

**Isle of Wight Council
First Stage Equality Impact Assessment
Council Tax Reduction Scheme 2025-26**

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The Council Tax Reduction Scheme for 2025/26

The Aims, Objectives and Expected Outcomes:

1. Council Tax Reduction (CTR) was introduced by central government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of its introduction, the government in transferring the responsibility to individual councils set the requirements namely:
 - the duty to create a local scheme for **Working Age** applicants to billing authorities;
 - funding was initially reduced by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
 - persons of **Pension Age**, although allowed to apply for Council Tax Reduction, would be dealt with under regulations prescribed by central government and not the authority's local scheme.
2. The current support scheme created by the council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by central government, and the scheme for working age applicants being determined solely by the Council.
3. Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. The Council has no powers to change the level of support provided to pensioners and therefore any changes to the level of CTR can only be made to the working age scheme.
4. When CTR was introduced in 2013, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. However, due to the reduction in funding, a number of changes have been made over the years to the working age scheme. These are as follows:

Changes made from 1 April 2013 (from the original Council Tax Benefit scheme)

5. A decision was made to reduce maximum entitlement for working age non-vulnerable claimants to 80 per cent of their council tax liability. The reduction in support was deferred for one year as central government offered additional payments if councils limited their reduction and maintained a scheme that didn't reduce maximum entitlement to less than 91.5 per cent.
6. To safeguard those applicants, their partner, or disabled dependent child who were deemed working age 'vulnerable', the CTR scheme provided the same level of assistance as the previous Council Tax Benefit Scheme (100 per cent).
7. The Second Adult Rebate scheme for working age was removed, this provided a level of discount based on the income and circumstances of any 'second adult' (not the applicant or partner).

Changes made from 1 April 2014.

8. From 1 April 2014, CTR was restricted to a maximum of 80 per cent entitlement for working age. Vulnerable applicants continued to be granted protection at 100 per cent on a 'blanket' policy.

Changes made from 1 April 2016

9. From 1 April 2016, the Family Premium was removed, and backdating limited to one calendar month in line with the national changes to the Housing Benefit scheme. The family premium of £17.45 was previously awarded to households with children within the calculation of CTR and was withdrawn from Housing Benefit from May 2016. This change was approved to bring CTR in line with Housing Benefit regulations.
10. The blanket protection for certain claimants was removed and replaced by an exceptional hardship fund which gives a tailored approach to those cases suffering exceptional hardship. A blanket protection was previously provided to those working age claimants, their partners or dependent children who received certain (disability) benefits to a maximum of 100 per cent of their council tax liability applied. The introduction of a targeted protection scheme (Exceptional Hardship Fund) rather than a blanket protection was to take into account individual circumstances, including the claimant's income and essential outgoings.
11. For self-employed applicants, the minimum income floor was introduced into the scheme. This sets a minimum level of income that is used in the calculation of CTR for certain cases where they have been in business for more than 12 months. These changes align with the approach taken in Universal Credit.
12. The capital limit was reduced from £16,000 to £6,000. The maximum level of capital a claimant could own before they no longer qualified for CTR was previously £16,000, and this was reduced to £6,000 in 2016.

Changes made from 1 April 2017

13. From 1 April 2017, the following changes were made to align CTR with changes made to housing benefit namely:
 - The reduction in the period for which a person can be absent from Great Britain and still receive CTR from thirteen weeks to four weeks. A change which was introduced in housing benefit which excluded a person from housing benefit if they were out of the country for 4 weeks or more. This change was approved to bring CTR in line with Housing Benefit regulations;
 - From the 1 April 2017 new Employment Support Allowance (ESA) claimants who go into the work-related activity group will not receive additional monies in their ESA. This component was £29.05 per week in the calculation. This change was approved to bring CTR in line with Housing Benefit regulations;

- To limit the number of dependent children within the calculation of CTR to a maximum of two for any new children born on or after 1 April 2017 This change was approved to bring CTR in line with Housing Benefit regulations; and
- To remove entitlement to the Severe Disability Premium in line with changes made to housing benefit where another person is paid Universal Credit (Carers Element). This change was approved to bring CTR in line with Housing Benefit regulations.

Changes made from 1 April 2018

14. From 1 April 2018, further changes were made to the CTR scheme to provide additional funding to the council, namely:
 - reducing the maximum entitlement for working age claimants to 70 per cent of their council tax liability;
 - restricting Council Tax Reduction to a maximum Band C valuation - this affects all applicants whose dwellings have a band D or higher; and
 - disregarding the new Bereavement Support Payments in line with changes made to Housing Benefit.
15. The working age scheme for 2018/19 required all working age applicants to pay a minimum of 30 per cent of their council tax (a maximum level of CTR of 70 per cent) and CTR was limited to a maximum of band C for council tax valuation purposes. Any applicants living in premises which have a council tax band of D, E, F, G or H have their entitlement calculated on band C levels.

Changes made from 1st April 2019

16. Minor changes were made to the scheme with effect from 1st April 2019 namely:
 - To disregard the new Infected Blood Scheme payments in line with changes made by government to the housing benefit scheme rules. (Five payment schemes have provided financial support to people infected with HIV and/or hepatitis C as a result of contaminated National Health Service blood or blood products). These schemes are run by: The Eileen Trust, The Macfarlane Trust, MFET Ltd, The Skipton Fund and The Caxton Foundation. Payments from these schemes have been fully disregarded in housing benefit and this has been reflected in CTR using the Exceptional Hardship Fund policy.
 - Any applicants receiving the new Infected Blood Scheme Payments will be given additional support, if required, through the exceptional hardship facility that already exists within the Council Tax Reduction.

Changes made from 1st April 2020

17. During 2019, management was tasked to develop options for an alternative council tax reduction banded scheme for consideration and implementation with effect from 1 April 2020 to reduce the administrative burden placed on the council as a result of the introduction of Universal Credit.

18. The introduction of Universal Credit within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of Council Tax Reduction and also the collection of Council Tax generally. All sites within full-service areas have experienced the following:
- The reluctance of Universal Credit claimants to make a prompt claim for Council Tax Reduction leading to loss of entitlement;
 - A high number of changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to Council Tax Reduction entitlement. On average 40% of Universal Credit claimants have between eight and twelve changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection; and
 - The increased costs of administration through multiple changes with significant additional staff and staff time being needed.
19. In view of these problems a new working age scheme was introduced from 2020/21. The approach has been to fundamentally redesign the scheme to address all of the issues with the earlier schemes.
20. The new scheme replaced the traditional means-tested scheme with a simple income grid model as shown below:

| Band | Level of CTR | Couple with no children | Couple with children | Single parent with two or more children | Single parent with one child | Single person | |
|------|--------------|------------------------------------|----------------------|---|------------------------------|-------------------|--|
| 1 | 70% | in receipt of a disability benefit | | | | | |
| 2 | 70% | in receipt of a passported benefit | | | | | |
| 3 | 70% | £0.00 - £115.00 | £0.00 - £250.00 | £0.00 - £210.00 | £0.00 - £140.00 | £0.00 - £75.00 | |
| 4 | 60% | £115.01 - £165.00 | £250.01 - £300.00 | £210.01 - £260.00 | £140.01 - £190.00 | £75.01 - £125.00 | |
| 5 | 40% | £165.01 - £215.00 | £300.01 - £350.00 | £260.01 - £310.00 | £190.01 - £240.00 | £125.01 - £175.00 | |
| 6 | 20% | £215.01 - £265.00 | £350.01 - £400.00 | £310.01 - £360.00 | £240.01 - £290.00 | £175.01 - £225.00 | |

21. The main principles of the 2020/21 scheme were as follows:

- a. The highest level of discount was set at a maximum level of liability (70%) and all current applicants that are in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount;
 - b. The maximum discount (70%) also applied to applicants that are in receipt of a 'disability benefit' such as Disability Living Allowance or Personal Independence Payments receive maximum discount;
 - c. The payment of CTR was to be limited to Council Tax Band C level. This means any applicants living in premises which have a council tax band of D, E, F, G or H have their entitlement calculated on band C levels;
 - d. All other discount levels were based on the applicant's (and partner's, where they have one) net income;
 - e. The scheme allowed for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants;
 - f. Where an applicant had non-dependants living with them, a standard deduction of £2 per week was made;
 - g. To encourage work, a standard £25 per week disregard is provided against all earnings for all applicant types;
 - h. Disability benefits such as Disability Living Allowance and Personal Independence Allowance continue to be disregarded and, in addition, the Support Component of Employment and Support Allowance and Carer's Allowance is also be disregarded, again providing additional protection with the scheme;
 - i. Child benefit and Child Maintenance are disregarded;
 - j. The total disregard on war pensions and war disablement pensions continues;
 - k. The capital limit under the scheme remained at £6,000 and there is no calculation of tariff or 'assumed' income from any capital held: and
 - l. The approach to for Self Employed applicants and directors has been maintained with the use of a minimum income floor.
21. The simplicity of the scheme addressed the problems with the changes caused by Universal Credit and is not so reactive to constant changes in circumstance.

Exceptional Hardship Fund

22. In changing to the income based scheme, the Council was mindful that some applicants may lose or have a reduced entitlement to CTR. With that in mind, the scheme also has provisions which assisted applicants facing exceptional hardship. Where any applicant is likely to experience exceptional hardship, they are encouraged to apply for an exceptional hardship payment.
23. The Council considers all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate further support is given to the applicant.

Changes made from 1st April 2021

24. From 1st April 2021 the Council decided that a number of changes needed to be made to the 2020/21 scheme. The changes, which are outlined below, were principally designed to make further savings for the Council to assist with meeting the deficit and also to adjust the scheme to be fairer to those applicants on the lowest income.
25. The changes made for the 2021/22 scheme were as follows:
- (i) Increasing the minimum payment required from working age applicants with changes to the discount levels available;
 - (ii) Removing the automatic maximum discount for persons with a disability;
 - (iii) Disregarding the housing element for all applicants in receipt of Universal Credit; and
26. This scheme from 2021 reduced the maximum level of discount to 65% with corresponding reductions in the lower discount bands as follows:

| HOUSEHOLD | | | | | | | |
|-----------|--------------|------------------------------------|-------------------------|---|------------------------------|-------------------|--|
| Band | Level of CTR | Couple with children | Couple with no children | Single parent with two or more children | Single parent with one child | Single person | |
| 2 | 65% | in receipt of a passported benefit | | | | | |
| 3 | 65% | £0.00 - £255.00 | £0.00 - £120.00 | £0.00 - £215.00 | £0.00 - £145.00 | £0.00 - £75.00 | |
| 4 | 55% | £255.01 - £305.00 | £120.01 - £170.00 | £215.01 - £265.00 | £145.01 - £195.00 | £75.01 - £125.00 | |
| 5 | 35% | £305.01 - £355.00 | £170.01 - £220.00 | £265.01 - £315.00 | £195.01 - £245.00 | £125.01 - £175.00 | |
| 6 | 15% | £355.01 - £405.00 | £220.01 - £270.00 | £315.01 - £365.00 | £245.01 - £295.00 | £175.01 - £225.00 | |
| 7 | 0% | £405.01 + | £270.01 + | £365.01 + | £295.01 + | £225.01 + | |

27. For the 2021/22 scheme, the Council maintained the exceptional hardship fund which is still available to all applicants.

Changes made from 1st April 2022

28. For the 2022/23 scheme, the Council made **no** further changes to the scheme and the 2021/22 scheme was carried forward in full, with discounts being provided as follows:

| HOUSEHOLD | | | | | | |
|-----------|--------------|------------------------------------|-------------------------|---|------------------------------|-------------------|
| Band | Level of CTR | Couple with children | Couple with no children | Single parent with two or more children | Single parent with one child | Single person |
| 2 | 65% | in receipt of a passported benefit | | | | |
| 3 | 65% | £0.00 - £255.00 | £0.00 - £120.00 | £0.00 - £215.00 | £0.00 - £145.00 | £0.00 - £75.00 |
| 4 | 55% | £255.01 - £305.00 | £120.01 - £170.00 | £215.01 - £265.00 | £145.01 - £195.00 | £75.01 - £125.00 |
| 5 | 35% | £305.01 - £355.00 | £170.01 - £220.00 | £265.01 - £315.00 | £195.01 - £245.00 | £125.01 - £175.00 |
| 6 | 15% | £355.01 - £405.00 | £220.01 - £270.00 | £315.01 - £365.00 | £245.01 - £295.00 | £175.01 - £225.00 |
| 7 | 0% | £405.01 + | £270.01 + | £365.01 + | £295.01 + | £225.01 + |

Changes made from 1st April 2023

29. For 2023/24, the Council made the following changes:

- Increased the maximum level of support from 65 per cent to 70 per cent;
- Added a local welfare payment disregard to mirror Housing Benefit regulations; and
- Added an additional provisions whereby if 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

30. For 2023/24, the income levels and discounts were as follows:

| 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 | 70% | In receipt of a Passport benefit | | | | |
| 2 | 70% | £0.00 - £290.00 | £0.00 - £135.00 | £0.00 - £165.00 | £0.00 - £245.00 | £0.00 - £85.00 |
| 3 | 60% | £290.01 - £340.00 | £135.01 - £185.00 | £165.01 - £215.00 | £245.01 - £295.00 | £85.01 - £135.00 |
| 4 | 40% | £340.01 - £390.00 | £185.01 - £235.00 | £215.01 - £265.00 | £295.01 - £345.00 | £135.01 - £185.00 |
| 5 | 20% | £390.01 - £440.00 | £235.01 - £285.00 | £265.01 - £315.00 | £345.01 - £395.00 | £185.01 - £235.00 |
| 6 | 0% | £440.01+ | £285.01+ | £315.01+ | £395.01+ | £235.01+ |

Changes made from 1st April 2024

31. For 2024/25, Full Council decided to increase the maximum level of support to 75 per cent in line with the table below:

| 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+ |

Proposed Changes for 2025/26

32. For 2025/26, the following proposed scheme is being recommended:
- To maintain all existing elements of the current scheme, aside from changes (b)-(e) below
 - Removing the additional earnings disregard of £17.10 per week, and increase the standard earnings disregard from £25 per week to £45 per week;
 - Removing the 'extended reductions' element of the scheme;
 - Disregarding childcare costs (in line with Housing Benefit) and the childcare element of Universal Credit;
 - Disregarding any payments made under the following:
 - Post Office Compensation scheme;
 - Vaccine Damage payments as income and capital; and
 - Infected Blood Inquiry payment as income and capital
33. Each of the above are examined below:

Maintaining all elements of the existing scheme.

34. Due to the need to continue to support low income households, the Council is minded to continue with the same scheme elements, including the maximum level of support and exceptional hardship policy.

Removing the additional earnings disregard of £17.10 per week, and increase the standard earnings disregard from £25 per week to £45 per week

35. Earnings disregards are provided as an incentive for applicants and to 'make work pay'. Currently £25 per week is disregarded from the applicant's wages (or their partner's if they have one). Where the applicant (or partner) works for an average of 16 hours a week or more, an additional disregard of £17.10 per week is awarded.
36. The proposal is to remove the additional earnings disregard but to increase the standard disregard to £45 per week. This would assist any working applicant further and also remove the administrative requirement to check for the actual amount of hours worked per week.

Removing the 'extended reductions' element of the scheme.

37. The extended reduction scheme was introduced when the primary benefits were jobseeker's allowance, income support and employment and support allowance. It was designed as an encouragement for applicants to either move into work or to increase the number of hours worked. As these benefits are no longer available and that any applicant would need to apply for Universal Credit, the scheme is no longer relevant.
38. The extended reduction scheme is not available to Universal Credit applicants.

Disregarding childcare costs (in line with Housing Benefit) and the childcare element of Universal Credit

39. A number of applicants are required to pay child care charges which assists them in getting back to work. If they receive Universal Credit, they will receive the child care element.
40. The proposal is to change the scheme as follows:
 - where the applicant is in receipt of Universal Credit, the child care element will be disregarded in the calculation of Council Tax Reduction;
 - where the applicant is not in receipt of Universal Credit but is in remunerative work (works an average of 16 hours per week or more) and pays child care charges an amount of up to £175 per week will be made from earnings where there is one dependant child receiving child care and up to £300 per week where there are two or more dependant children receiving child care. This disregard will follow the rules as applied to Housing Benefit and will not be allowed in the case of a couple unless both are in remunerative work or one is in work and the other is disabled, incapacitated or in hospital.

Disregarding any payments made under the following:

- **Post Office Compensation scheme:**
- **Vaccine Damage payments; and**
- **Infected Blood Inquiry payments.**

41. All of the above payments have already been disregarded for Housing Benefit, Universal Credit and for the pension age Council Tax Reduction scheme. In order to align the Council's working age Council Tax Reduction scheme, it is proposed that, should any applicant receive any of the defined payments, they will be disregarded in the calculation of either income or capital

Scope of the Equality Impact Assessment

42. This Equality Impact Assessment is designed to examine any potential effects of proposed scheme change. Changing the scheme for 2025/26 will affect working age applicants only. The Council Tax Reduction scheme for pensioners is prescribed by Central Government and cannot be amended by local authorities.

Consultation

43. The Council will be undertaking a full consultation with both Major Preceptors and the public.

Action and Improvement Plan

44. An action and improvement plan is included within Appendix 1.

Recommendations

45. The recommendations for the 2025/26 Council Tax Reduction scheme are shown within Appendix 2.

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**Appendix 1
Action and Improvement Plan**

To make changes to the Council Tax Reduction scheme for the financial year 2025/26

| Area of impact | Is there evidence of negative positive or no impact? | Could this lead to adverse impact and if so why? | Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason? | Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive) |
|---------------------------------------|---|---|---|---|
| Age | No | No - all proposals made for 2025/26 will either leave support the same for applicants or potentially increase support | Not applicable | An exceptional hardship fund will continue to be available for those claimants in most severe financial need, although it is anticipated that with a more generous scheme, the need for the fund may reduce. |
| Disability | | | | |
| Gender Reassignment | | | | |
| Marriage & Civil Partnership | | | | |
| Pregnancy & Maternity | | | | |
| Race | | | | |
| Religion / Belief | | | | |
| Sex (male or female) | | | | |
| Sexual Orientation | | | | |
| HR & workforce issues | Staff will be required to adopt new processes . In the main the changes will have no effect on overall administration | | | |
| Human Rights implications if relevant | Not applicable | | | |

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**Appendix 2
Recommendations**

1. For 2025/26, the following proposed changes are being recommended:
 - (a) Maintaining all of the elements of the existing scheme except (b) to (e) below;
 - (b) Removing the additional earnings disregard of £17.10 per week, and increase the standard earnings disregard from £25 per week to £45 per week;
 - (c) Removing the 'extended reductions' element of the scheme;
 - (d) Disregarding childcare costs (in line with Housing Benefit) and the childcare element of Universal Credit; and
 - (e) Disregarding any payments made under the following:
 - Post Office Compensation scheme;
 - Vaccine Damage payments as income and capital; and
 - Infected Blood Inquiry payment as income and capital