local welfare schemes)

Q. When will New Burdens funding be provided?

The Government will provide funding to cover the additional costs of delivering the fund in line with the New Burdens doctrine. We are working with the sector and software suppliers to assess those costs.