

# Isle of Wight Council

## Local Council Tax Support Scheme 2025/26

**This consultation opens on 29 July and closes on 23 September 2024.**

**Please take time to read the background information provided here to help with your responses.**

**We will consider what you tell us both carefully and fully.**

**The new scheme will start on 1 April 2025.**

**Please also note that the decisions arising out of this consultation may affect more than just the Local Council Tax Support Scheme, any additional costs may need to be funded by reductions to Council Services.**

**We will consider the impact of the scheme each year and may consult again if we think more changes need to be made.**

**Thank you for your assistance.**

## 2025/26 Local Council Tax Support Scheme – Background Information to Consultation

### Background to the consultation

#### What is this consultation about?

Each year the council must decide whether to change the Local Council Tax Support (LCTS) Scheme for working age applicants in its area.

The changes will only affect working age claimants who currently receive LCTS or who may apply in the future.

The locally agreed changes we are consulting upon do not affect people of pension age. The LCTS rules for these claimants are set nationally by the government.

The LCTS Scheme replaced the old Council Tax Benefit Scheme in 2013.

## Our current scheme

From April 2020, the LCTS scheme moved from a complex calculation to a simplified banded scheme. This was due to the impact of Universal Credit on claimants' council tax accounts and the number of bills they received in a year, as well as providing a more straight-forward scheme to understand.

The grid below shows the level of support applicable to a claimant, dependent on their household makeup and weekly income.

Band	Level of LCTS	Couple with children	Couple with no children	Single parent with one child	Single parent with two or more children	Single person
1	75%	Passport benefit	Passport benefit	Passport benefit	Passport benefit	Passport benefit
2	75%	£0.00 - £310.00	£0.00 - £145.00	£0.00 - £175.00	£0.00 - £260.00	£0.00 - £95.00
3	65%	£310.01 - £360.00	£145.01 - £195.00	£175.01 - £225.00	£260.01 - £310.00	£95.01 - £145.00
4	45%	£360.01 - £410.00	£195.01 - £245.00	£225.01 - £275.00	£310.01 - £360.00	£145.01 - £195.00
5	25%	£410.01 - £460.00	£245.01 - £295.00	£275.01 - £325.00	£360.01 - £410.00	£195.01 - £245.00
6	0%	£460.01+	£295.01+	£325.01+	£410.01+	£245.01+

Claimants who have a total net weekly income less than that in Band 2 will receive a discount of 75 per cent against their liability for council tax. This also applies to those applicants in receipt of the following benefits:

- Income Support, Employment Support Allowance (income related), Job Seekers Allowance (income based) – **Band 1 'in receipt of a passported benefit.'**

Other elements of the scheme include:

- Carer's Allowance is treated as disregarded income.
- If a claimant or their partner is in work, £25 per week is deducted from their net weekly income.
- If a claimant, partner or their dependent child is in receipt of a disability-related benefit, £50 per week is deducted from their net weekly income.
- A standard charge of £2 per week is deducted from a claimant's weekly entitlement if they have a non-dependant adult in their household.
- Claimants with capital or savings in excess of £6,000 will not be entitled to any support.

- LCTS is limited to a level that would be no more than a Band C property.
- When calculating income for people that are self-employed, we would continue to apply a 'minimum income'.

### **How much does the current scheme cost?**

There are currently 9,679 claimants in receipt of LCTS on the Island. This figure is currently fluctuating due to the current economic financial situation of residents, and the need for support to be provided to assist low-income families providing support in paying their council tax.

The gross cost of the scheme last year (2023/24) was £10.6 million.

For this year (2024/25) the cost is budgeted at £11.5 million, considering the increase in council tax from 1 April and the increase in the maximum level of support which was agreed at Full Council in January 2024.

The latest projection of the cost of Local Council Tax Support for 2024/25 is £11.5 million. Whilst central government provides funding towards the scheme, it is projected that there is a deficit of £3.575 million which the council would need to find.

In the council's budget approved in February 2024, there is a forecast revenue budget gap of £1 million for to 2025-26. The impacts of the Covid pandemic will continue to be felt in the medium term and it is anticipated that there will be ongoing impacts on care services, some sources of income, and both council tax and business rates receipts. This will present a significant challenge for seeking to balance the budget, alongside other financial pressures currently faced by the council.

### **Why is a change to the Local Council Tax Support Scheme being considered?**

Decisions about changes to the scheme need to be considered alongside the wider challenges being faced by local authorities.

As government funding continues to decrease, we need to strike a balance between a revised scheme that is fair and affordable for those who receive support, and also for all our residents who receive council services. However, we remain committed to providing the maximum level of support for those with the lowest income.

### **What is being considered?**

We are putting forward the proposed scheme below for consultation. The potential benefits and drawbacks of these are detailed within the questionnaire:

- The Proposed Scheme

- To maintain all aspects of the current scheme (including the current maximum level of support and the Exceptional Hardship Policy), except for the changes below:
  - To replace the current earnings disregards of £25.00 and £17.10 per week with one standard earnings disregard of £45.00 per week.
  - To remove the 'extended reductions' element of the scheme
  - To remove the childcare costs and disregard childcare element of Universal Credit from the calculation of Local Council Tax Support.
  - To disregard in full any Post Office Compensation Scheme payments
  - To disregard in full any Vaccine Damage Payments
  - To disregard in full any payments from the Infected Blood Inquiry

Of the 9,679 claimants in receipt of Local Council Tax Support, there are 5,083 working age claimants who would be affected by any changes to the scheme.

**Please refer to Appendix 1 of this document for case studies on how the proposed scheme might affect various households.**

## **Exceptional Hardship Fund**

All LCTS claimants continue to be able to apply for additional support on a case-by-case basis where they experience exceptional hardship via the 'Exceptional Hardship Fund'. This fund is made available to claimants each financial year regardless of any changes which are made to the LCTS scheme.

## **Having your say**

The questionnaire (below) seeks your views and suggestions to help us design the scheme for 2025/26.

We would like the consultation to be as wide as possible and invite responses from all interested parties, including LCTS claimants and potential claimants, council taxpayers, other residents, businesses, town, parish and community councils, the voluntary sector and advocates and representative groups.

We will also be consulting with the police and crime commissioner who is a statutory consultee and with other support agencies about the proposed options.

There is an online questionnaire. To provide your response, please visit [www.iow.gov.uk/LCTSconsultation](http://www.iow.gov.uk/LCTSconsultation)

PDF versions of the questionnaire are available on request, to be returned to Revenues and Benefits, PO Box 238, Newport, Isle of Wight PO30 9FP.

## Questionnaire

### Have your say on the Local Council Tax Support Scheme

The council is very keen that you have all the information you need to provide informed answers and choices.

The background information explains the scheme itself and how the scheme is currently funded. It explains why we are proposing these changes.

Please confirm that you have read the background information about the Local Council Tax Support Scheme.

**I have read the background information about the Local Council Tax Support Scheme:**

Yes  No

**This question must be answered before you can continue.**

### Proposed Scheme

As explained in the background information, the council is consulting on a proposed scheme from 1 April 2025 for working age claimants. Set out below is the proposed scheme being considered.

#### Proposed Scheme

- 1. Maintaining all aspects of the current scheme (including the current maximum level of support and the Exceptional Hardship Policy), except for aspects 2 – 7 below.**

The council currently assesses an applicant's entitlement to LCTS using an income banded scheme which is based on who lives in the household, the money coming in, and the council tax charge for the property the person lives in. The current maximum support which can be given to an applicant is 75 per cent of their council tax liability, meaning they have a minimum of 25 per cent to pay. Further details can be found above under 'Our current scheme' and on the council's website [www.iow.gov.uk/lcts](http://www.iow.gov.uk/lcts)

**The benefits of this are as follows:**

- Recipients of LCTS will receive the same level of support as they receive currently.
- The scheme is simple and easy to understand.
- All applicants still in receipt of LCTS would be able to apply for additional support on a case-by-case basis where they experience exceptional hardship to the 'Exceptional Hardship Fund.'
- Keeping the maximum level of support the same as it is currently, provides some stability to the council's financial position.

**The drawbacks of this are as follows:**

- It does not provide additional support to claimants, considering other financial pressures such as the cost-of-living crisis and rising energy costs.
- If claimants have trouble in making high council tax payments, the administration of council tax recovery could increase and affect recovery rates.
- If council tax is increased but the level of LCTS remains the same, there is a larger gap in the level of support, meaning claimants will still need to find more to pay towards their council tax.

**Question 1: Do you agree with maintaining all aspects of the current scheme, aside from aspects 2 – 7 below?**

Yes (agree)  No (disagree)  Don't know

**2. Replacing the current earnings disregards with one standard earnings disregard**

Currently, all claimants in remunerative work (those who work an average of 16 or more hours per week) have £25.00 per week disregarded from their income, as well as an additional disregard of £17.10 per week if they meet additional criteria depending on their circumstances. Claimants who currently receive Working Tax Credit will be migrating to Universal Credit instead, and the additional earnings disregard would no longer apply to them. This proposed change would mean that they would not lose the level of the earnings disregard during the migration process.

**The benefits of this are as follows:**

- Claimants who migrate from Working Tax Credit to Universal Credit would not be negatively affected by the removal of the additional earnings disregard.
- Having one standard earnings disregard and removing the requirement for remunerative work supports all working households regardless of the number of hours they work per week.
- Having only one earnings disregard is easier to understand and administer.

**The drawbacks of this are as follows:**

- There is a cost to the scheme of £38,000.
- Whilst this change protects all employed claimants, there are some claimants who will benefit from the change more than others (those who work less than 16 hours per week currently).

**Question 2: Do you agree with replacing the current earnings disregards with one standard earnings disregard?**

Yes (agree)  No (disagree)  Don't know

**3. Removing the 'extended reductions' element of the scheme**

Currently, claimants in receipt of an existing legacy benefit such as Income Support, Job Seekers Allowance (income based) or Employment Support Allowance (income-related) who start work can have their Local Council Tax Support entitlement protected at the higher rate for a maximum of four weeks before their entitlement is affected by their income change. As these legacy benefits will no longer be in existence once all claimants have migrated to Universal Credit, it is proposed to remove these parts of the Local Council Tax Support scheme, as there is no such provision within Universal Credit regulations.

**The benefits of this are as follows:**

- This replicates Universal Credit regulations which do not contain provision for any 'extended reduction' periods.
- Removing this element makes the Local Council Tax Support scheme easier to administer.
- There are currently very few claims eligible for the extended reduction, so the impact of the proposed change is considered negligible.

**The drawbacks of this are as follows:**

- There are no drawbacks applicable to this change.

**Question 3: Do you agree with removing the 'extended reductions' element of the scheme?**

Yes (agree)  No (disagree)  Don't know

**4. Removing the childcare costs and disregarding the childcare element of Universal Credit from the calculation of LCTS.**

Currently, claimants who pay childcare costs and receive the childcare element of Universal Credit sometimes experience issues in how their claim is assessed. This is because the income they receive and the expenses they incur for childcare are being assessed in different periods which causes their LCTS entitlement to fluctuate drastically – sometimes enough to close their claim completely. This proposed change to the LCTS scheme will disregard any childcare income they receive through Universal Credit and not take into account the expense they pay when calculating their entitlement.

**The benefits of this are as follows:**

- Those claimants who have childcare elements included within their Universal Credit claim will be better protected from LCTS entitlement fluctuations which are occurring because of the way Universal Credit is assessed.
- Because the fluctuations would reduce, claimants would not have to fill in multiple application forms for LCTS which they currently do each time their claim

is terminated because of this issue, and it promotes stability for those trying to work whilst maintaining a family.

- Implementing this change would make it easier for affected claimants to maintain their council tax instalments and regular payments.
- Because the childcare income and expenses will in effect offset each other, there is no cost to the council for this change.

**The drawbacks of this are as follows:**

- Because this change is specific to Universal Credit claims, it means there are two different ways of assessing childcare costs under the LCTS scheme, so the administration is more complex. However, the benefits of this change are considered to outweigh the administration.

**Question 4: Do you agree with removing the childcare costs and disregarding the childcare element of Universal Credit from the calculation of LCTS?**

Yes (agree)  No (disagree)  Don't know

## **5. Disregarding Post Office Compensation scheme payments**

In May 2024, central government announced that postmasters affected by the Horizon IT scandal or related court judgments may be eligible for compensation payments. This proposed change to the LCTS scheme means that any of these payments would be disregarded as income and capital in the assessment of their entitlement.

**The benefits of this are as follows:**

- LCTS entitlement will not be affected by these payments and claimants will not be negatively impacted.
- Disregarding this income aligns with other national benefit schemes.

**The drawbacks of this are as follows:**

- There would be a cost to the scheme for this proposed change, however it is considered negligible.

**Question 5 – Do you agree with disregarding Post Office Compensation scheme payments?**

Yes (agree)  No (disagree)  Don't know

## **6. Disregarding Vaccine Damage payments**

Central government administer payments to those who are severely disabled as a result of vaccination against certain diseases. This proposed change to the LCTS scheme means that any of these payments would be disregarded as income and capital in the assessment of their entitlement.

**The benefits of this are as follows:**

- LCTS entitlement will not be affected by these payments and claimants will not be negatively impacted.
- Disregarding this income aligns with other national benefit schemes.

**The drawbacks of this are as follows:**

- There would be a cost to the scheme for this proposed change, however it is considered negligible.

**Question 6 – Do you agree with disregarding Vaccine Damage payments?**

Yes (agree)  No (disagree)  Don't know

**7. Disregarding Infected Blood Inquiry payments**

In May 2024, central government announced a scheme to deliver financial compensation to victims of infected blood. This proposed change to the LCTS scheme means that any of these payments would be disregarded as income and capital in the assessment of their entitlement.

**The benefits of this are as follows:**

- LCTS entitlement will not be affected by these payments and claimants will not be negatively impacted.
- Disregarding this income aligns with other national benefit schemes.

**The drawbacks of this are as follows:**

- There would be a cost to the scheme for this proposed change, however it is considered negligible.

**Question 7 – Do you agree with disregarding Infected Blood Inquiry payments?**

Yes (agree)  No (disagree)  Don't know

The alternative to the proposed scheme being considered is to keep the scheme unchanged. This will mean that none of the above proposed changes would be implemented, and the current scheme would continue for a further year.

**Question 8 – Do you think that the scheme should continue unchanged as opposed to making the above proposed changes?**

Yes (agree)  No (disagree)  Don't know

**Question 9: If you disagree with the proposed scheme, please use the space below if you would like the council to consider any other options (please state).**

**Question 10: If you have any further comments to make regarding the LCTS Scheme that you haven't had opportunity to raise elsewhere, please use the space below.**

### **Next steps....**

**The consultation closes on 23 September 2024.** This is because of the timescales involved and the legal requirement that the council adopts any amended scheme by January 2025 at the latest if it is to take effect from 1 April 2025.

We will listen carefully to what residents tell us. The consultation results will be considered alongside other evidence and information at the Full Council meeting to make the final decision on the 2025/26 scheme.

Following the decision, the full results will be available on the council's website.

The new scheme will start on **1 April 2025**. The council will consider the impact of the scheme annually and consult again if it thinks further changes need to be made.

## **Appendix 1**

Please see the case studies below showing how the proposed scheme and the alternatives might affect various households. These changes are irrespective of any general council tax increases.

### **Miss. Blue**

Miss. Blue lives alone in a Band B property and gets Universal Credit of £25.19 per week once her housing costs are deducted under the scheme. She also has earnings of £93.39 per week and a private pension of £10.19 per week.

She currently gets an annual reduction of £893.98 (65 per cent) through LCTS. This means she pays £481.37 per year for her council tax. Under the proposed scheme, if the earnings disregards were replaced with one standard disregard of £45.00 per week, she would pay £343.83 per year. This is £137.54 per year less than she currently pays.

### **Mr. and Mrs Brown**

Mr. & Mrs Brown are a couple with one child and live in a Band B property. Mrs Brown has earnings of £170.67 per week. Mr. Brown receives Employment Support Allowance (contribution-based) of £90.50 per week and Universal Credit of £179.78 per week. He also receives Personal Independence Payments of £184.30 per week, Child Benefit of £25.60 per week and Employment Support Allowance Support Component of £47.70 per week, all of which are disregarded incomes under the scheme.

They currently get an annual reduction of £1,256.55 (65 per cent) through LCTS. This means they pay £676.61 per year for their council tax. Under the proposed scheme, this would remain the same if the earnings disregards were replaced with one standard disregard of £45 per week. They would still pay £676.61 as their entitlement would not change.

### **Mrs. Green**

Mrs. Green is a single person, living with one child in her Band B property. She has earnings of £122.08 and Universal Credit of £131.01 per week. She also receives Child Benefit of £25.60 per week which is a disregarded income under the scheme.

She currently gets an annual reduction of £652.44 (45 per cent) through LCTS. This means she pays £797.43 per year for her council tax. Under the proposed scheme, if the childcare cost expense was removed and the childcare element of Universal Credit was disregarded, she would still pay £797.43 per year, as her entitlement would not change.

### **Mr. and Mrs Black**

Mr. and Mrs. Black are a couple living in a Band C property with no children. Mrs Black receives Income Support which means they are in the passported scheme and automatically receive 75 per cent annual reduction.

They currently get an annual discount of £1,565.41 through LCTS. This means they pay £521.81 per year for their council tax.

Under the current scheme if either Mr. or Mrs Black were to start work and their Income Support stopped, they would receive the extended reduction for a four-week period based on the 75 per cent reduction before the earnings are taken into account. Under the proposed scheme the earnings income would be considered immediately which could mean they get less than 75 per cent reduction straight away.

### **Miss Orange**

Miss. Orange is a single person with three children living in a Band C property. She receives Child Tax Credit of £144.12 per week, Working Tax Credit of £95.37 per week and earnings of £149.76 per week. She also receives Child Benefit of £67.90 per week which is a disregarded income under the scheme.

She currently gets an annual reduction of £389.48 (25 per cent) through LCTS. This means she pays £1,168.47 per year for her council tax.

If Miss Orange was awarded an Infected Blood Inquiry payment, under the proposed scheme, she would pay the same amount for her council tax, as the income is disregarded.