

To the Clerk

Wendy Perera

Chief Executive - Interim

Isle of Wight Council, County Hall, High Street, Newport, Isle of Wight, PO30 1UD

Tel (01983) 821000

Email wendy.perera@iow.gov.uk

DX 56361 Newport (Isle of Wight)

Web www.iwight.com

IWC Ref WP/DV/LM

Date 9 August 2022

Dear Clerk

Council Tax Reduction Scheme Consultation

As you will be aware Schedule 1A of the Local Government Finance Act 1992 states that a (Billing) authority must consult any major precepting authority which has power to issue a precept to it.

In accordance with the above legislation, Isle of Wight Council asks that as a major precepting authority you formally consider the scheme currently being prepared. I am therefore setting out our broad approach to the options under consideration and seeking any views you may have on them at this stage of the process.

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.

In 2023/24, the Isle of Wight Council will keep approximately 81% of the Council Tax that it collects. The Police and Crime Commissioner will keep approximately 11% the Isle of Wight Fire Authority will keep 3% and Town and Parish Councils will keep approximately 5%. The Council Tax Reduction Scheme (CTR) affects the amount that is due to be collected and so impacts on the finances for delivering services for the Police and Crime Commissioner, Isle of Wight Council and Town and Parish Councils.

The options of the Council Tax Reduction scheme being proposed for the Council's consideration are as follows:

Option 1 – Increase the maximum level of support from 65 per cent to 70 per cent.

Option 2 – Increase the earnings disregard to £30 from the current £25.

Option 3 – Decrease the non-dependent deduction rate to £1 per week.

Option 4 – Adding a local welfare payment disregard to mirror Housing Benefit

regulations. This will allow us to disregard all special payments made by the Local Authority, such as the 'Homes for Ukraine – thank you payments'

Option 5 -Where Central Government increases the amount of any welfare benefit payments due to a crisis or as an emergency provision, the Council reserves the right to disregard any increase as thought necessary to protect the entitlement of any Council Tax Reduction.

I have also enclosed a copy of the consultation document which provides more information on the options.

Those claimants of pensionable age (approximately 49% of current caseload) are protected (the government determine the pensioner CTR scheme) and any local scheme cannot include reductions in support given to them. The options proposed will affect working age claimants who currently receive CTR or who may apply in the future as part of any local scheme provision.

The final scheme design for the Council will be notified to you as a major precepting authority once public consultation has been completed and considered by the Isle of Wight Full Council Meeting on 18 January 2023, where a final decision on the scheme for 2023/24 will be made.

This document will form part of the formal consultation with you as a major precepting authority.

I would welcome any initial views that you have as the Town, Parish or Community Council that can be included in the final report.

In particular what are your views on: -

1. The options that should be considered in developing a local scheme
2. The volatility of the council tax base and council tax yield in future years.

In order for me to include any initial views you have in the report to Full Council I would need them by 27 September 2022 if possible. If you feel a telephone conversation or a meeting would help, then I am happy to arrange this.

Yours sincerely



Mrs Wendy Perera
Chief Executive - Interim

Isle of Wight Council

Local council tax support scheme 2023/24

This consultation opens on 3 August, and closes on 28 September 2022

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 2023.

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.

2023/2024 local council tax support scheme – background information 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	Household				
		Couple with children	Couple with no children	Single parent with two or more children	Single parent with one child	Single person
1	65%	in receipt of a passported benefit				
2	65%	£0 - £265	£0 - £125	£0 - £220	£0 - £150	£0 - £80
3	55%	£265.01 - £315	£125.01 - £175	£220.01 - £270	£150.01 - £200	£80.01 - £130
4	35%	£315.01 - £365	£175.01 - £225	£270.01 - £320	£200.01 - £250	£130.01 - £180
5	15%	£365.01 - £415	£225.01 - £275	£320.01 - £370	£250.01 - £300	£180.01 - £230
6	0%	£415.01+	£275.01+	£370.01+	£300.01+	£230.01+

Claimants who have a total net weekly income less than that in band 2 will receive a discount of 65 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 included in the scheme:

- Carers allowance – 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 dependant 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 10,174 claimants in receipt of LCTS on the Island. This figure is currently fluctuating due to the current economic financial situation on residents, and the need for support to be provided to assist low-income families support in paying their council tax.

The gross cost of the scheme last year (2021/22) was £10.3 million.

For this year (2022/23) the cost is budgeted at £10.5 million, taking into account the increase in council tax from 1 April.

The assumed settlement funding assessment (SFA) towards the LCTS scheme during 2022/23 was £5.2 million. Based on the council's share of the 2022/23 cost of £8.5 million, there is currently an indicative funding gap of £3.3 million.

The current scheme requires all working age claimants to pay a minimum of 35 per cent of their council tax – which means a maximum of 65 per cent support may be provided.

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.

The options for consideration

We are putting forward the following options for consultation:

Option 1 – Increase the maximum level of support from 65 per cent to 70 per cent.

Option 2 – Increase the earnings disregard to £30 from the current £25.

Option 3 – Decrease the Non-dependent deduction rate to £1 per week.

Option 4 – Adding a local welfare payment disregard to mirror housing benefit regulations. This will allow us to disregard all special payments made by the Local Authority, such as the ‘Homes for Ukraine – Thank you payments’.

Option 5 – Where central government increases the amount of any welfare benefit payments due to a crisis or as an emergency provision, the council reserves the right to disregard any increase as thought necessary to protect the entitlement of any council tax reduction.

In the council’s budget approved in February 2022, there is a forecast revenue budget gap of £6 million for the three-year period from 2023/24 to 2025/26. It is anticipated that the impact of the COVID-19 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, that alongside the highest inflation rates in a decade, will also present a significant challenge for seeking to balance the budget.

Based on estimates for the proposed options in conjunction with our current scheme, the costs and savings of each option are as follows.

There are currently 10,174 claimants in receipt of local council tax support, and 5,369 of these are of working age. The potential impact on the numbers of claimants from the options are summarised in the table below (please note that a combination of options doesn’t necessarily equal the saving figures suggested for each of the individual options if they were to be combined):

Options	Amount	Cost/Saving to the scheme	Number of claims with increased entitlement of over £2 per week
1 Increase the maximum level of support to 70 per cent	£359,821	Cost	0
2 Increase the earnings disregard to £30 from the current £25	£20,144	Cost	84
3 Decrease the non-dependent deduction rate to £1 per week	£17,912	Cost	56
4 Disregard of local welfare payments	Unknown as unable to model	Cost	unknown
5 Disregard of emergency increases to state benefits	Unknown as unable to model	cost	unknown

Please refer to the appendix of this document for case studies on how the proposed options 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.

Are there any alternatives to changing the existing local council tax support scheme?

We have also looked at alternatives to the options under consideration. The potential benefits and drawbacks of these are detailed in the 'Alternatives' section of the questionnaire:

In summary, the alternatives are as below:

- Alternative 1 – Keeping the scheme the same.
- Alternative 2 – Reducing the level of LCTS to a maximum of 60 per cent.

Having your say

The questionnaire seeks your views and suggestions to help us design the scheme for 2023/24.

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 and parish 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/lcts

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.

The case studies below show how the proposed options might affect various households (Please note that in these studies, the figures provided are applicable only to that specific option).

Option 1 – Increase the maximum level of support to 70 per cent

Mr. Blue lives alone in a band A property and gets job seekers allowance (income based) of £77 per week.

He currently gets an annual discount of £713.82 (65 per cent) through LCTS. This means he pays £384.37 per year for his council tax.

Under Option 1, if the maximum support level was increased to 70 per cent, he would pay £329.46 per year. This is £54.91 per year less than he currently pays.

Option 2 – Increase the earnings disregard to £30 per week

Miss Brown lives alone in a band B property. Miss Brown has earnings of £159.38 per week.

She currently gets an annual discount of £455.45 through LCTS. This means she pays £825.77 per year for her council tax.

Under Option 2, if the earnings disregard was increased to £30 per week, she would get an annual discount of £704.67, meaning she would have to pay £576.55 per year for her council tax. This is £249.22 less than she currently pays.

Option 3 – Decrease the non-dependent deduction to £1 per week

Ms. Green is a single person, living with one non-dependent in her band B property. She receives universal credit of £82.61 per week, and her housing costs are deducted from this under the scheme. She also receives carer's allowance of £69.70 per week, which is disregarded as income under the scheme. As she has a non-dependent, a weekly deduction of £2 is taken from her LCTS.

She currently gets an annual discount of £966.99 through LCTS. This means she pays £681.13 per year for her council tax.

Under this option, if the non-dependent deduction was decreased to £1 per week, she would get an annual discount of £1022.19 through LCTS, meaning that she would pay £625.93 per year for her council tax. This is £55.20 less than she currently pays.

Option 4 – Disregard local welfare payments

Mr Orange is a single person living in a band A property. He receives employment support allowance of £77 per week, and a personal independence payment of £61.85 per week. He also receives £500 per month Homes for Ukraine thank you payment for hosting a Ukrainian refugee in his home.

He currently gets an annual discount of £678.65 through LCTS. This means he pays £365.43 per year for her council tax.

Under this option, he would get the same annual discount through LCTS because his Homes for Ukraine thank you payment is disregarded as income.

Option 5 – Disregard any emergency increase in state welfare benefits

Mr Black lives in a band A property with four dependent children. He receives child benefit of £65.15 per week

which is fully disregarded, and universal credit of £207.18 per week, and his housing costs are disregarded from this under the scheme.

He currently gets an annual discount of £717.02 through LCTS. This means he pays £381.71 per year for his council tax.

If central government raised the standard rates of universal credit part way through 2023, this option would mean that he would have the same annual discount through LCTS as above.

Local council tax support (LCTS) consultation 2022/23

Introduction

We are very keen that you have all the information you need to provide informed answers and choices. The background information explains:

- the scheme itself;
- how the scheme is currently funded;
- what changes are proposed and why.

Please make sure to read the local council tax support scheme 2022/23 information before completing this survey.

1 I have read the background information about the local council tax support scheme?

Yes

No

Option 1 - increasing the maximum level of support from 65 per cent to 70 per cent

Information about the impact of changing the maximum level of LCTS support available to working age claimants from 65 per cent to 70 per cent.

As explained in the background information, we are consulting on five proposed options to change the existing LCTS Scheme from 1 April 2023 for working age claimants.

Set out below are the proposals being considered. This may alter the amount of support available for some people.

Please refer to Appendix 1 of the background information document for case studies on how the proposed options might affect various households.

We currently require all working age claimants to make a minimum payment of 35 per cent towards their council tax. This means that a person can claim a maximum of 65 per cent LCTS.

We are conscious that any minimum payment must be affordable given household circumstances, and given the current national financial picture, acknowledges that more support could be offered through the LCTS scheme.

Increasing the maximum level of support for all claimants to 70 per cent is a simple change to the scheme. This would reduce the amount of payment made by working age claimants to either 30 per cent or 25 per cent of their council tax.

Increasing the maximum level of support to 70 per cent

This option would see the maximum level of support be increased to 70 per cent for all working age applicants. The percentage of support provided to customers would then change depending on their household makeup and income. The table below gives examples of the type of household, by band, income received and percentage of LCTS support available to them at 70 per cent.

Band	Level of LCTS	Couple with children	Couple with no children	Single parent with two or more children	Single parent with one child	Single person
1	70%	In receipt of a passported benefit				
2	70%	£0 - £265	£0 - £125	£0 - £220	£0 - £150	£0 - 80
3	60%	£265.01 - £315	125.01 - £175	£220.01 - £270	£150.01 - £200	£80.01 - £130
4	40%	£315.01 - £365	175.01 - £225	£270.01 - £320	£200.01 - £250	£130.01 - £180
5	20%	£365.01 - £415	225.01 - £275	£320.01 - £370	£250.01 - £300	£180.01 - £230
6	0%	£415.01+	£275.01+	£370.01+	£300.01+	£230.01+

The benefits of doing this are:

- It could provide more support to all LCTS claimants and households on the lowest incomes, meaning they would pay less towards their council tax.
- It is a simple alteration to the scheme which everyone understands and simplifies administration.
- It is fair because everyone is required to pay the same minimum amount. The actual amount they are required to pay will be based on their income.

The drawbacks of doing this are:

- By offering more support, this is a cost to the scheme and the council's overall financial position. This means that other council services such as adult and children's social care may be impacted because of cost savings in their areas, which could affect the protection of the most vulnerable members of our community.
- Increasing the level of LCTS could cause an increase in council tax payable overall to fund the changes to the scheme.

2 Do you agree with increasing the maximum level of support?

- Strongly agree
 Agree
 Neither agree nor disagree
 Disagree
 Strongly disagree
 Don't know

3 If you agree with increasing the maximum level of support, should this be increased to 70 per cent?

- 70 per cent
 Not applicable

Option 2 – Increasing the current earnings disregard level to £30 per week

Currently where applicants (or their partner if they have one) have earnings, an earnings disregard of £25 per week is deducted from their total weekly income.

This proposed option would increase this disregard to £30 per week.

If they work additional hours, in some circumstances they may receive an additional £17.10 disregard per week.

Also, if childcare is paid for above the central government allowances, further disregards can be made against earnings for monies paid out.

The benefits of doing this are:

- The change is simple and administratively easy to incorporate within the scheme.
- The change would disregard a further £5 per week from working claimants' weekly income when calculating their entitlement

The drawbacks of doing this are:

- By offering more support, this is a cost to the scheme and the council's overall financial position. This means that other council services such as adult and children's social care may be impacted because of cost savings in their areas, which could affect the protection of the most vulnerable members of our community.
- Increasing the level of LCTS could cause an increase in council tax payable overall to fund the changes to the scheme.

4 Do you agree with increasing the current earning disregard level?

- | | | |
|---|--|---|
| <input type="checkbox"/> Strongly agree | <input type="checkbox"/> Agree | <input type="checkbox"/> Neither agree nor disagree |
| <input type="checkbox"/> Disagree | <input type="checkbox"/> Strongly disagree | <input type="checkbox"/> Don't know |

Option 3 – Decrease the non-dependant deduction rate to £1 per week

Currently where an applicant (and their partner if they have one) has other adults living with them such as adult sons, daughters, elderly relatives or another person over the age of 18, their LCTS may be reduced.

Any charge made is called a non-dependant deduction. In theory, the applicant should look to recoup this deduction from those adults.

The current charge for a non-dependant deduction is £2 per week. Any applicant (or their partner if they have one) receiving disability living allowance or personal independence payments will continue to be exempt from any non-dependant deductions being made from their support.

This change to the scheme would decrease the standard deduction to £1 per week for each non-dependant in the household, regardless of their income.

The benefits of doing this are:

- It could provide more support to LCTS claimants, meaning they would pay less towards their council tax.
- The change is simple and administratively easy to incorporate within the scheme.

The drawbacks of doing this are:

- All applicants, who do not receive a disability benefit, with one or more non-dependant in their household will have a deduction from their entitlement, however this will be reduced from previous years.
- By offering more support, this is a cost to the scheme and the council's overall financial position. This means that other council services such as adult and children's social care may be impacted because of cost savings in their areas, which could affect the protection of the most vulnerable members of our community.
- Increasing the level of LCTS could cause an increase in council tax payable overall to fund the changes to the scheme.

5 Do you agree with decreasing the level of non-dependant deduction?

- | | | |
|---|--|---|
| <input type="checkbox"/> Strongly agree | <input type="checkbox"/> Agree | <input type="checkbox"/> Neither agree nor disagree |
| <input type="checkbox"/> Disagree | <input type="checkbox"/> Strongly disagree | <input type="checkbox"/> Don't know |

Option 4 – Adding a local welfare payment disregard to mirror housing benefit regulations

In the current national financial position as a result of events such as the COVID-19 pandemic, the war in Ukraine and the rising cost of energy prices, central government has begun to implement targeted financial support to households through local welfare payments. Payments such as the 'Homes for Ukraine - thank you payments' have been disregarded as income from housing benefit calculations, meaning that if a claimant receives this, it is not counted in the calculation of their entitlement. There is currently no such provision within the LCTS scheme, and so if this proposed option was adopted, it would enable the council to disregard these payments as income in the LCTS calculation.

The benefits of doing this are:

- The change will replicate the Housing Benefit rules in its treatment of local welfare payments, making it fairer for all customers.
- This is a simple change to administer.

The drawbacks of doing this are:

- If these payments were to be included as income, claimants may receive less LCTS, meaning the council would achieve a saving from the scheme.

6 Do you agree with disregarding local welfare payments as income?

- | | | |
|---|--|---|
| <input type="checkbox"/> Strongly agree | <input type="checkbox"/> Agree | <input type="checkbox"/> Neither agree nor disagree |
| <input type="checkbox"/> Disagree | <input type="checkbox"/> Strongly disagree | <input type="checkbox"/> Don't know |

Option 5 - Reserve the right to disregard any increase as thought necessary to protect entitlement

Normally, any increases in state welfare benefit amounts are implemented by central government at the start of the financial year and take into account factors such as inflation. However, in the current national financial position as a result of events such as the COVID-19 pandemic, the war in Ukraine and the rising cost of energy prices, central government may look to increase the basic amount of welfare benefit payments issued to claimants part-way through a financial year. If this happened, it would mean that LCTS entitlement could decrease because a higher income was being taken into account. This proposed option would mean that claimants' LCTS entitlement would not be affected as the increase in welfare benefits would be disregarded.

The benefits of doing this are:

- Claimants' LCTS entitlement is protected, meaning they would not have to pay more council tax if their state benefits increased.

The drawbacks of doing this are:

- The administration of this option could be difficult to implement as it is currently unknown what the changes could be.

7 Do you agree with disregarding an emergency increase in welfare benefit payments?

- | | | |
|---|--|---|
| <input type="checkbox"/> Strongly agree | <input type="checkbox"/> Agree | <input type="checkbox"/> Neither agree nor disagree |
| <input type="checkbox"/> Disagree | <input type="checkbox"/> Strongly disagree | <input type="checkbox"/> Don't know |

Alternative options

Alternative 1 – Keeping the scheme the same as it is currently

We currently assess 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 65 per cent of their council tax liability, meaning they have a minimum of 35 per cent to pay. Further details can be found in the guidance document in the 'Our current scheme' section.

The benefits of this are:

- 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'.

The drawbacks of this are:

- It does not support claimants, considering other financial pressures such as the cost of living crisis and rising energy costs.
- If claimants experience difficulty in making high council tax payments, the administration of council tax recovery could increase and affect recovery rates.

8 Do you agree with alternative 1?

Yes

No

Don't know

Alternative 2 – Reducing the maximum level of LCTS to 60 per cent

As government funding continues to decrease, we requires future savings to be found to assist with the projected revenue budget gap.

Reducing the maximum level of LCTS could provide the council with a saving. Any money saved by making this reduction could be used to fund other council services.

The benefits of this are:

- It is fair because everyone is required to pay the same minimum amount. The actual amount they are required to pay will be based on their income.
- It is a simple alteration to the scheme.
- It potentially could provide significant savings.

The drawbacks of this are:

- It does not support claimants, considering other financial pressures such as the cost of living crisis and rising energy costs.
- If claimants experience difficulty in making high council tax payments, the administration of council tax recovery could increase and affect recovery rates.

9 Do you agree with alternative 2?

Yes

No

Don't know

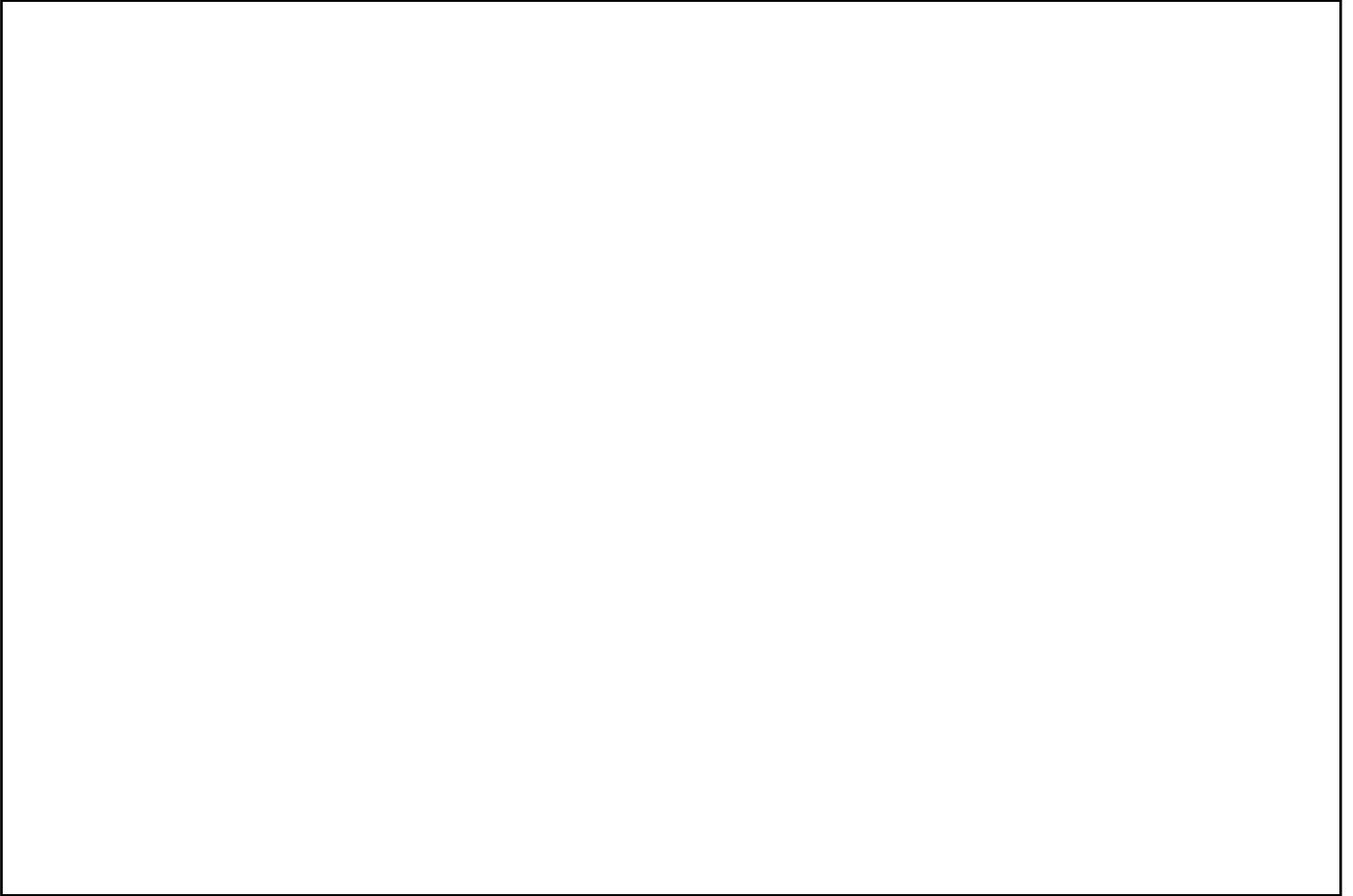
10 If we were to choose these alternative options to make savings, what would be your order of preference?

Please rank in order of preference where 1 is the option that you would most prefer and 2 is the least.

Keep the scheme the same as it is currently.

Reduce the maximum level of LCTS to 60 per cent.

11 If you disagree with the options detailed above, please use the space below if you would like us to consider any other options.



12 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.



Thank you

Thank you for completing this survey, your feedback is important to us.

Please return this survey by **28 September 2022** to:

Local Council Tax Support
PO Box 238
Newport
Isle of Wight
PO30 9FP