

GUIDANCE TO LOCAL AUTHORITIES – APRIL 2022 COST OF LIVING AWARD

Introduction

1. This guidance is to assist local authorities in delivering the Cost of Living Award announced as part of the 2022-23 Scottish Budget on 10 February 2022. This Cost of Living Award is for £150 and will be provided to either:
 - A person who lives in a dwelling in any Council Tax valuation band, is liable for Council Tax and is in receipt of Council Tax Reduction (CTR);
 - A person who lives in and is liable for council tax for a council tax Band A-D dwelling and does not receive Council Tax Reduction;
 - Certain categories of person living in a property exempt from Council Tax.
2. This guidance is intended to support delivery of the above award, and provides:
 - background on the Cost of Living Award;
 - guidance for the Cost of Living Award;
 - reporting templates for completion and return to the Scottish Government.

Background

3. At the final Parliamentary Stage of the Scottish Budget for 2022-23, Scottish Ministers announced additional support to low income households to help tackle the cost of living crisis. These measures, described in this guidance, mean 1.85 million households, or 73% of all households, will receive financial support through their council tax bill or a direct payment.
4. It is widely recognised that the continuing knock-on effects of the pandemic and cost of living increases are having an impact on household budgets. Increased costs are impacting the most vulnerable in our society the hardest and potentially pushing households into fuel poverty. Many households are facing increased challenges in meeting their basic needs in 2022-23.
5. COSLA and Scottish Ministers therefore agreed that local authorities would administer this cost of living award to eligible households. **The overriding objective is the award is made to eligible households before the end of April 2022.**
6. With the exception of those exempt from Council Tax identified at paragraph 16, eligibility for the award is to be based on whether the person is liable for Council Tax on 14 February, 2022 for a dwelling that they live in, and, is either in receipt of a Council Tax Reduction for that dwelling or that dwelling is in Council Tax valuation Bands A-D.
7. It is recognised that local authorities' existing administrative systems can, in the main, facilitate payments being made as a credit to the council tax accounts of eligible persons. In these cases, the £150 credit should be identified in 2022-23 council tax bills. It is also recognised that some local authorities may wish to make the payment by cheque, in cash, by BACS or similar. Therefore, local authorities

have discretion to choose how this support is delivered to eligible persons in order to ensure delivery in April 2022.

8. Where the Council Tax liability rests with more than one person, the credit or payment should apply to the first named person on the Council Tax Bill. Only one payment may be made in relation to any single dwelling.
9. Additionally, local authorities will be provided funds from which to make payments to an estimated 38,000 persons or households living in dwellings exempt from Council Tax, as set out in paragraph 16.

Guidance to Local Authorities

Eligibility – Persons in Receipt of a Council Tax Reduction (CTR)

10. A person in receipt of CTR on Monday, 14 February, 2022 and living in the dwelling to which it applies qualifies for the £150 cost of living support payment. Qualification for any other dates will not be considered but a person in receipt of any amount of CTR, including the second adult rebate, on that date will be eligible. Councils have discretion to make payment in relation to a CTR award being backdated to 14 February 2022 and have discretion to make a payment if an appeal or review determines eligibility for CTR on 14 February 2022.
11. Only one payment is to be made in relation to any single dwelling, even if more than one CTR award applies to that dwelling. In cases of joint and several liability, only one payment is to be made which should be to the first named person on the Council Tax bill.

Eligibility – Persons not in Receipt of CTR but Living in Properties in Council Tax Bands A –D

12. A person not in receipt of CTR on the 14 February 2022 but living in and liable for the Council Tax for a single dwelling in council tax valuation bands A – D on that date will be eligible for the £150 cost of living support payment. This includes dwellings in Valuation Bands A–D as a consequence of the Reductions for Disabilities (Scotland) 1992 Regulations and dwellings which would be in valuation band A had those Regulations not applied. Councils have discretion to make payment in relation to a dwelling if it is the subject of a retrospective revision to the valuation list that results in the 14 February 2022 eligibility (as well as the liability and lived in) requirement being met.
13. Only one payment is to be made in relation to any single dwelling. In cases of joint and several liability, only one payment is to be made which should be to the first named person on the Council Tax bill.
14. No payment shall be made in relation to unoccupied properties including second homes and other dwellings that are no person's main residence. No payment shall be made in relation to dwellings, such as those owned by the Ministry of Defence, where charge in lieu of Council Tax arrangements apply. The Ministry of Defence will be in touch with residents of such dwellings about corresponding cost of living support.
15. No payment shall be made under this criteria in relation to dwellings exempt from Council Tax, although a person residing in such a dwelling may be eligible under the entitlement conditions described at paragraph 16 below.

Eligibility - Low Income Households Exempt from Council Tax

16. In certain circumstances, persons living in dwellings exempt from Council Tax will be eligible for the £150 Cost of Living award. Specifically, eligibility only applies to persons living in dwellings where:

- all the occupants are under 18;
- all the occupants are care leavers;
- all the occupants are severely mentally impaired;
- the property is unoccupied because the resident has gone to someone else's home to provide care or the resident receives care elsewhere.

17. Only one payment is to be made in relation to any single dwelling. In cases of joint and several liability, only one payment is to be made which should be to the first named person on the Council Tax bill. Where this is not possible, local authorities have discretion to identify the most appropriate person to whom this payment should be made.

18. Additionally, persons accessing Housing Support Service and/or living in temporary accommodation or a refuge on 14 February 2022 will be eligible for payment under this scheme if they do not qualify under the other criteria listed above. It is recognised that payments to such persons may be more readily administered by local authority homelessness services. Local authorities have discretion to award reduced amounts if they consider making the full payment would not be in that person's best interests or potentially compromise their welfare.

Payment and Delivery

19. As set out in paragraph 5 above, **the overriding objective is the award is made to eligible households before the end of April 2022.** As set out in paragraph 7, it is recognised that local authorities' existing administrative systems can, in the main, facilitate payments being made as a credit to the council tax accounts of eligible persons in this time frame. In these cases, the £150 credit should be identified in 2022-23 council tax bills. It is also recognised that some local authorities may wish to make the payments by cheque, by BACS or similar. Therefore, local authorities have discretion to choose how this support is delivered to eligible persons in order to ensure delivery in April 2022.

20. Local Authorities have discretion over the method used to make direct payments. Direct payment via BACS to the first named person liable for Council Tax is encouraged, with flexibility for alternate payment mechanisms to be used, such as PayPoint (or equivalent) or cheque. Local authorities should give consideration to the method of payment, given local capacity, and take reasonable steps to ensure recipients are not disadvantaged by the mechanism selected- for example if they are required to pay an administration fee to a 3rd party in order to receive the payment.

21. As eligibility for the cost of living award is determined by the Council Tax and/or CTR status of a dwelling at 14 February, 2022, local authorities will, in the course of their council tax billing processes, be able to identify which council tax accounts should receive the credit. It is therefore not anticipated that eligible persons will need to apply for the award, although local authorities should take reasonable steps to verify payment details (e.g. identity checks, bank account details), especially if the award is not to be made as a credit to a council tax account. However, local authorities should ensure that a person who is potentially eligible

for the award but who does not receive the credit in their council tax bill is able to apply, with a corrected bill being issued where appropriate.

22. In assessing their compliance with GDPR, local authorities may wish to note that in administering the cost of living award, they will be processing personal data held for council tax purposes to further administer council tax accounts. However, local authorities will wish to ensure their actions are consistent with GDPR where they seek further information from potential recipients of the award or verify circumstances before making a payment.
23. When contacting individuals in the course of administering the award, local authorities should make clear their timescale for response, the information required and what will happen if no response is received. In doing so there may be instances where, despite reasonable steps being taken to make awards to eligible households within the delivery period, local authorities will be unable to make a payment. In these instances a credit should be applied to the council tax account.
24. Where a credit is applied to a Council Tax account, this should be applied after the Council Tax Reduction is calculated to ensure that person receives the benefit of the full £150 award. Any credit to a Council Tax account may also be used against water and sewerage charges.
25. It is expected that cost of living awards credited to Council Tax accounts are applied in full at the start of the 2022-23 Council Tax year. This could mean that, for example, a person who paid their Council Tax by 10 or 12 monthly direct debits would see the £150 Cost of Living Award deducted from their first few payments, although it is recognised that not every local authority has administrative systems with the functionality to re-profile bills in this way.
26. The Scottish Government also expects that Cost of Living Awards applied to Council Tax accounts are applied to the 2022-23 Council Tax year liability, and not applied to historic Council Tax debt.
27. Councils should make available to the public arrangements for delivery, any steps potentially eligible persons need to make and the process for payments in their area, including confirmation that these will be made in April 2022. Where a cost of living award credited to a Council Tax account results in that account going into credit, a council's normal practices, for example in relation to refunds, would apply.
28. The scheme will be closed at a date to be agreed in summer 2022 when a final reconciliation of payments made and funds received will be required from local authorities and no payments may be made after that agreed date.
29. Councils may make provision for a Cost of Living Award to be returned to them should the recipient not wish to retain it.

Fraud and Error

30. Where the cost of living award is made as a credit to Council Tax accounts, based on data held by the council relating to that Council Tax account, that process of itself delivers significant protection against fraud and abuse.
31. In cases where a person makes an application to a local authority for a cost of living award, and cases where a local authority elects to make a direct payment of the award by cheque, BACS or in cash, reasonable additional steps should be taken to tackle potential fraud. These will include ensuring that no more than one payment is made to each dwelling, for example where:
- a household moves to another local authority area. In this instance the local authority where the eligible person was resident on 14 February 2022 should make the payment;
 - a household moves address, within the same local authority, or their circumstances change. In all cases, eligibility for the award relates to the circumstances at 14 February 2022.
32. Local authorities are expected to recover any payments made in error or where eligibility retrospectively changes if they consider the costs of doing so are proportionate. Local authorities have discretion to seek the recovery of any such payments after the closure of the scheme.
33. Local authorities are required to robustly pursue the recovery of any payments made where eligibility is based on false or fraudulent information.

Powers

34. Payments of the Cost of Living Award will be made using the powers given to local authorities under section 20 of the Local Government in Scotland Act 2003.

Funding

35. In total the Scottish Government will provide £280 million to local government to facilitate making Cost of Living Awards with distribution agreed by both the SG/COSLA Settlement and Distribution Group and Group Leaders on 17 February, 2022. Administration funding will be provided with the option for this to be further considered, including by the Scottish Government, once actual costs are understood. Administrative costs will not be adjusted to compensate a particular council choosing to incur higher costs than necessary.

Reporting

36. Local Authorities are required to advise the Scottish Government Local Government and Analytical Division via email entitled "Cost of Living Awards" to lqfstats@gov.scot to confirm the method by which the Cost of Living Award is to be made to eligible households by Monday 7 March. These methods will either be by a £150 credit to a Council Tax liability for 2022-23 or as a £150 payment (by cheque/BACS transfer or similar method).

37. In addition to providing the information to the Scottish Government set out in paragraph 36, local authorities are also required to report:
- the total value of any payments issued;
 - the total value of any Council Tax account credits issued;
38. This should be provided, using the template provided at Annex A to lgfstats@gov.scot by Friday 29 April. The Scottish Government will require a further completed version of this template once the scheme is closed which can also be used to support the final reconciliation of funding. This will be in summer 2022 at a date to be agreed.

Treatment for Tax And Benefit Purposes

39. Our expectation is that DWP will consider the purpose of the payment against the definition of 'local welfare provision' in relevant legislation. On that basis, DWP have indicated that payments would be disregarded for the purpose of those benefit entitlements for which the legislation specifies that capital to be disregarded includes 'any local welfare provision.' DWP have also indicated that the payments would have no impact on particular contribution-based benefits.
40. Our expectation is that DWP will consider that payments will be treated as capital for the purpose of Universal Credit and may impact upon entitlement where the total capital held exceeds £6,000, either prior to or as a result of this payment.
41. Within the CTR System, a crisis payment made by a local authority for the purpose of meeting a short term need is disregarded as income and capital of a person, where the payment is made using the local authority's power to advance well-being and is using funding provided by the Scottish Ministers. While it is for local authorities, as administering bodies, to reach their own view on this point, the Scottish Government is funding the payments as a response to the increase in living costs.
42. The UK Government have now confirmed that the Cost of Living Award the will not be taxable from first principles (with regards to employment income, miscellaneous income or annual payment provisions) They have also indicated that HMRC are unlikely to challenge instances of a trader working from home not declaring any award received as a trading receipt.

Annex A – Reporting Template

Name of local authority: *[Important!]*

Eligible Households not in receipt of Council Tax Reduction		
Payments made via cheque/BACS	Number of Awards	Total Value
Council Tax Band A		
Council Tax Band B		
Council Tax Band C		
Council Tax Band D		

Eligible Households not in receipt of Council Tax Reduction		
Credit made to Council Tax Liability for 2022-23	Number of Awards	Total Value
Council Tax Band A		
Council Tax Band B		
Council Tax Band C		
Council Tax Band D		

Eligible Households in receipt of Council Tax Reduction		
Payments made by cheque/BACS	Number of Awards	Total Value
Council Tax Band A		
Council Tax Band B		
Council Tax Band C		
Council Tax Band D		
Council Tax Band E		
Council Tax Band F		
Council Tax Band G		
Council Tax Band H		

Eligible Households not in receipt of Council Tax Reduction		
Credit made to Council Tax Liability for 2022-23	Number of Awards	Total Value
Council Tax Band A		
Council Tax Band B		
Council Tax Band C		
Council Tax Band D		
Council Tax Band E		
Council Tax Band F		
Council Tax Band G		
Council Tax Band H		

Eligible Households exempt from Council Tax		
Payments made by BACS/Cheque/Cash equivalent	Number of Awards	Total Value
all the occupants are under 18;		
all the occupants are care leavers;		
all the occupants are severely mentally impaired;		
the property is unoccupied because the resident has gone to someone else's home to provide care or the resident receives care elsewhere;		
Occupants are accessing Housing Support Service and/or living in temporary accommodation or a refuge.		

Completed by:

Position:

Date:

Notes for completion of return: This template should be completed and returned to the Scottish Government no later than Friday 29 April. Returns should be made via email to lgfstats@gov.scot and clearly titled "Cost of Living Awards"