KCC response to changes to Local Council Tax Reduction Schemes

Kent County Council (KCC) acknowledges receipt of your letter dated 13th August 2025 setting out the Borough's intention to consult on proposals to change the current Local Council Tax Reduction Schemes (LCTRS).

KCC acknowledges that the current arrangements were developed mutually between collection and precepting authorities with the aim of mitigating the original reduction in funding from the estimated cost of previous Council Tax Benefit arrangements. This agreement was based on setting a maximum discount of less than 100% for working age households on the lowest incomes (with tapered reductions in discounts as income increases), adopting standard criteria for other aspects of local schemes, such as minimum income thresholds, and reductions in empty property discounts. The mutual agreement was subsequently refined and local schemes updated to mirror the welfare reforms under the Welfare Reform and Work Act 2016.

KCC has supported changes made by districts to simplify local schemes with a move to a banded approach. This has provided more certainty for individuals as discounts only change should their circumstances mean they move into a different band. The change to a banded approach has reduced the assessment burden on districts and has not materially affected the taxbase (other than impacts that would have occurred due to any economic upturn or downturn affecting employment and income levels).

KCC does not support the latest proposals to provide a higher level of discount (either 90% or 100%) for those in the lowest income band or increasing the discount in other bands. KCC does not support other options under consideration such as removing the minimum income floor and believes the current scheme should be retained. The reasons for this response are set out below.

1. Impending Local Government Reorganisation

The government has recognised that although councils were invited to submit proposals for unitary government, in the meantime councils should continue to deliver essential services and meet statutory obligations. In doing so the government has been clear that decisions of existing councils should not compromise the future sustainability of new councils or fetter future decisions of new councils. Included in the examples of such decisions are local council tax support schemes and council tax exemption schemes.

KCC is concerned that the stated rationale for the consultation is the ability of individual households to pay discounted council tax bills, and the impact of the KCC decision in the 2025-26 budget to withdraw the discretionary subsidy previously provided (a subsidy that can only exist under two-tier arrangements) and knock-on impact on the budget for district collection teams. Nowhere in the consultation has it been acknowledged that changing schemes for 2026-27 to allow higher discounts will reduce the overall taxbase (both for existing councils as well as newly re-organised councils). It also fails to acknowledge that a re-organised unitary authority would probably take a broader view, rather than just considering the impact of schemes on individual recipient households and impact on cost of council tax collection. Instead, new unitary authorities would be left with lower taxbases, potentially exacerbated over a wider geographical area than just the current district boundary. Because this decision will affect the council tax base (and thus the future sustainability of new councils to deliver a wider range of services) we believe this is a fundamental flaw and should have been explicitly covered in the consultation.

2. Work Incentive
KCC is concerned that increasing the discount acts as a disincentive for claimants to seek improved employment and does not encourage individuals to take more personal responsibility and to make sound choices that lead to better life outcomes. Increasing discounts simply reinforces the something for nothing culture and does nothing to address the concerns of residents who feel that the welfare system is too generous and open to abuse.

3. Impact of Proposed Changes
Effectively the cost of LCTRS discounts is borne by all taxpayers and this has not been made clear in the consultation, or respondents asked whether they support a greater share of the council tax they pay being used to support those on low incomes. KCC believes that it should have been made much more explicit in the consultation that the proposals will impact on all council taxpayers.

It is a long-standing legal principle that in managing their financial affairs, councils have a fiduciary duty to all taxpayers. KCC contends that this fiduciary duty does not just apply to the individual collection authority budget and that in discharging statutory functions with regard to council tax collection authorities are already under a duty to seek to maximise collection at lowest possible cost. In only considering the impact of the costs of administration of LCTRS compared to the income the collection authority receives from its share of council tax collection the Authority has failed to demonstrate that this meets the fiduciary responsibility to all taxpayers.

4. Comparison with Other Councils
KCC is concerned that there does not appear to be any analysis of schemes in other council areas. Schemes offering 100% discount remain in place in only a minority of other councils, with the most common schemes offering 70%-80% discounts i.e. in line with the current arrangements. There has been no acknowledgement in the consultation that the proposals would result in more generous discounts than in most other council areas. This should have been made clearer (along with the implicit impact on all taxpayers)

5. Evidence of Impact on Collection Rates, Council Tax Collection Costs and other impacts.
The consultation has not explicitly stated how offering a higher discount will impact on council tax collection rates (it is implied that the difficulty households face in paying existing discounted bills impacts on collection, but no evidence has been supplied). This lack of evidence on collection rates for households in receipt of support through LCTRS and households paying full council tax should have been made available to inform consultees.

No evidence has been provided to precepting authorities or other consultees on the cost of administering current LCTRS or costs of council tax collection for those paying full council tax. No evidence has been provided on the lower costs of administering the proposed new schemes for respondents to judge whether these savings are appropriate compared to costs. Since one of the stated objectives is to reduce the cost of administering schemes this information should have been provided.

No evidence has been provided on other impacts e.g. impact on council tax hardship schemes. These shortcomings in the evidence strongly suggest that not all impacts have been fully considered.

6. Alternatives

KCC is concerned about the lack of alternatives considered. These have been limited to continuing with the current scheme, either with the subsidy from preceptors restored, or reducing other services to maintain council tax collection. The consultation should have spelt out other alternatives such as improving council tax collection to pay for the cost of collection, doing more to tackle fraud and error, increased efficiencies in council tax collection, and reductions in discounts. This lack of alternatives again suggests not everything has been considered.

As Kent County Council is a statutory consultee on any LCTRS changes, we would expect to receive a full explanation if comments made in this response are not incorporated into final proposals.