REVIEW OF COUNCIL TAX REDUCTION SCHEMES

2025/26

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May 2025

Introduction

At the start of 2025 we were aware that severe cuts in support were being proposed for a number of Council Tax Reduction (CTR) schemes, particularly in London. Over recent years local authorities (LAs) changing their schemes to increase support have outnumbered those reducing support, and in 2024/25 there were more schemes offering up to 100% support than when CTR was first localised in 2013. So we headed into this review of 2025/26 CTR schemes with a sense of the tide changing.

As we have seen with CTR, localising a benefit inevitably leads to a postcode lottery, where support is as much down to the financial position of the LA as it is the claimant's personal needs. With decreasing levels of support we felt a geographic addition to our annual CTR review was timely, so we'll be drawing comparisons not just with previous years but across England's regions.

All data is obtained from the most up-to-date CTR scheme published by each LA up to 12 May 2025.

Summary

21% of local authorities in England made changes to the way they calculate Council Tax Reduction for 2025/26 (62 LAs out of a total of 296 LAs in England).

The most common change was to increase the minimum payment (reduce the maximum CTR) paid by the poorest households (28 LAs). In contrast, 18 LAs decreased the minimum payment, either for all claimants or for protected groups.

An additional 20 LAs moved to an income-banded CTR scheme. Just over 40% of CTR schemes are now income-banded.

17 LAs are operating two schemes, one for legacy claimants and one for Universal Credit claimants, so there are a total of 313 schemes in operation. The end of legacy benefits by March 2026 will mean all LAs operating one scheme next year.

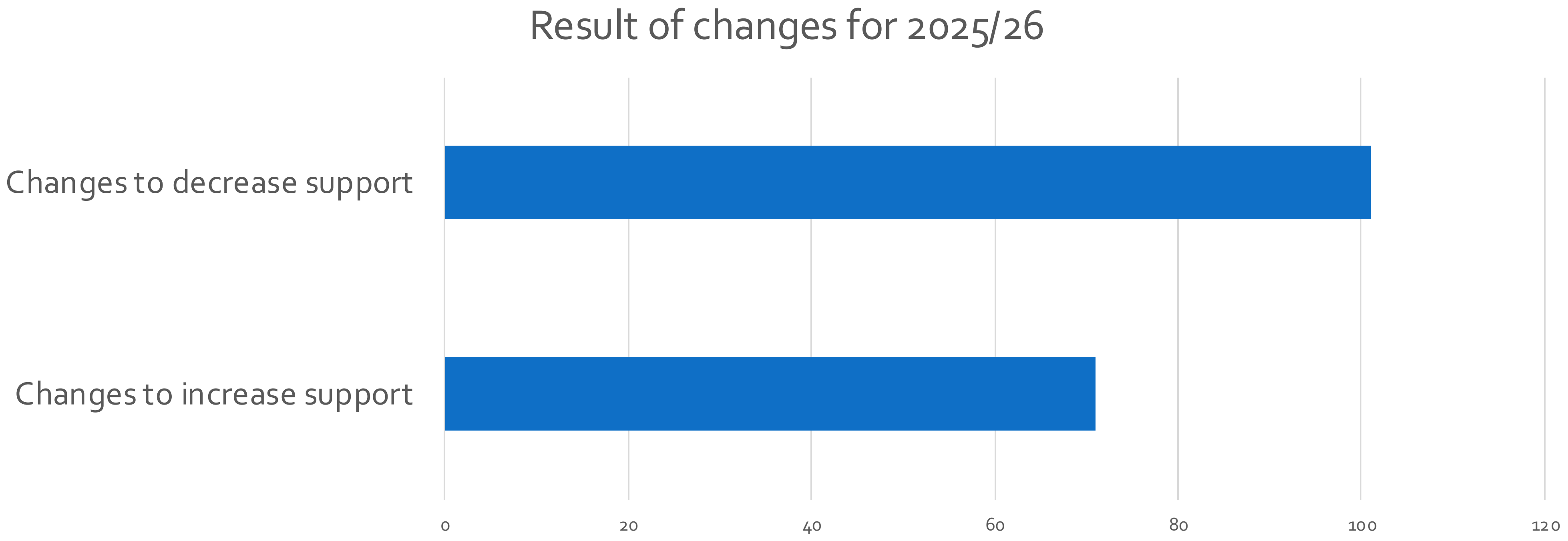
Background: localising help with Council Tax

In April 2013 help for low-income households with paying their Council Tax moved from a single national Council Tax Benefit (CTB) scheme to a localised system. LAs in England now run their own local CTR schemes, paying the costs of, administering and, in the case of working-age claimants, setting the rules for their scheme. The majority of schemes closely resemble CTB but make changes to certain features of the calculation to – in most cases – make it less generous. The key features we monitor for this review are:

- **Minimum payments** – the amount a claimant must pay towards their Council Tax liability regardless of their situation. This sits alongside Maximum CTR, the maximum amount of the claimant's Council Tax the LA will offer support with. In most cases these are expressed as percentages.
- **Income disregards** – the types of income that the LA will ignore when calculating CTR. For earnings this is usually a fixed amount based on the claimant's situation.
- **Non-dependant deductions** – most LAs believe that a non-dependant living with a claimant should contribute towards the household bills. Consequently most (but not all) CTR schemes make a deduction during to reflect this. The amount of the NDD is often determined by the income of the non-dependant.
- **Capital limits** – there is a maximum amount of capital a claimant can have and be eligible for CTR (the upper capital limit). There is often a lower capital limit as well, the amount of capital between these limits being used to work out an assumed 'tariff income' from capital that is included in the calculation.
- **Band caps** – a band cap limits the Council Tax that can be used in the CTR calculation. With a band D cap, anyone in a property banded E-H will be limited to the support available in a band D property.

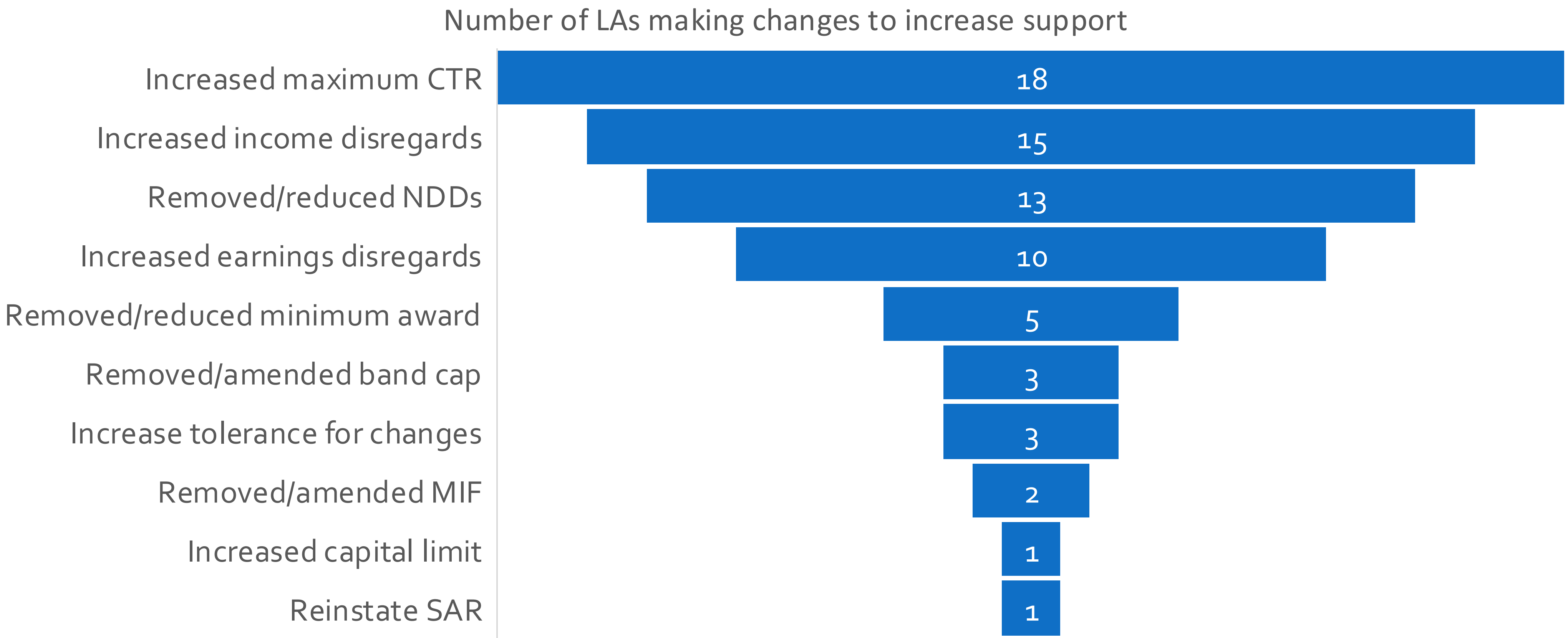
Changes to CTR schemes from April 2025

Overall 62 LAs made changes to their CTR scheme this year. Most LAs made more than one change (some made both positive and negative changes at the same time), so there were 172 changes . The chart below shows that the majority of these changes made CTR schemes less generous, with 101 changes that decreased the support available. In contrast we found that 71 changes increased the support available.



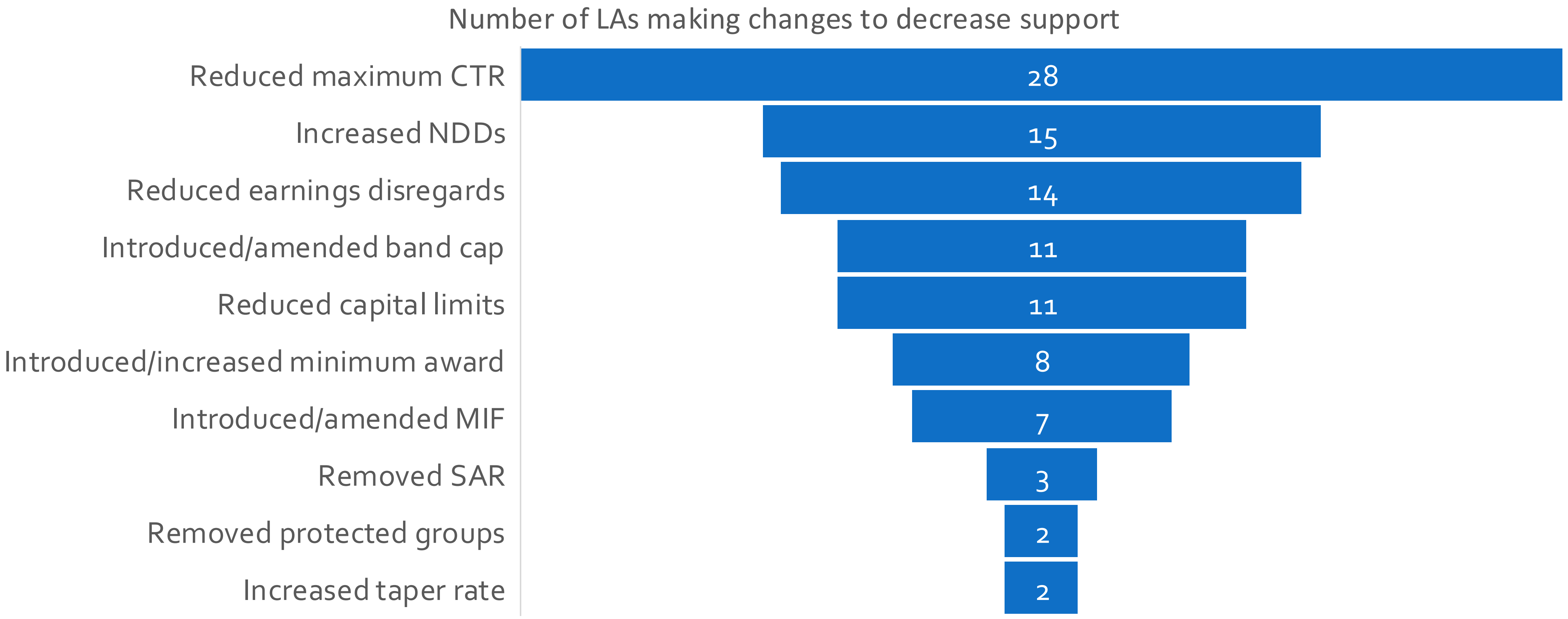
Changes to increase support available

A breakdown of the type of changes implemented to increase support through CTR is shown below



Changes to decrease support available

A breakdown of the type of changes implemented to decrease support through CTR is shown below.



Geographical spread of LAs increasing maximum CTR

There is some geographical trend to LAs increasing CTR generosity, with 9 of the 18 LAs increasing support percentages being located across the East and West Midlands. Only 3 are in the south.

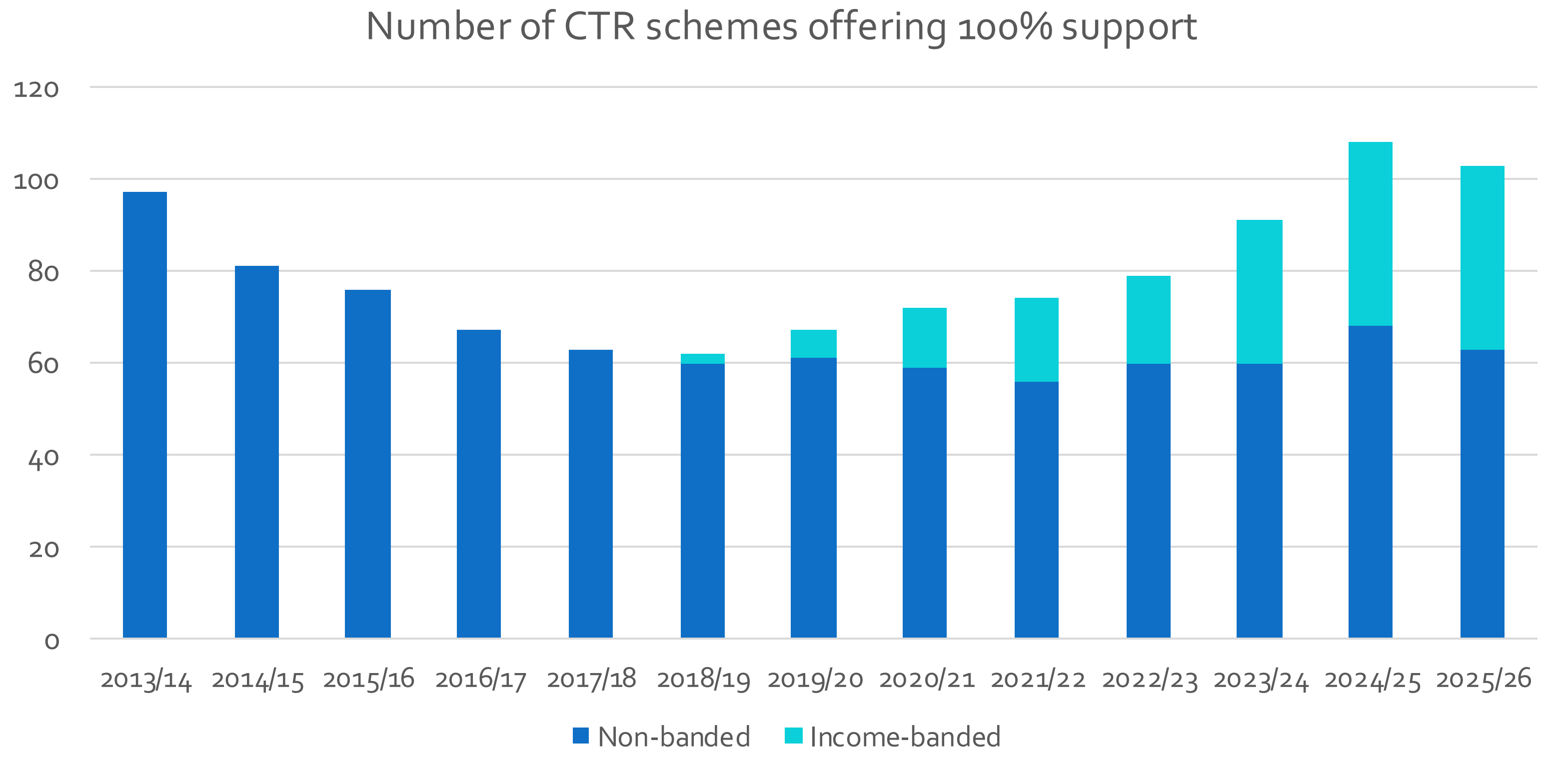
Geographical spread of LAs decreasing maximum CTR

There is a significant geographical trend to LAs decreasing CTR generosity, with 15 of the 28 LAs making cuts to support percentages being London boroughs.

Some income-banded schemes have retained the same maximum CTR in band 1 but reduced the support in other bands.

CTR schemes offering up to 100% support

The chart below shows the number of CTR schemes offering maximum CTR of 100% of Council Tax liability. This chart doesn't include schemes that only offer 100% to protected groups. From a low point in 2018/19, when only 62 schemes offered 100% support, last year saw the highest number of schemes providing 100% relief since CTR was first localised. Unfortunately, the upward trend has not continued in 25/26 but there are still 103 schemes (33%), with maximum CTR of 100%. It must be noted that 22 of these schemes include a band cap, a different method of restricting maximum CTR for some claimants.



Geographical spread of LAs offering up to 100% support

Region	Count
South East	24
East of England	16
South West	14
North West	13
London	8
West Midlands	8
East Midlands	7
North East	4
Yorkshire and Humber	2

You'll see from this map that the South-East has the most LAs offering 100% support by some margin. However, if we remove schemes with band caps we see these are predominantly in the South.

Geographical spread of LAs offering up to 100% support and no band cap

Region	Count
South East	16
East of England	15
North West	11
South West	7
London	8
West Midlands	7
East Midlands	5
North East	4
Yorkshire and Hur	2

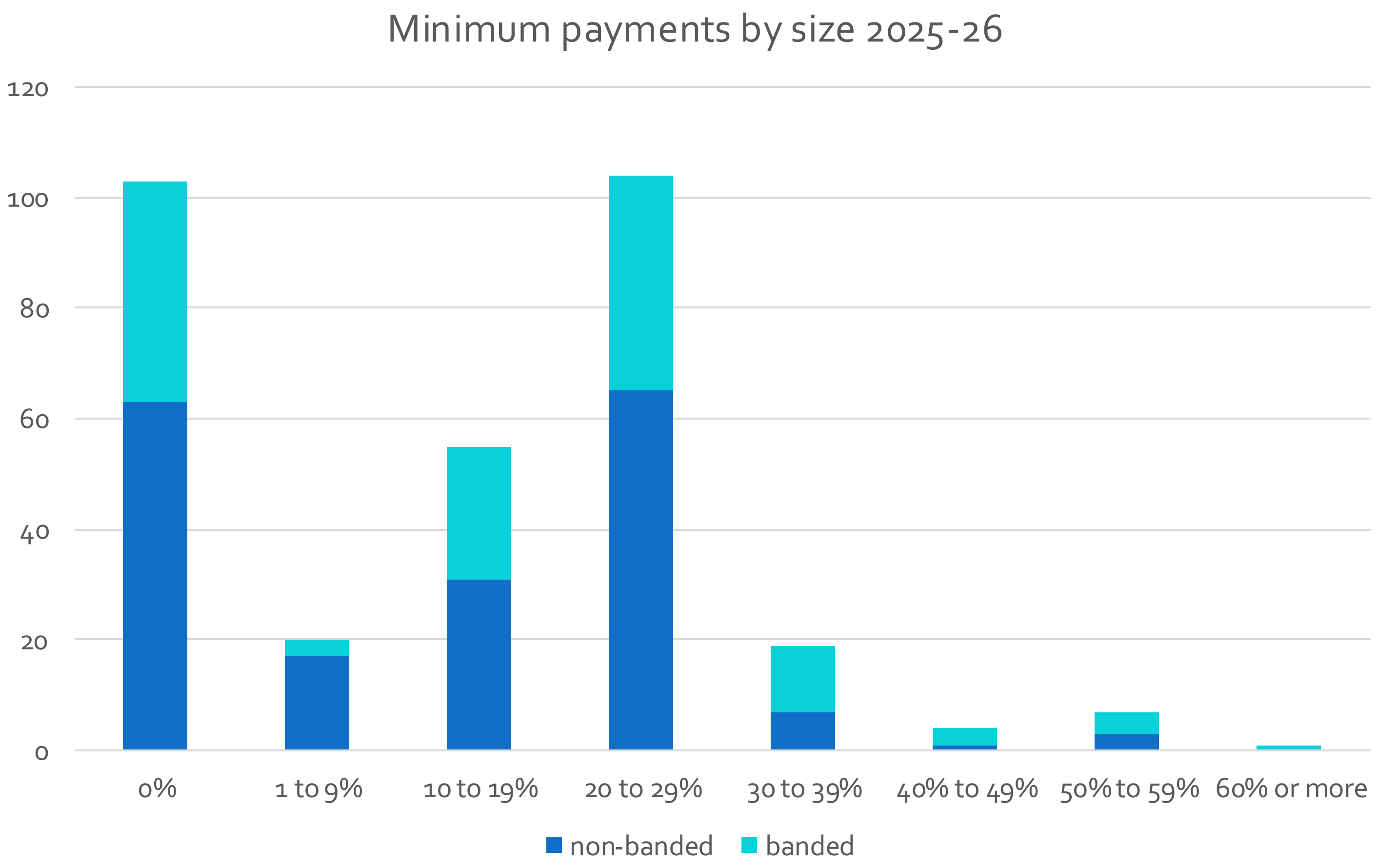
Removing schemes with band caps, removes 8 LAs in the South East and 7 in the South West.

Minimum payments

Schemes not offering maximum CTR of 100% in effect include a minimum payment that all claimants must make towards their Council Tax regardless of their income.

The chart below shows the minimum payments for non-protected claimants for 2025/26. For income-banded schemes we show the lowest minimum payment available in the scheme. Last year, for the first time, having no minimum payment was the most common approach, but it was short lived as the 20 to 29% minimum payment group is again the most common this year, with 104 schemes.

We have seen schemes requiring minimum payments of 30% or more increase from 19 last year to 31 this year and we have had to add a new grouping this year as there is 1 scheme which has a new 60% minimum payment.



Geographical spread of LAs with 30% or more minimum payment

Region	Count
London	8
South East	7
East Midlands	4
Yorkshire and Humber	3
East	2
North West	2
West Midlands	2
South West	1

Although the majority of LAs are in London and the South-East, there is a spread across most regions. The North-East is the only region with no LA having 30% or more as a minimum contribution.

Banded schemes: Upper income threshold for maximum support

In income-banded schemes, when looking at the maximum support/minimum payment we use the highest support available, typically associated with having an income low enough to be in band 1.

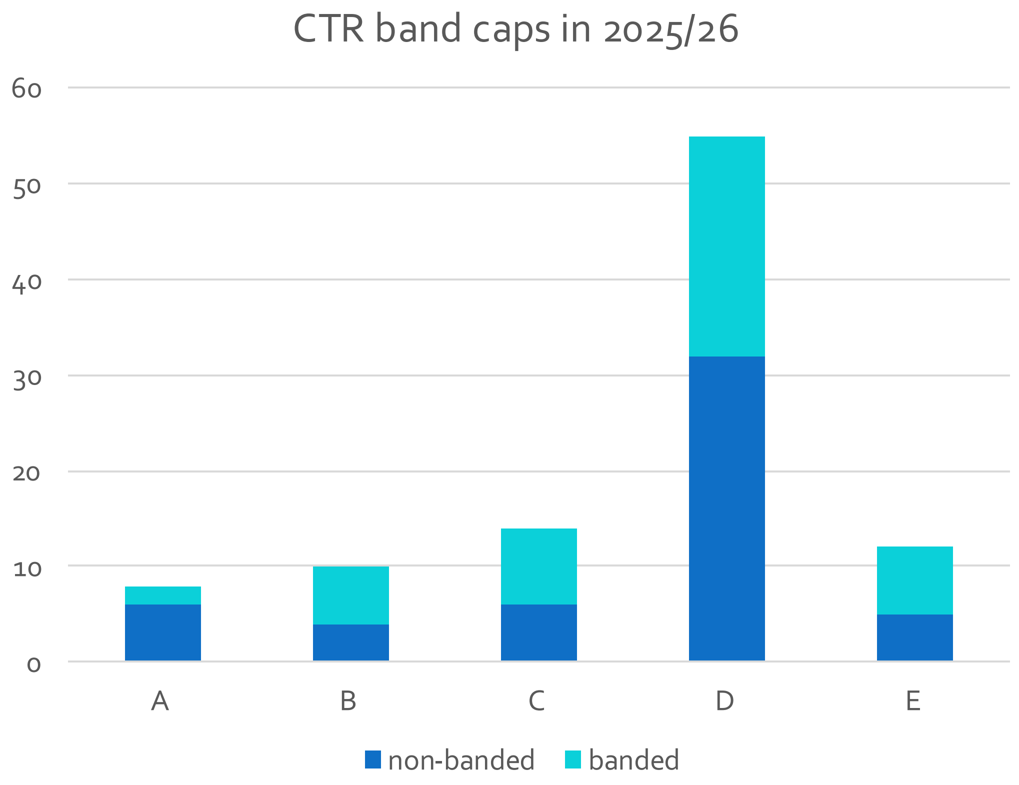
In conducting our review we've noticed that the upper threshold under which income must fall to be placed in band 1 varies widely by scheme.

The tables to the right compare two banded CTR schemes, which share the same household types and income rules. It shows that, for a couple with 2+ children, the maximum income you can have and still be placed into band 1 is £260 per week in one LA but £352 per week in the other.

Band	Single Person	Couple	Lone Parent with one Dependant	Lone Parent with two or more Dependants	Couple with one Dependant	Couple with two or more Dependants
Band 1 70%*	£0.00 to £100.00	£0.00 to £140.00	£0.00 to £160.00	£0.00 to £220.00	£0.00 to £205.00	£0.00 to £260.00

Discount percent	Single Person	Couple	Lone Parent with one child/young person	Lone Parent with two or more children/young persons	Couple with one child/young person	Couple with two or more children/young persons
80%	Passported Benefit*					
80%	£0 to £135	£0 to £188	£0 to £217	£0 to £300	£0 to £270	£0 to £352

Band Caps: Restrictions on maximum CTR

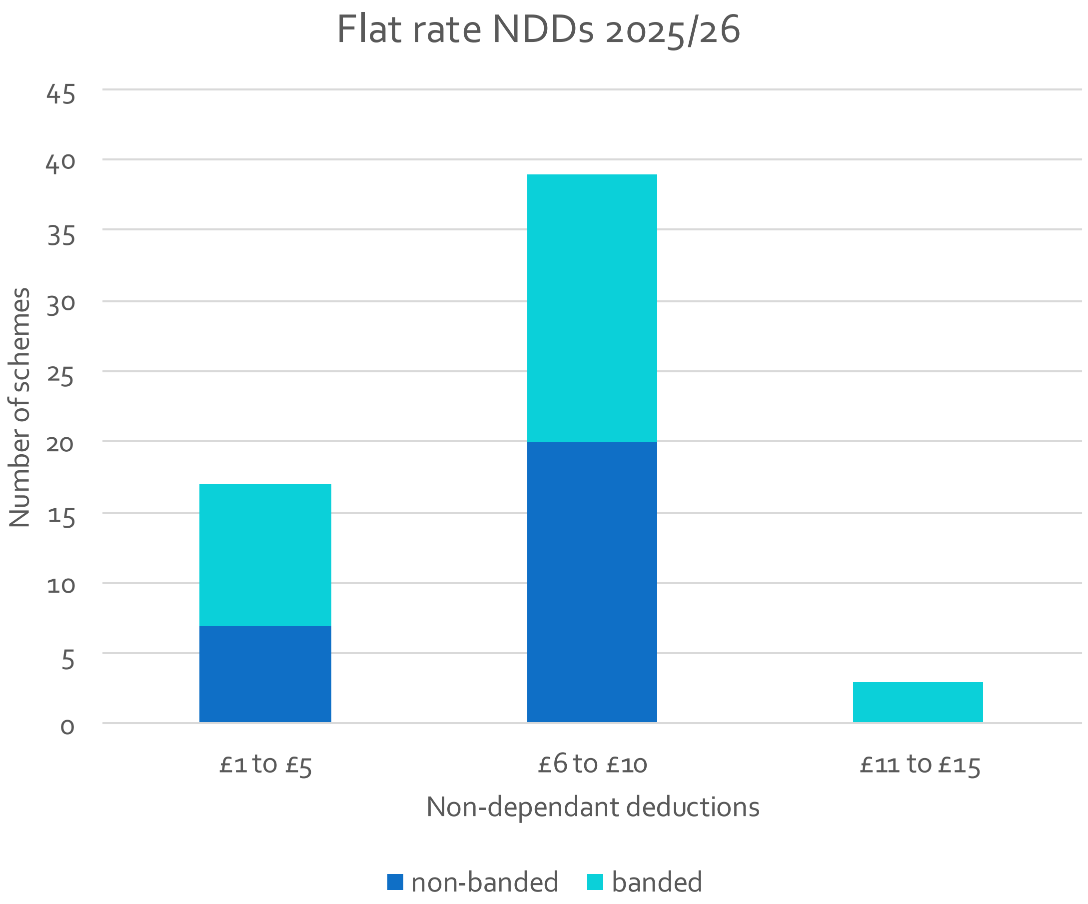


A band cap restricts how much CTR claimants in properties with a CT band above the cap can receive. For example, with a band D cap people in properties banded E-H would receive support based on the band D Council Tax liability rather than their actual liability. This method of cutting the cost of a scheme bears no relation to the claimant's needs or income.

There are 99 schemes (31%) with a band cap in 2025/26, including 10 new ones. Against this 2 LAs removed their band cap this year and 3 changed the band used, with 2 of those moving to a lower band.

A cap set at band D remains the most common option, being included in 55 schemes.

Non-dependant deductions



The 126 income-banded schemes in 2025/26 included 45 with either a flat-rate non-dependant deduction (NDD), where one rate is applied regardless of the non-dependant's income, or two rates (usually one for working and one for out-of-work non-dependants). 11 new income-banded schemes this year had flat-rate or two rate NDDs..

48 income-banded schemes have removed NDDs completely, including 6 of the new schemes for 2025/26. 3 LAs with income-banded schemes reintroduced NDDs this year after previously removing them.

A much smaller proportion of non-banded schemes have streamlined their NDDs, with 31 schemes (16%) having a flat rate or two rates. The most popular rate chosen for a flat rate NDD remains £10.

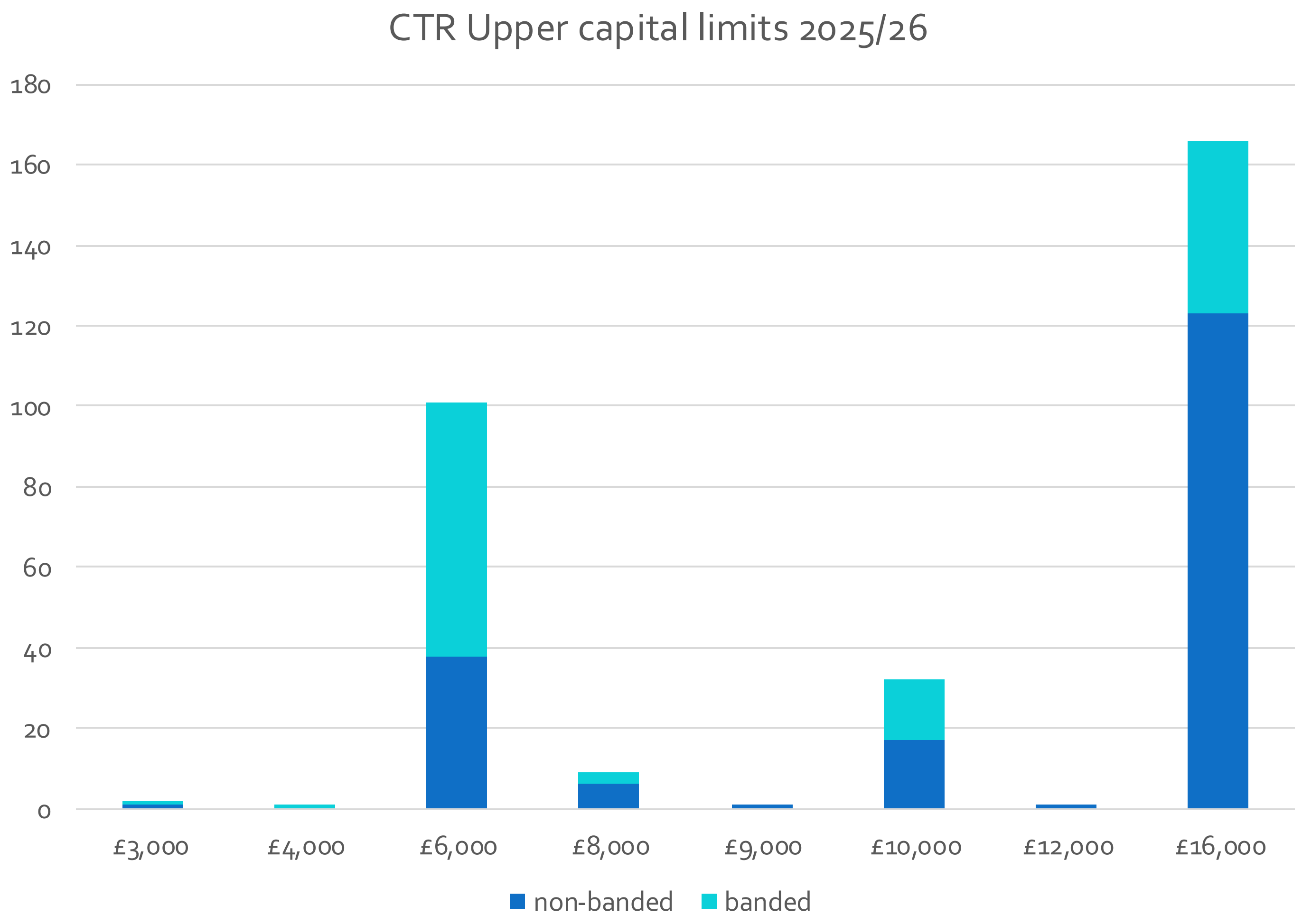
Capital limits and tariff income

Of the 313 schemes operating in 2025/26, 166 (53%) retain £16,000 as the upper capital limit (UCL). Banded schemes are far less likely to have a UCL of £16,000; only 34% retain the old CTB limit, compared to 65% of non-banded schemes.

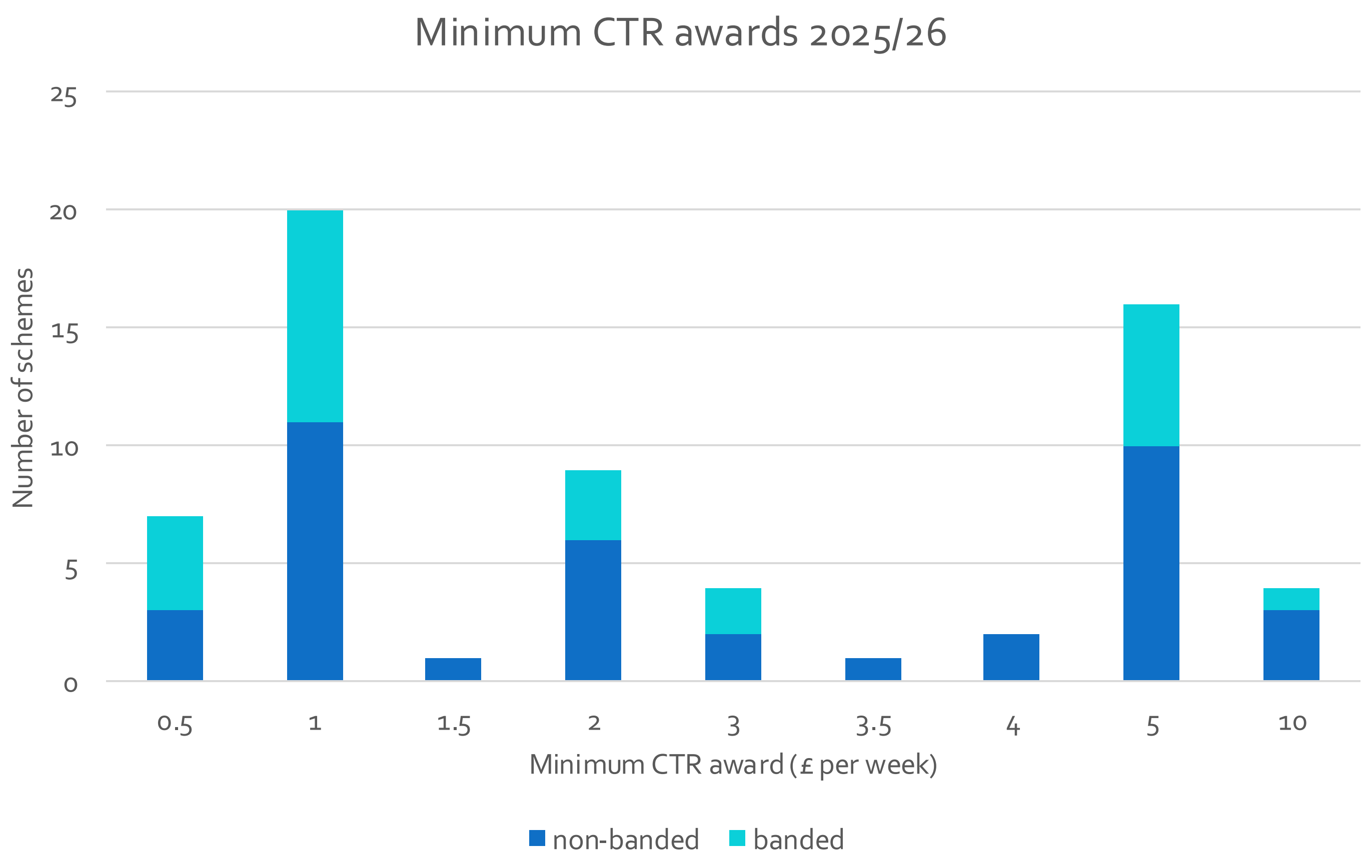
If decreasing the UCL, £6,000 is the most common approach. By doing so these schemes also remove tariff income rules - the calculation of assumed income from capital between the lower capital limit of £6,000 and the UCL.

11 of this year's new banded schemes have reduced their UCLs to £6,000, the rest retain £16,000 but 3 of these have chosen to remove the tariff income rule from their schemes.

126 schemes altogether have no tariff income rule, either by lowering the UCL to £6,000 (or less) or by writing it out of their scheme.



Minimum CTR awards



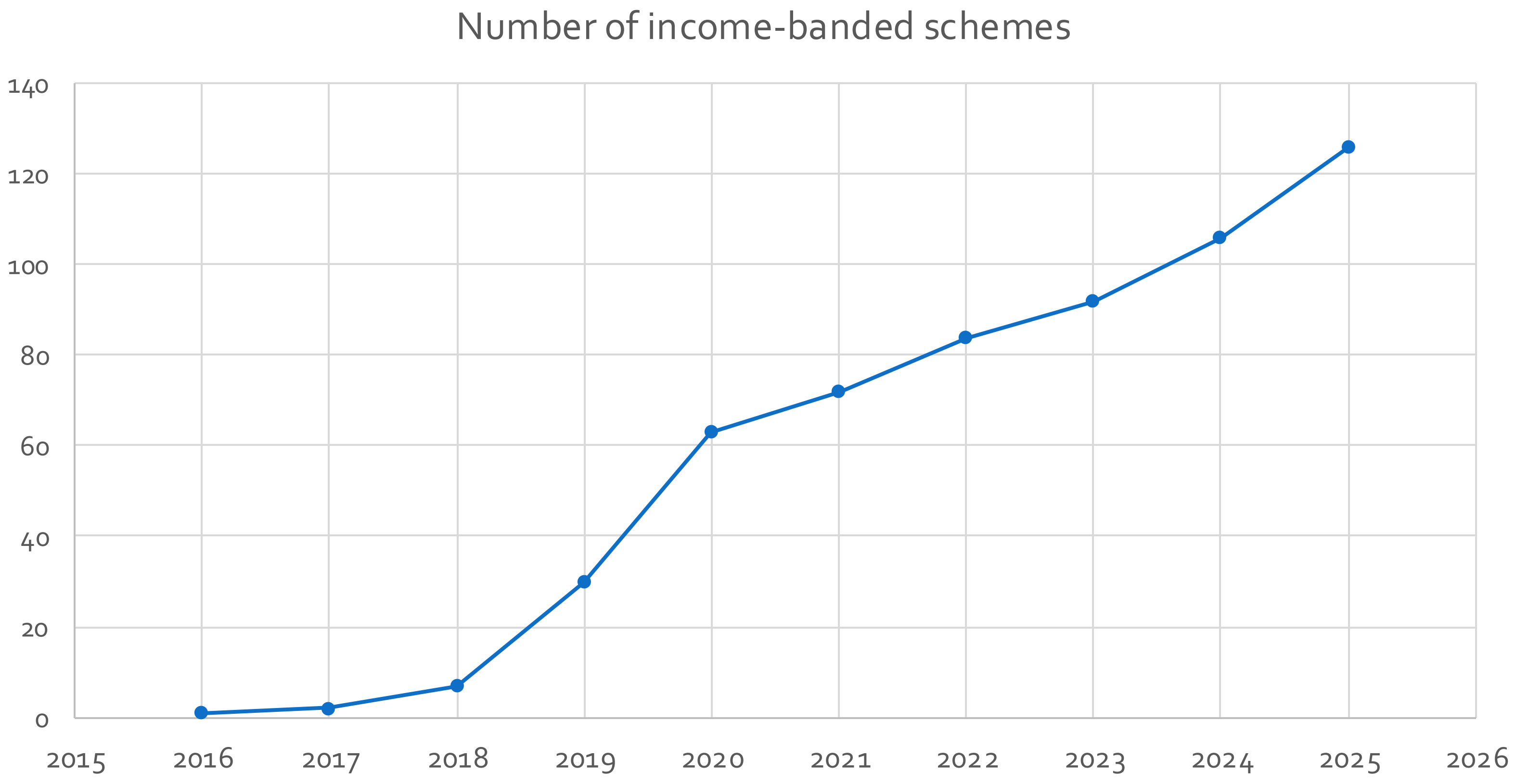
When a minimum award rule is in place any CTR entitlement below that amount is ignored. This saves on the administration costs associated with processing small amounts.

There are 64 schemes (20%) with a minimum CTR award in 2025/26, with the most common minimum CTR being £1 a week.

This year 6 LAs introduced new minimum awards while 2 LAs increased their minimum awards, one from £2 to £3 and another from 50p to £5. In contrast we also saw 5 LAs remove their minimum award altogether..

The growth of income-banded schemes

There are 20 new income-banded schemes this year, taking the total to 126. This represents the largest increase in new income-banded schemes since 2020, with 40% of all CTR schemes now being income-banded. Of the 126 income-banded schemes, 16 are for UC claimants only with the previous scheme being retained for non-UC working-age claimants.



Income-banded schemes: popular household type formats

37 (29%) vary support by 4 household types (8 new for 25/26)

	Weekly Income £								
Income Band	Single		Couple		Family with 1 child		Family with 2+ children		Discount
	From	To	From	To	From	To	From	To	
Band 1	0.00	114.40	0.00	154.40	0.00	204.40	0.00	254.40	90%
Band 2	114.41	171.60	154.41	211.60	204.41	261.60	254.41	311.60	75%
Band 3	171.61	228.80	211.61	268.80	261.61	318.80	311.61	368.80	60%
Band 4	228.81	286.00	268.81	326.00	318.81	376.00	368.81	426.00	45%
Band 5	286.01	343.20	326.01	383.20	376.01	433.20	426.01	483.20	30%

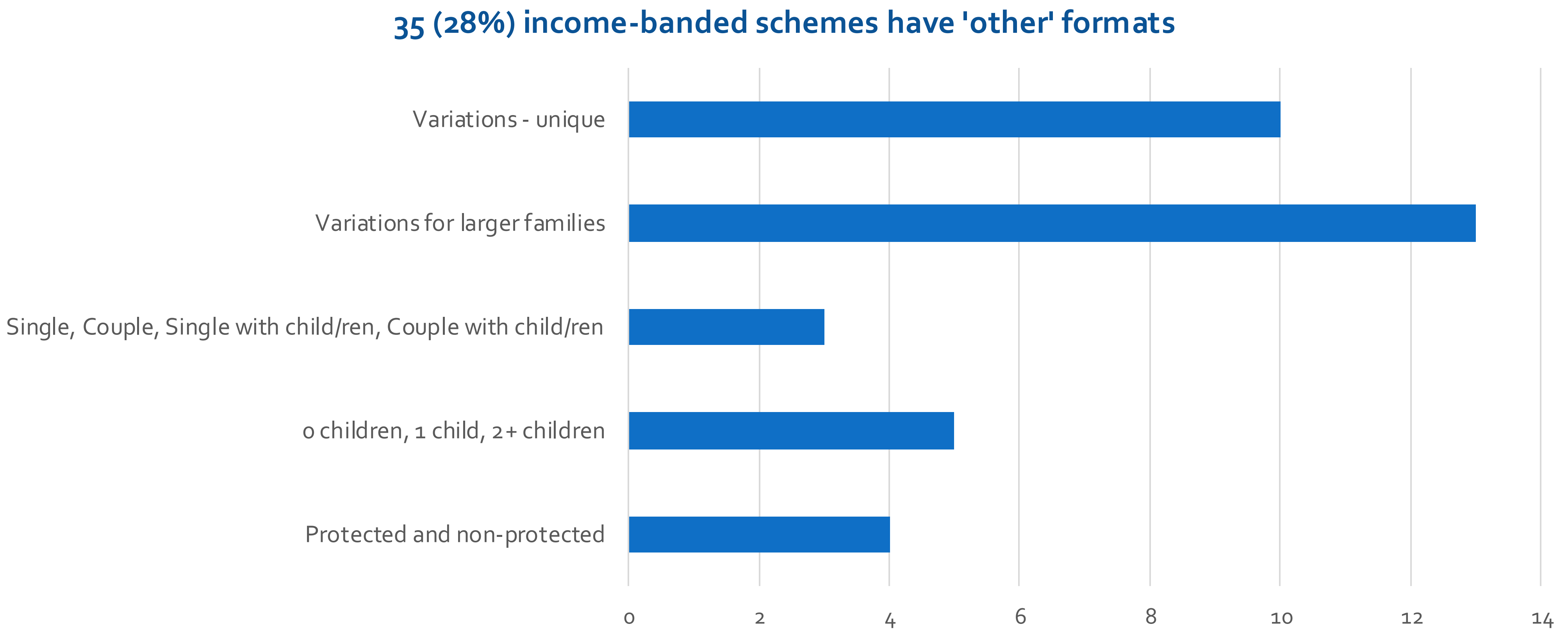
23 (18%) 'one size fits all' (3 new for 25/26)

Income (net)	LCTRS Income Banding	Percentage award of net liability
£0 - £215.99	A	90%
£216.00- £274.99	B	70%
£275.00 - £339.99	C	50%
£340.00 - £398.99	D	30%
£399.00 - £462.99	E	10%

31 (25%) vary support by six household types (7 new for 25/26)

Discount Band	Discount	Single Person	Single person with one child	Single person with two or more children	Couple	Couple with one child	Couple with two or more children
Weekly Income Ranges							
Band 1*	80%	£0 to £93.00	£0 to £196.00	£0 to £279.00	£0 to £146.00	£0 to £248.00	£0 to £330.00
Band 2	60%	£93.01 to £132.00	£196.01 to £232.00	£279.01 to £316.00	£146.01 to £182.00	£248.01 to £285.00	£330.01 to £366.00
Band 3	40%	£132.01 to £168.00	£232.01 to £270.00	£316.01 to £352.00	£182.01 to £218.00	£285.01 to £322.00	£366.01 to £404.00
Band 4	20%	£168.01 to £204.00	£270.01 to £307.00	£352.01 to £389.00	£218.01 to £256.00	£322.01 to £358.00	£404.01 to £440.00
	0%	Over £204.00	Over £307.00	Over £389.00	Over £256.00	Over £358.00	Over £440.00

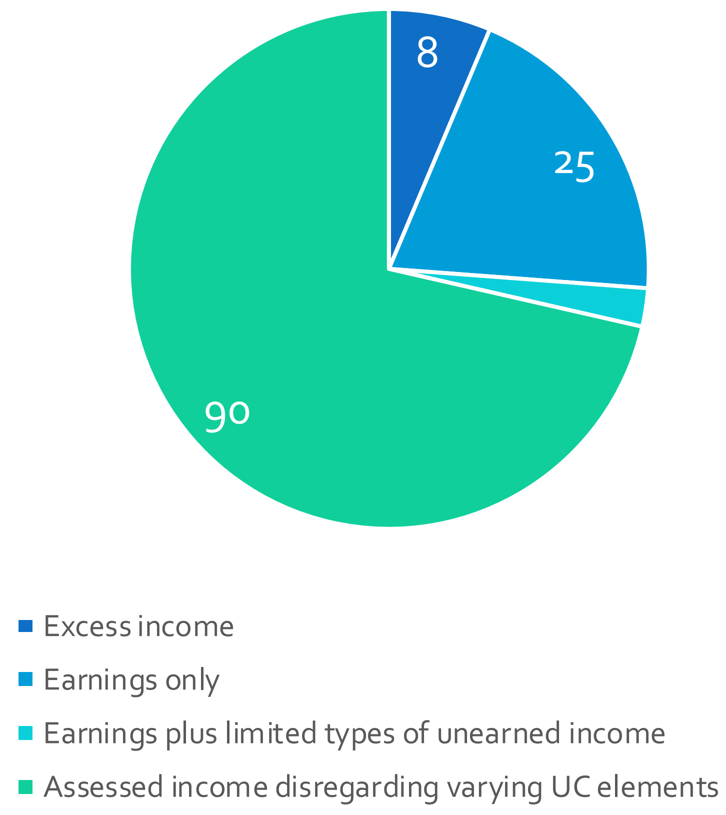
Income-banded schemes: other formats



1 LA with an existing income-banded scheme changed their format this year, changing from a one size fits all format to the 6 household types format.

Income-banded CTR schemes: income taken into account

Income types used in income-banded schemes 25/26



Of the new income-banded schemes 6 only include earnings when assessing income, and one existing income-banded scheme changed to being earnings-only this year. Overall 20% of banded schemes now use this approach (25 LAs).

Eight income-banded schemes (including 2 new this year) are 'excess income' schemes, meaning they still use applicable amounts to compare against income to determine an excess income for each claimant. This excess income amount is then checked against an income-banded scheme table to identify the appropriate support percentage.

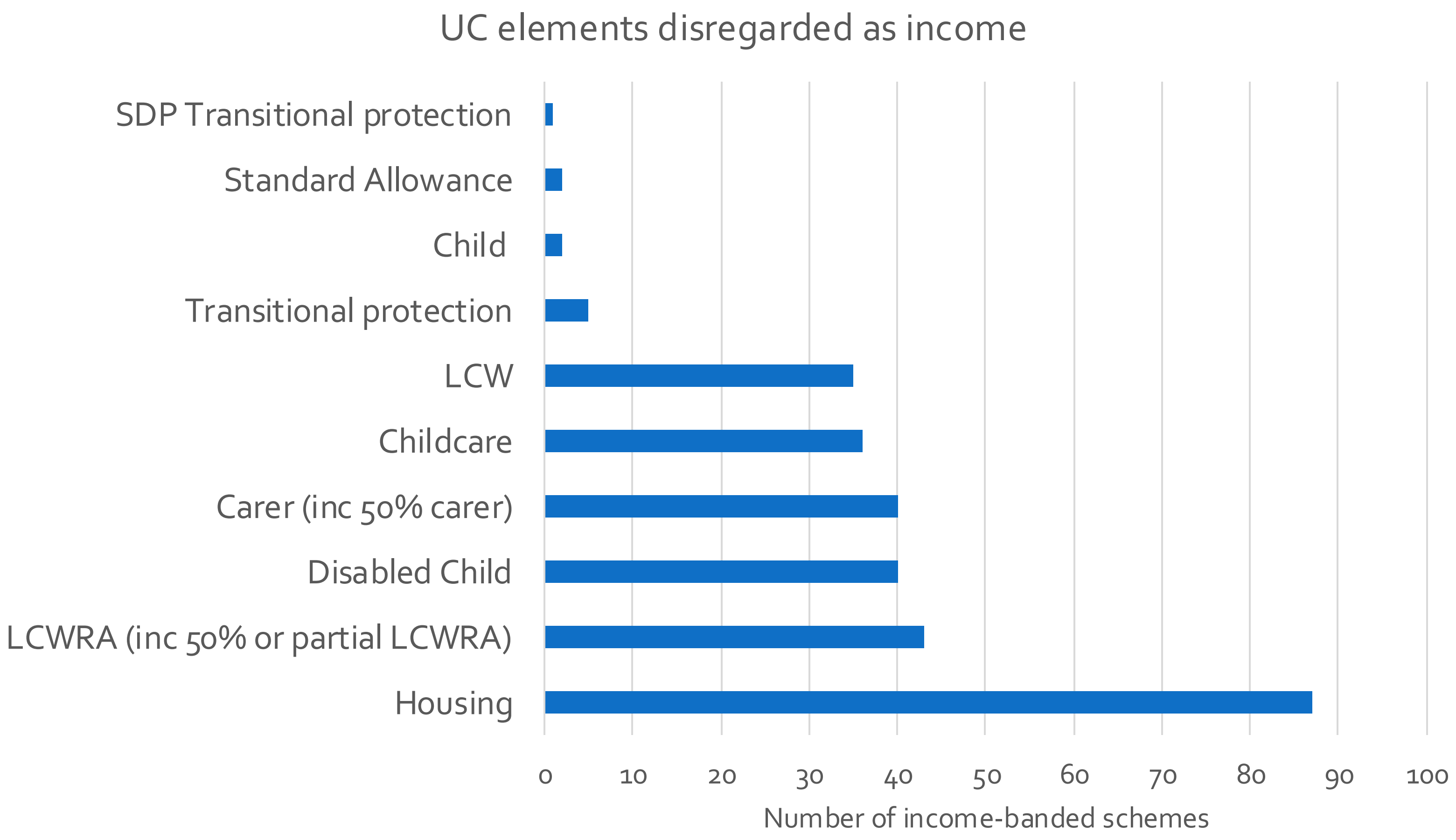
The vast majority of income-banded schemes (90 LAs), including 12 new ones, use similar assessed income to non-banded schemes, the main difference lies in how much of the UC award they disregard.

Income-banded CTR schemes: income from UC

The way UC income is calculated affects the amount of CTR awarded. It's good to see that all but 2 of the new schemes (which aren't earnings-only or excess-income schemes) disregard the Housing, LCWRA, disabled child and carer elements in UC when calculating income.

We have also seen 5 LAs with existing income-banded schemes disregarding additional UC elements this year.

We continue to urge LAs to consider which elements of the UC award to take into account as income; especially where the legacy benefit equivalents were disregarded.



Income-banded schemes and out-of-work claimants

Income Band	Single person	Couple	Lone parent with children	Couple with children	Maximum percentage entitlement
Band 1	£0 to £110	£0 to £168	£0 to £220	£0 to £280	100%
Band 2	£110.01 to £150	£168.01 to £220	£220.01 to £270	£280.01 to £340	80%

Weekly income	Lone parents with a child under 5	All other claimants
£0 to 145.99	80%	75%
£146 to 195.99	70%	60%
£196 to 245.99	60%	40%

With migration set to end this year we still need to consider those claimants who are receiving UC as an 'out-of-work' benefit. The concern is that claimants who were previously protected in band 1 when receiving Income Support, Jobseeker's Allowance or Employment and Support Allowance can move out of this band when they move to UC if their UC award counts as income.

For a lone parent who is unemployed and caring for two children under school age, we found that an income of just the UC standard allowance plus two child elements, £226.85 per week, would be too high to place them into band 1 in 15 income-banded schemes (12% of banded schemes). In fact, this income would also be too high to place the example household in band 2 in a few of those schemes, most of which protected IS/ibJSA/irESA claimants by putting them in band 1.

The upper band 1 income threshold is as important a factor as the maximum CTR when considering the support available to those on the lowest incomes under an income-banded CTR scheme.

Our services for LAs changing their CTR scheme

Whether you are thinking of moving to an income-banded scheme or an alternative type of scheme we can help you in one of three ways:

Monitoring the market: Providing details of what other LAs are doing so you can see which policy options, if any, may be appropriate for your council.

Evaluating alternatives: Assisting you in setting up policy options for alternative schemes in our CTR consultation calculator. You can use existing schemes from other LAs or create unique new schemes. You can then run either hypothetical or real case examples through the calculator to see entitlements under the proposed schemes compared to your existing scheme.

Modelling your data: By combining our calculation engine with your LA CTR data we can estimate the cost and distributional effect of proposed schemes, for both your authority's and residents' finances.

GET IN TOUCH

We'd like to hear from you.

Email: hello@entitledto.co.uk
Visit: www.entitledto.co.uk/organisations
Call: 0161 980 6276

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