

Cabinet

10 February 2026

Council Tax Reduction Scheme 2026/2027

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Phil Watts, Chief Operating Officer

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Summary

The Cabinet is asked to consider the proposed changes to the Council Tax Reduction scheme and agree to recommend to Council, a Council Tax Reduction scheme for the 2026/27 financial year.

1. Recommendations

- 1.1. The Cabinet is asked to recommend to Full Council that the Council Tax Reduction Scheme 2026/27 be adopted, reflecting income bands updated for the Consumer Price Index, as set out in Appendix 1 to the report.
- 1.2. The Cabinet is asked to approve the revised Exceptional Hardship Payment policy which is a prescribed requirement within the Council Tax Reduction Scheme, as set out at Appendix 2 to the report.
- 1.3. The Cabinet is asked to note the impact of the Care Leavers Discretionary Council Tax Policy agreed in February 2023.

2. Suggested reasons for decision

- 2.1. The scheme continues to balance the need for supporting those currently in receipt of the Council Tax Reduction Scheme (CTRS) and the ability of the Council to fund the scheme within the current budgetary constraints.

3. Budget and policy framework

- 3.1. 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.
- 3.2. 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.

4. Background

- 4.1. Council Tax Benefit was abolished as a national benefit, and councils were required to establish local support for Council Tax from April 2013, and Medway implemented the Council Tax Reduction Scheme. During 2021, the Council consulted on a banded scheme which was introduced from 1 April 2022, following Full Council approval on 24 February 2022.
- 4.2. 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.
- 4.3. The current scheme provides approximately £15.5 million of support (including £44,580.99 of exceptional hardship payments) by reducing Council Tax liabilities for those eligible. Elsewhere on this agenda, the Proposed Budget for 2026/27 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 of £16 million.
- 4.4. Alongside the Council Tax Reduction scheme, 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 2026/27 cost was £139,126.11. Members will need to note that any increase in Council Tax or reduction in Council Tax Reduction will impact on the cost of the policy.

5. Options

- 5.1. Our 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) as at 1 October preceding the effective financial year, rounded to the nearest pound. The CPI for October 2025 was 3.6%. Working Age Welfare Benefits are set to increase by 3.8%.
- 5.2. Members should note that the standard allowance of Universal Credit will also receive an additional uprating, bringing a higher than inflation rise of 6.2%. The two-child limit within Universal Credit has been abolished. Many households will see their income from Universal Credit rise above inflation. However, due to the legislative restrictions noted in paragraph 3.2 and the announcement of these measures in the autumn statement, the council does not have sufficient time to plan, consult and decide on a revised scheme in time for 2026/27.

5.3. 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%	£0.00 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+

5.4. **Option 1: Retain the current income bands**

5.4.1. If Medway were to retain the current income bands, some claimants will find that their incomes increase which could cause them to move into a band that offers a lower level of support with their Council Tax. This would remove the positive impact for them of the increase in benefits.

5.4.2. Pension age claimants would be unaffected as the scheme and values are prescribed by the government.

5.4.3. Some residents on CTR receiving additional elements of Universal Credit would see reduced levels of support together with an increased demand for payment should the proposed increase to Council Tax be agreed.

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

5.5.1. Whilst October's CPI is lower than September's CPI 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.

5.5.2. There will be residents who fall outside of the benefit cap who will see their income increase due to the abolition of the two-child limit. Overall, they will be better off, however, they could see their CTR amount reduce. If there are residents affected, the Exceptional Hardship Scheme is available to support those in hardship.

5.5.3. The Benefits and Welfare Service have modelled the financial implications for the collection fund.

5.5.4. The bands would increase as set out below:

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 £117.99	£0.00 to £159.99	£0.00 to £221.99	£0.00 to £294.99
Band 2 55%	£118.00 to £172.99	£160.00 to £214.99	£222.00 to £283.99	£295.00 to £356.99
Band 3 45%	£173.00 to £227.99	£215.00 to £269.99	£284.00 to £343.99	£357.00 to £418.99
Band 4 35%	£228.00 to £283.99	£270.00 to £325.99	£344.00 to £406.99	£419.00 to £479.99
Band 5 20%	£284.00 to £332.99	£326.00 to £380.99	£407.00 to £466.99	£480.00 to £553.99
Band 6 0%	£333+	£381+	£467+	£554+

6. Advice and analysis

- 6.1. This report concludes that income bands should be uprated by October's CPI to support Medway's most vulnerable residents and therefore we ask Cabinet to recommend the scheme to Full Council.
- 6.2. The proposed Medway CTRS scheme for 2026/27, reflecting these uprated income bands, is presented at Appendix 1 to the report.
- 6.3. The revised Exceptional Hardship Policy is shown at Appendix 2 to the report.
- 6.4. A Diversity Impact Assessment has been completed and can be found at Appendix 3 to the report.

7. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The number of care leavers continues to increase	Expenditure has increased from 2024/25 to 2025-26.	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

Risk	Description	Action to avoid or mitigate risk	Risk rating
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 2025/26 is estimated to be £15.5 million. Elsewhere on this agenda, the Proposed Budget for 2026/27 includes a proposal to increase the Council Tax for Medway by 4.994%. If either recommendation is accepted by Cabinet and Council, the cost of Medway's CTRS scheme will increase to an estimated £16m.
- 9.3. However, the financial impact of uprating the income bands within the scheme will be cost neutral and proportionate to the council tax increase. This will not fall to the general fund in 2026/27 as it will not materialise until setting the budget for 2027/28 and will manifest in the surplus or deficit on the Collection Fund at the end of 2026/27.
- 9.4. Care leavers will be expected to cost the Council at least £146,082.42 during 2026/2027 dependant on the increase in Council Tax.

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.
- 10.2. This year has seen a significant challenge against a Council's scheme. The High Court ruled that Trafford Council's 2025/26 Council Tax Reduction scheme was unlawfully adopted because it wasn't approved by Full Council and was discriminatory due to double counting certain unearned income like Carer's Allowance. This design flaw meant disabled people and carers were wrongly assessed as having higher income and lost support. The Court quashed the scheme, reinstated the previous year's version, and found that IT issues or discretionary relief could not justify or fix the defects. The ruling highlights the need for councils to ensure proper approval, fair income calculations, and robust system testing when designing CTR schemes.
- 10.3. Medway's Council Tax Reduction Scheme already disregards Carer's Allowance, so it isn't counted within the income calculation and the route for approval is always through Full Council, however, it is important officers and members are aware of the details of the ruling.

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Appendices

Appendix 1 – Draft Council Tax Reduction Scheme 2026/2027
(with uprated income bands)

Appendix 2 – Exceptional Hardship Scheme 2026/27

Appendix 3 – Diversity Impact Assessment CTRS 2026

Background papers

None