

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.