

Council

27 February 2025

Council Tax Reduction Scheme 2025 / 2026

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Phil Watts, Chief Operating Officer (Section 151 Officer)

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Summary

This report sets out the proposed changes to the Council Tax Reduction Scheme (CTRS) and asks the Council to approve the CTRS for the 2025/26 financial year.

The report was previously considered by the Cabinet on 11 February 2025, the decision of which is set out at section 6 of the report.

1. Recommendations

- 1.1. The Council is asked to note the decisions of the Cabinet, as set out at section 6 of the report.
- 1.2. The Council is asked to adopt the Council Tax Reduction Scheme (CTRS) 2025/26, reflecting income bands uprated for CPI, as set out in Appendix 1 to this report.
- 1.3. The Council is asked to note the impact of the Care Leavers Discretionary Council Tax Policy agreed in February 2023.

2. Budget and policy framework

- 2.1. Section 13A(1)(a) of the Local Government Finance Act 1992 prescribes that Medway Council is required to have a Council Tax Reduction Scheme that is approved annually by Full Council.
- 2.2. The Council is under a legal duty under Schedule 1A to the Local Government Finance Act 1992 to consider each year whether to revise its Council Tax Reduction Scheme or to replace it with another scheme. Schedule 1A also provides that any revision to the scheme, or any replacement scheme, must be made no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect. Any revision to the CTRS or a replacement CTRS must be the subject of consultation.

3. Background

- 3.1. Council Tax Benefit was abolished as a national benefit and local authorities were required to establish local support for Council Tax from April 2013 and Medway implemented the CTRS. During 2021, the Council consulted on a banded scheme which was introduced from 1 April 2022, following full Council approval on 24 February 2022.
- 3.2. The scheme and operation have been reviewed and no significant changes are proposed, other than those prescribed in law or changes that are already permissible within the parameters of the currently agreed scheme.
- 3.3. The current scheme provides approximately £15million of support (including £34,392 of exceptional hardship payments) by reducing Council Tax liabilities for those eligible. Elsewhere on this agenda, the Proposed Budget for 2025/26 includes a proposal to increase the Council Tax for Medway by 4.994%. If that recommendation is accepted by Cabinet and Council, the cost of Medway's CTRS scheme will increase to an estimated figure £15.749million respectively.
- 3.4. Alongside the CTRS scheme for 2023/24, in February 2023 Cabinet agreed to implement a permanent discretionary policy for care leavers which sits outside of the Council tax Reduction scheme. The policy forms a significant part of the Council's Local Offer to care leavers and provides vital support. The 2024/25 cost was £83,619, a reduction compared to the 2023/24 cost of £133,475. Any increase in Council Tax or reduction in Council Tax Reduction will impact the cost of the policy.

4. Options

- 4.1. Medway's current scheme prescribes within Schedule 1, that the authority may increase the income bands within the scheme on an annual basis by the appropriate level of inflation. The level is measured by the Consumer Price Index (CPI) at 1 October preceding the effective financial year, rounded to the nearest pound. The CPI for October 2024 was 2.3%. Working Age Welfare Benefits are set to increase by 1.7% from April 2025.
- 4.2. Currently the income bands within the scheme are set as follows; all income bands relate to income received per week:

Band/Discount percent	Single person	Couple with no children or young person	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
Band 1* 65%	£0 to £110.99	£0 to £150.99	£0 to £208.99	£0 to £278.99
Band 2 55%	£111 to £162.99	£151 to £202.99	£209 to £267.99	£279 to £336.99

Band/Discount percent	Single person	Couple with no children or young person	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
Band 3 45%	£163 to £214.99	£203 to £254.99	£268 to £324.99	£337 to £394.99
Band 4 35%	£215 to £267.99	£255 to £307.99	£325 to £383.99	£395 to £452.99
Band 5 20%	£268 to £313.99	£308 to £359.99	£384 to £440.99	£453 to £522.99
Band 6 0%	£314+	£360+	£441+	£523+

*Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given.

4.3. Option 1: Retain the current income bands

- 4.3.1. If Medway were to retain the current income bands, some claimants will find that their incomes increase by 1.7% which could cause them to move into a band that offers a lower level of support with their Council Tax. This would mitigate the positive impact to them of the increase in benefits and could cause financial hardship.
- 4.3.2. Pension age claimants would be unaffected as the scheme and values are prescribed by the Government.
- 4.3.3. For working age claimants on passported benefits (Income Support, Income Based Jobseekers Allowance and Income Related Employment and Support Allowance) will see no difference as Medway's current scheme prescribes that they will receive 65% support. However, other working age claimants in receipt of benefits such as Universal Credit will be affected.
- 4.3.4. Some residents on CTR would see reduced levels of support together with an increased demand for payment should the proposed increase to Council Tax be agreed.

4.4. Option 2: Uprate the Income Bands in the scheme by Inflation.

- 4.4.1. Whilst CPI for October 2024 as set out in the scheme is higher than CPI in September 2024 which is used by the Government to uprate incomes, Medway's income bands are broad which means in real terms, most residents would not see any change to the level of support they are receiving. If there are residents affected by any band changes, the Exceptional Hardship Scheme is available to support those in hardship.
- 4.4.2. The Benefits and Welfare Service have modelled the financial implications for the collection fund of uprating the bands by 2.3% alongside the increase in benefit income of 1.7% and have concluded the financial effect to be approximately cost neutral when uprated in line with the increase in Council Tax. The overall cost of the scheme will be as detailed in paragraph 3.3.

4.4.3. The bands would increase as set out overleaf, with bands referencing income per week:

Band/Discount percent	Single person	Couple with no children or young person	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
Band 1* 65%	£0.00 to £113.99	£0.00 to £153.99	£0.00 to £213.99	£0.00 to £284.99
Band 2 55%	£114.00 to £166.99	£154.00 to £207.99	£214.00 to £273.99	£285.00 to £344.99
Band 3 45%	£167.00 to £219.99	£208.00 to £260.99	£274.00 to £331.99	£345.00 to £403.99
Band 4 35%	£220.00 to £273.99	£261.00 to £314.99	£332.00 to £392.99	£404.00 to £462.99
Band 5 20%	£274.00 to £320.99	£315.00 to £367.99	£393.00 to £450.99	£463.00 to £534.99
Band 6 0%	£321+	£368+	£451+	£535+

*Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given.

5. Advice and analysis

- 5.1. This report concludes that the CTRS income bands should be uprated by CPI as at October 2024 to support Medway's most vulnerable residents and therefore we ask the Council to agree the scheme.
- 5.2. The proposed Medway CTRS scheme for 2025/26, reflecting these uprated income bands, is presented at Appendix 1 to this report.
- 5.3. A Diversity Impact Assessment has been completed and can be found at Appendix 2.

6. Cabinet

- 6.1. The Cabinet considered the report on 11 February 2025 and its decisions are set out below:
- 6.2. The Cabinet agreed to recommend to Full Council to adopt the Council Tax Reduction Scheme (CTRS) 2025/26, reflecting income bands uprated for CPI, as set out in Appendix 1 to the report.
- 6.3. The Cabinet noted the impact of the Care Leavers Discretionary Council Tax Policy agreed in February 2023.

7. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The number of care leavers continues to increase	Expenditure has decreased from 2023/24 to 2024-25.	Ensuring the policy is adhered to by using statutory reductions before discretionary.	DIV
Forecast cost of scheme falls short of estimate.	Claimants may have their CTR reduced unnecessarily when there is budget available. This could cause an increase in discretionary claims.	Use of data modelling tools and data analysis	DIII
Forecast cost of scheme excessive	Unidentified increase in service demand	Use of data modelling tools and data analysis	DII
Effect on Council Tax collection	If income bands are not increased there is the potential for increased arrears. Potential for arrears not to be cleared within the relevant financial year leading to delays in collecting the following year's liability.	Increasing the income bands will mitigate the effect of this risk.	BII
Likelihood		Impact:	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

8. Consultation

8.1. The ability to uprate the income bands in line with CPI is set out within the existing CTR scheme and as such there is no requirement to consult on the change proposed in this report.

9. Financial implications

9.1. The increases in support set out and recommended in this report are considered to represent modest cost increases to the Council but would provide considerable support to our most vulnerable residents, particularly given the current economic climate.

9.2. The cost of the CTRS in 2024/25 is estimated to be £15million. Elsewhere on this agenda, the Proposed Budget for 2025/26 includes a proposal to increase the Council Tax for Medway by 4.994%. If this recommendation is accepted

by Cabinet and Council, the cost of Medway's CTRS scheme will increase to an estimated £15.749million respectively, however the financial impact of uprating the income bands within the scheme will be cost neutral.

9.3. CTRS support for Care leavers is projected to cost £88,000 during 2025/26.

10. Legal implications

10.1. The Council is under a legal duty under Schedule 1A to the Local Government Finance Act 1992 to consider each year whether to revise its Council Tax Reduction Scheme or to replace it with another scheme. Schedule 1A also provides that any revision to the scheme, or any replacement scheme, must be made no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

Lead officer contact

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Appendices

Appendix 1 – Draft Council Tax Reduction Scheme 2025/26 (with uprated income bands)

Appendix 2 – Diversity Impact Assessment CTRS 2025

Background Papers:

None