Policy and Resources Meeting	
Meeting Date	13 January 2026
Report Title	Council Tax Support Scheme 2026/27
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Zoe Kent, Head of Revenues and Benefits
Lead Officer	Zoe Kent, Head of Revenues and Benefits
Classification	**Open**
Recommendations	**This report asks the Committee to consider the following recommendations to Full Council:** 1. To move to a scheme offering a maximum 100% Council Tax Support. 2. To increase the percentage support in income bands 2 to 4 by 10%. 3. To increase the income thresholds for each band by the welfare benefit uplift applied by the Department for Work and Pensions (DWP) for 2026/27. 4. To remove the minimum income floor for self-employed working age claimants. 5. To align the Council Tax Reduction Scheme with DWP benefits by disregarding the additional compensation payments listed in paragraph 2.20. 6. To delegate to the Director of Resources and the Head of Revenues and Benefits the authority to update and publish the CTRS policy in line with the agreed recommendations.

1 Purpose of Report and Executive Summary

1.1 The purpose of this report is to recommend changes to the Council's Council Tax Reduction Scheme with effect from 1st April 2026.

1.2 Each year Full Council has to approve the Council Tax Reduction Scheme for the following year. In July 2025 the Policy and Resources Committee approved a consultation to be carried out in respect of proposed changes to the Council's Council Tax Reduction scheme with effect from 1st April 2026.

1.3 This report makes recommendations following the consultation to be implemented for 2026-27.

2 Background and proposals

2.1 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 the introduction, the Government:

- Placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
- Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
- Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.

2.2 Since that time, funding for the Council Tax Reduction scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.

2.3 Since introducing the scheme in 2013 Swale Borough Council has made a number of changes to the Council Tax exemptions and discounts so as to limit the impact on low income working households. Under Council Tax Reduction Scheme legislation, the scheme for pensioners is determined by central government and the Council has no flexibility over this category on CTRS claimants.

2.4 Swale Borough Council continues to be responsible for designing and approving the scheme. In doing so, it consults with the main Council Tax preceptors: Kent County Council (KCC), Kent Police (KPCC) and Kent and Medway Fire and Rescue (KMFR). Precepts depend on the amount of Council Tax collected, so the cost of the CTRS is shared by the Council and preceptors.

2.5 As they share in the cost of the scheme, the preceptors have a strong interest in the management of the CTRS. Consequently, and to encourage each district to produce a scheme that was broadly consistent across the county, the major precepting authorities in Kent originally agreed to pay each district council a grant for administering CTRS based on caseload. For Swale this was £133,147 in 2024/25.

2.6 Quite separately from the CTRS administration grant, a further grant of £64,000 was also paid for the administering empty property discounts. The empty property exemptions were changed from 2013 and completely removed from 2024. This was to encourage properties back into use and to increase the council tax base.

2.7 In 2024/25 a proposal was put forward to KCC members to remove all the grants from the district authorities as part of the county's proposed savings to reduce their budget deficit. Representations were put forward by the district authorities providing evidence of how the administration grants helped towards collection of Council Tax. However, the saving was still made.

Considerations In Reviewing the CTRS

Council Tax affordability for low-income households

2.8 Council Tax is a regressive tax, falling proportionately more heavily on lower income households. This feature has become more marked over recent years. Research by the Resolution Foundation has established that by the start of this decade (2020-21), the poorest fifth of households spent 4.8% of their gross household income on Council Tax, up from 2.9% in 2002-03. The poorest fifth of households spend more than three times as much of their income on Council Tax as the richest fifth of families do (4.8% vs 1.5%)[1].

2.9 This feature of Council Tax is highly relevant for Swale Borough Council, given that one of the Council's strategic objectives is to support communities and community resilience. The CTRS offers the Council an opportunity to address the social and economic challenges of poverty.

2.10 The existing Swale CTRS mitigates the disproportionate burden of Council Tax for the poorest households in two ways: it sets a maximum reduction in Council Tax (currently 80%) for those who are on the lowest of incomes; and it reduces Council Tax by progressively greater percentages for those on the low incomes through a banding scheme. The table below shows the rate of reduction in Council Tax, from the maximum of 80% down to 20%.

Table 1 – Weekly CTR bands 2025/26

	Band 1		Band 2		Band 3		Band 4	
	Income Up to	Rate	Income up to	Rate	Income up to	Rate	Income up to	Rate
Single no children	£108.17	80%	£159.40	60%	£216.32	40%	£307.40	20%
Couple no children	£165.09	80%	£216.32	60%	£273.25	40%	£364.33	20%
Single 1 child	£170.78	80%	£227.71	60%	£284.63	40%	£364.33	20%
Couple 1 child	£227.71	80%	£284.63	60%	£341.56	40%	£421.25	20%
Single 2+ children	£250.48	80%	£307.40	60%	£364.33	40%	£455.41	20%
Couple 2+ children	£307.40	80%	£364.33	60%	£421.25	40%	£512.33	20%

[1] 'Money, money, money: The shifting mix of income sources for poorer households over the last 30 years', Resolution Foundation, February 2025

2.11 Details of overall numbers affected are set out in Table 2 below. The population within the Swale area is increasing, which can be seen in a slight rise in the caseload over the past 5 years. However, there has been a slight reduction in pension age claims, due to the pension age rising and people working longer. Of the 6,540 current working age claimants 4,882 claim the maximum 80% reduction.

Table 2 – Caseload figures

	2021/22	2022/23	2023/24	2024/25	2025/26
Working Age	6,138	6,068	6,384	6,451	6,540
Elderly	3,744	3,639	3,584	3,560	3,573
Total	**9,882**	**9,707**	**9,968**	**10,011**	**10,113**

2.12 The 80% maximum reduction in Council Tax under Swale's current scheme means that the Band C bill can be reduced to £402 (£34 per month). For those under 25, Universal Credit for a couple is £400.14 per month, and for a single claimant £316.98 per month. This means that almost 10% of their benefits needs to go towards Council Tax. With recent increases in energy bills and inflationary rises in food bills, Council Tax gets harder to pay. If a monthly instalment is missed or if there are arrears from the previous year the amounts for the rest of the year quickly become unmanageable.

2.13 It is accordingly proposed in this report that the maximum reduction is increased to 100%. For those whose Council Tax is reduced by a lesser amount through the banding scheme, it is proposed to increase the reduction by 10 percentage points for each band i.e. the reduction of 60% for Band 2 becomes 70% etc.

2.14 A growing number of Councils have offered 100% support through Council Tax reduction schemes over the past 10 years. From 2018/19, when only 62 schemes offered 100% support, the number has steadily increased. In 2025/26 the number fell back slightly as compared to 2024/25 but still represented 103 schemes out of 296 (34.8%). This overall change between 2024/25 and 2025/26 concealed a mixture of increases and decreases, with 28 schemes offering a decreased maximum amount and 18 offering an increased maximum reduction. Details are set out in the report at Appendix I 'Review of Council Tax Reduction Schemes 2025/26'.

2.15 Although many councils in the South East offer a 100% council tax reduction, historically Kent has not seen any authorities do this. This is related to the grants provided by Kent County Council which were described in paragraph 2.5.

Collection rates

2.16 The increasing burden of Council Tax for low-income households has meant that collection rates are lower for this cohort and the amount of resource required to collect Council Tax is much greater. The level of debt being chased is increasing year on year: the current total level of arrears for those in receipt of CTR is £2,190,380. Last year's arrears currently stand at £673,130.

2.17 Until 2024/25, the KCC administration grant helped fund district councils to collect this element of Council Tax, but as has been seen, this grant has now ceased.

Financial implications of potential changes

The cost of moving to a 90% or 100% scheme can be estimated based on the amount of Council Tax forgone through the existing scheme and applying the proposed new percentage reductions in Council Tax. The estimated collection rate used for the Council Tax base setting has been increased to allow for an increased collection rate, if the maximum CTR is increased. This has minimised the change to the tax base and so the overall assumption on council tax to be collected.

Table 3: Financial Implications

	Band D Council Tax		**Council Tax forgone (current)**	**Forgone under 90% scheme**	**Extra forgone (before collection rate assumption)**	**Forgone under 100% scheme**	**Extra forgone (before collection rate assumption)**
	£		£	£	£	£	£
KCC	1,691.19	*74.7%*	5,148,081	5,791,590	643,509	6,435,101	1,287,020
KPCC	270.15	*11.9%*	820,109	922,623	102,514	1,025,137	205,028
KMFR	94.86	*4.2%*	289,450	325,632	36,182	361,813	72,363
SBC	206.64	*9.2%*	634,034	713,288	79,254	792,543	158,509
	2,262.84	*100.0%*	6,891,674	7,753,133	861,459	8,614,594	1,722,920

Other issues

2.18 The DWP increases benefits in line with inflation each year. It is proposed that the income thresholds for each band are increased accordingly.

2.19 For a number of years, a minimum income floor has been applied to self-employed claims after a period of 18 months. As almost all working age claimants now receive Universal Credit, their income is taken into account by the DWP. To simplify the administration of the scheme and to ensure that claims are all assessed the same, it is proposed to remove the minimum income floor.

2.20 The DWP disregards certain compensation payments when calculating benefits. Since the CTRS was last reviewed, the following additional compensation benefits have now been added to the DWP's list:

- Infected blood support scheme payments
- Grenfell Towers payments
- Horizon/Post Office compensation payments
- LGBT financial recognition scheme (armed forces)
- Vaccine damage payments.

For consistency it is proposed that the CTRS also disregards these compensation payments.

3 Proposals

Option 1

3.1 The preferred option is to make the following changes to the 2026/27 scheme from 1 April 2026.

1. Increase the maximum level of support from 80% to 100%.
2. To increase the level of support for bands 2 – 4 by 10%.
3. To increase the income thresholds for each band by the welfare benefit uplift applied by the DWP for 2026/27.
4. To remove the minimum income floor for self-employed working-age claimants.
5. To disregard additional compensation payments in line with the national pensioner CTR scheme and other welfare benefits.

3.2 This increased level of support is in line with the Council's strategic objective of building resilient communities through addressing the social and economic challenges of poverty. The additional costs of these recommendations have been considered against the cost-of-living challenges, the increase in arrears for those on the lowest of incomes and the reduction in services for those people who are reliant on the voluntary sector. Council Tax is now a higher proportion of claimants' income than it was when CTR was first brought in from April 2013.

3.3 With recent inflation and the increases in fuel costs, many people on low incomes struggle to pay their bills and provide food for their families. Removing or reducing the amount that needs to be paid towards Council Tax gives claimants the ability to use their income towards utility bills or grocery costs. The recommendations also reduce the administration burden of the Council Tax recovery process, allowing the service to focus on more productive work and potentially to improve collection overall.

3.4 The effect on Council Tax payers, the major preceptors and other services has been considered as set out in this report.

Alternative Options Considered and Rejected

Option 2

4.1 To increase the maximum level of support for those claimants who are not working from 80% to 90% and to increase Bands 2 – 4 for those who are not working by 10%.

4.2 Option 2 (a 90% reduction in the maximum level of support) has been rejected, as not going far enough to meet the council's objectives, whilst at the same time continuing to create pressure for CTRS claimants and a burden on the collection process.

Option 3

4.3 To retain the existing maximum level of support at 80% and to increase Bands 2 – 4 by 10% for those people who will mainly be working. Again, this option is rejected. It does not support those claimants in Band 1 who may be unable to work.

Option 4

4.4 To make no changes to the existing scheme. This is also unacceptable as failing to deliver the council's policy objectives.

5 Consultation Undertaken or Proposed

5.1 The Policy and Resources Committee approved a consultation exercise in July 2025 which sought views on changes to the CTRS. The consultation ran from 1 August 2025 – 28 September 2025. It was available on the council's website and promoted via social media to encourage residents to take part. An email was sent to all working age claimants where an email address was held (4,700 claimants), and 250 paper forms were sent to a sample of those working age claimants where an email address was not held. Stakeholders, including the preceptors, were also contacted and asked to take part in the consultation. The consultation invited views on a maximum reduction in Council Tax of 90% and 100%, as compared with the current maximum of 80%, on changes to the bandings, and to the other changes described in paragraphs 2.18 to 2.20.

Results of public consultation

5.2 The consultation yielded 436 responses.

- 73% of respondents supported increasing the maximum support level for working-age claimants.
- Among supporters, 75% favoured raising support to 100%.
- 65% overall supported increasing band percentages for Bands 2-4 by 10%.

Demographic analysis revealed:

- Males were slightly less supportive (14% opposed) compared to females (11% opposed).
- Economically inactive respondents were more supportive (83%) than economically active (69%).
- Older age groups (65+) showed higher opposition.
- Respondents with disabilities and those currently receiving CTRS were more supportive (84% and 82%, respectively)

160 comments were received

For those against the increase, the key themes were:

- Unfair burden on council tax payers
- Concerns about work incentives and dependency
- Potential negative impacts on council services due to reduced revenue
- Everybody should contribute something

For those in favour of the increase in support, common themes were:

- Financial struggles and cost of living pressures
- Benefits for low-income families
- Issues related to work incentives
- The difficulties of living on a very low income

5.3 Removing the minimum income floor – 34 % of people felt the minimum income floor should be removed. A slightly higher proportion of people responded that they did not know. This is a more complex issue to understand than the level of support for Council Tax Support. There were comments around encouraging people to become self-employed although others felt that fraud is committed, and people don't always declare all their earnings.

5.4 On disregarding additional compensation payments for the assessment of CTR, 45% of respondents agreed they should be disregarded, 21% said no and 34% answered don't know.

5.5 A full report on the consultation is included as Appendix II

Results of stakeholder consultation

5.6 Kent County Council did not support the proposals to provide a higher level of discount (either 90% or 100%) or increasing the discount in other bands, and the current scheme should be retained. Specific issues raised were as follows.

• Concerns about local government reorganisation: KCC highlighted that increasing discounts would reduce the overall taxbase, affecting both current and future councils, and criticised the consultation for not addressing this impact on new unitary authorities.

• Work incentive issues: KCC argued that higher discounts could discourage claimants from seeking better employment and foster dependency, not encouraging personal responsibility or better life outcomes.

• Impact on taxpayers: The council noted that the cost of increased discounts is borne by all taxpayers, which was not clearly communicated in the consultation, and stressed councils' fiduciary duty to all taxpayers.

• Comparison with other councils: KCC observed that most councils offer discounts between 70%-80%, with 100% discounts being rare, and criticized the consultation for not acknowledging that the proposed changes would be more generous than typical schemes elsewhere.

• Lack of evidence on impacts: The consultation did not provide data on how higher discounts would affect council tax collection rates, collection costs, or other impacts such as hardship schemes, limiting informed decision-making.

• Limited alternatives considered: KCC expressed concern that the consultation only considered maintaining current schemes or restoring subsidies, without exploring other options like improving collection efficiency, tackling fraud, or reducing discounts.

5.7 Kent Fire and Rescue Service opposed the proposed changes. They highlighted the following issues.

Impact on the council tax base: Increasing maximum discounts would reduce the overall council tax base, directly lowering available funding for KFRS services or forcing higher tax rates on other taxpayers to compensate. The consultation lacks acknowledgment of this impact.

• Fiduciary duty to taxpayers: KFRS stresses its responsibility to all taxpayers to ensure efficient financial management and sustainable funding. The proposals focus on individual collection authority budgets without addressing the broader impact on taxpayers who bear the cost of reduced tax bases through lower overall revenue.

• Lack of comparative analysis: The consultation does not include analysis of LCTRS schemes in comparable councils. Most UK schemes require a minimum contribution from working-age households with discounts around 70-80%, unlike the proposed 90-100% discounts which would be more generous than most. This context and its financial implications were not clearly communicated.

• Insufficient evidence on collection and administration: The consultation provides no concrete data on how higher discounts affect collection rates or the current and potential administrative costs of LCTRS. Without this information, it is difficult to assess if administrative savings justify the reduction in the tax base.

5.8 The Police and Crime Commissioner acknowledged the challenges faced by billing authorities after the withdrawal of CTRS grants and understood the rationale for simplifying the scheme. However, he raised the following concerns:

- Financial Impact: The new scheme could reduce the council tax base and income, with an estimate loss of up to £1.9 million for the police and crime element of the precept. This funding is crucial for policing services and support for victims and witnesses. Any reduction would require finding equivalent savings elsewhere, putting additional strain on services.

- Lack of Cost Transparency: no details were provided about the administrative costs of the new scheme, making it difficult to assess whether the proposed savings are justified compared to the potential reduction in precept collected.

- Consultation Issues: The Consultation did not clearly explain that the cost of the CTRS discount is borne by all taxpayers, nor did it ask respondents if they support a greater share of council tax being used for low-income support instead of services.

- Statutory Duties & Sustainability: The proposal's impact on council tax collection and statutory obligations is unclear. There is also concern that the changes have not considered the effect on future unitary authorities in Kent, potentially reducing their tax base and sustainability.

- Further information was requested on the assumptions and modelling behind the projected tax base reductions, including anticipated changes in collection rates and claimant behaviour.

5.9 Careful consideration has been given to the points raised in the public consultation and by KCC, KMFR and the PCC. As the points raised are similar, they have been grouped under a number of general headings covering each of the key themes.

Impact on the Council Tax base and ongoing impact for local government reorganisation

5.10 The Council Tax base is a function of the number of households in each local authority area. A reduction is then applied to the Council Tax base representing the council tax foregone by offering Council Tax support. The estimated financial impact of the reduction is shown above in Table 3.

5.11 Whilst this is an additional cost to the authorities concerned, it will be one only of a whole range of factors to be considered when they set a budget. Although the impact is larger in cash terms for KCC than for the other authorities, this needs to be seen in the context of KCC's overall budget, which amounts to £1,531 million for 2025/26. The impact is much greater for Swale Borough Council, with a budget of £27.5 million, and is the authority with responsibility for designing the CTRS.

5.12 In designing the CTRS, Swale Borough Council consults the preceptors whose income is affected and has regard to the implications for them. It needs to weigh up the direct benefits for the CTRS in terms of alleviating poverty and delivering its strategic objectives, as against the budget savings that it and the preceptors may need to make to fund changes to the CTRS.

5.13 It is implied in the preceptors' consultation responses that there will be an ongoing impact on the Council Tax base, continuing through to local government reorganisation, from these changes to the CTRS. However, the CTRS is reviewed every year. The changes proposed here could in theory be reversed next year or by a future unitary authority.

Impact on other Council tax payers

5.14 It is argued by the preceptors that increasing Council Tax support affects all Council Tax payers. This is correct in the sense that Council Tax payers provide the principal funding for local authorities. However, as described in paragraph 4.11 above, changes to the CTRS are just one of a number of factors influencing an authority's budget calculations.

Comparison with other councils

5.15 KCC state that a minority of councils offer 100% discounts. 103 schemes out of 296 in England offer a 100% discount[2], which is a minority, but a very substantial minority. An increasing number of councils have been offering 100% discounts over the past 10 years. Full details are set out in Appendix I.

Impact on collection rates

5.16 The collection rate for CTRS claimants is lower than for other council tax payers. The impact of removing some CTRS claimants from the remit of Council Tax is likely therefore to be an improvement in collection rates, both for simple statistical reasons, and because the Revenues team will have to deal with fewer time-consuming and difficult collections.

5.17 The pattern seen in Swale is a general one: there is evidence that a key determinant of Council Tax collection rates is income deprivation, and those on

[2] Review of Council Tax Reduction Schemes, Entitledto, May 2025

the lowest incomes will be CTRS claimants[3].

5.18 In aggregate, the impact will be that less Council Tax will be collected. However, the reduction of £1.7 million (see table 3) should be seen in the context of total Council Tax income in Swale of £120 million.

5.19 The incentive impact of benefits, such as Council Tax reduction, is complex. Changes to the CTRS are just one of a number of factors likely to impact behaviours. There are normally other factors that stop people from working.

5.20 It could be argued that increasing the Council Tax reduction for Bands 2 to 4 actually incentivises work. There are also many working age claimants for whom work is not possible or challenging. It is worth mentioning that the council is working with the DWP on the current government schemes aiming to get people back into work.

Other options

5.21 There are a number of other measures available to SBC to address its strategic objective of mitigating poverty. These include direct payments and support for voluntary organisations helping local communities. These other methods tend to be very labour intensive and do not necessarily reach those who are most in need. Using an existing mechanism like the CTRS is an efficient way of delivering against the objective.

6 Implication

Issue	Implications
Corporate Plan	The objectives and priorities in the corporate plan. This report supports the priority of Community – supporting community resilience and Economy – a sustainable economy which delivers for local people. Performance is measured through BV9 Percentage of Council Tax collected in year.
Financial, Resource and Property	The cost of increasing the maximum level of support is shown in table 3. This cost will support those living in the borough on low incomes. By reducing the amount of Council Tax that is payable, it increases the amount of income that is available for other necessary expenditure. The assumptions on the collection rate improvement as a result of increasing the discount have negated the budget impact of the increased cost for Swale. There is no

[3] 'A path to better Council Tax Support schemes: Rising arrears, shrinking support: Five years of CTR trends', Policy in Practice, May 2025

	additional budget pressure forecast as a result of the proposal to move to 100% discount. The Council needs to balance the needs of low-income households with other priorities as part of the overall budget setting process. The service delivery impacts are positive, in that the proposed recommendations help vulnerable households. So far as Council service performance is concerned, removing the requirement to collect Council Tax from the poorest households will allow the Revenues and Benefits team to focus their work more effectively on other areas.
Legal, Statutory and Procurement	Section 13A of the Local Government Finance Act 1992 (As amended.) requires the Council to adopt a Council Tax Reduction Scheme. Schedule 1A of the Act requires the Council to consider each financial year whether to revise or replace its scheme. The Act contains a statutory duty to consult on a proposed scheme adopting the recommendation will meet that duty.
Crime and Disorder	Not directly applicable.
Environment and Climate/Ecological Emergency	The proposed changes should provide a reduction in administration leading to less notification letters being sent. This will have a positive environmental impact.
Health and Wellbeing	Residents who have difficulty in paying their Council Tax can put in a claim for a Section 13A discretionary award. Those whose health appears to be affected will be signposted to appropriate advice. The Revenues and Benefits team works with other sections of the authority, CA, financial charities, and the major housing providers in the area to ensure those residents who are struggling with debt or other problems are signed posted to the correct advice and agencies.
Safeguarding of Children, Young People and Vulnerable Adults	Any new scheme will look to protect the most vulnerable and those households on the lowest incomes.
Risk Management and Health and Safety	The risks of increasing the level of support will be reviewed through the financial modelling

Equality and Diversity	A full EQA has been undertaken (appendix VI), section 5 of this report gives details of the consultation carried out.
Privacy and Data Protection	All requirements have been adhered to.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Review of Council Tax Reduction Schemes 2025/26
- Appendix II: Report on the public consultation
- Appendix III: KCC response to the consultation
- Appendix IV: KFRS response to the consultation
- Appendix V: KPCC response to the consultation
- Appendix VI: Equality Impact Assessment

8 Appendices

https://policyinpractice.co.uk/wp-content/uploads/2025/05/Report_A-path-to-better-Council-Tax-Support-schemes_Apr25-.pdf

https://www.resolutionfoundation.org/publications/money-money-money/