

OVERVIEW AND SCRUTINY COMMITTEE

6 JANUARY 2025

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: THE COUNCIL TAX REDUCTION SCHEME (EFFECTIVENESS AND PROPOSALS FOR 2026/27)

REPORT OF: DIRECTOR – RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: THRIVING COMMUNITIES / ACCESSIBLE SERVICES / SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Committee asked for a report on the effectiveness of our Council Tax Reduction Scheme (CTRS). This report therefore sets out the context of Council Tax support, including the introduction of local schemes for working aged people from 2013. Initially the Council followed the broad structure of the previous central scheme. However, in 2024 the Council moved to a banded scheme.

It is difficult to precisely answer how effective a CTRS scheme is, as there will always be a balance between cost and level of support. The implementation of a banded scheme went well in terms of the support provided, although the Council has seen a slight increase in the cost of the scheme.

The report recommends that the Council make a change to our discretionary policy to help avoid people dying in poverty. This is based on the campaign by Marie Curie.

Finally, the report sets out minor changes to the CTRS for 2026/27, which will be considered by Cabinet before approval by Full Council.

2. RECOMMENDATIONS

- 2.1. That the Committee comment on the report and consider any further mechanisms that would provide data on the effectiveness of the Council Tax Reduction Scheme.
- 2.2. That the committee provide comments to Cabinet on the recommendations: (i) Agree to amend the Council Tax discretionary policy to include the support provided to residents with a terminal illness, with the wording detailed in paragraph 8.17, and (ii) Approve changes to the Council Tax Reduction Scheme bands to reflect the impact of inflation.

3. REASONS FOR RECOMMENDATIONS

3.1. To respond to the request from Overview and Scrutiny Committee, and to consider changes for next year.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. Not take any action – The Council could choose to retain the scheme exactly as it is and not apply any inflationary increases.

4.2. Similarly the Council could choose to make no change to the scheme to reflect the Marie Curie report on 'Dying in Poverty'. That would reflect that the CTRS already provides up to 100% for working aged people. The Council cannot go much further than the proposals set out in this report for the period 2026/27, as more significant changes would require a full consultation to be undertaken as required by the legislation.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. Our major preceptors will be notified of the planned changes to the changes to thresholds.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

7.1 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 anyone of pension age would be dealt with under regulations set by Central Government and not the authorities' local scheme

7.2 Since that time, funding for the Council Tax Reduction Scheme (CTRS) has been amalgamated into other Central Government grants paid to Local Authorities (where in receipt of Revenue Support Grant) and within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding provided from Central Government sources

7.3 The current CTRS administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.

7.4 Pensioners, subject to their income, can receive up to 100 per cent support towards their Council Tax. The Council has no power to change the level of support provided to

pensioners and therefore any changes to the level of Council Tax Reduction can only be made to the working age scheme.

- 7.5 When Council Tax Reduction was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council also required all working age applicants, even those on the lowest income, to pay a contribution towards their Council Tax. This was achieved by applying a standard deduction from any award granted. This standard deduction was 25% until the banded scheme was introduced.
- 7.6 Up until being replaced by a banded scheme in 2023(see following paragraphs), the working age scheme had only been amended in a minor way, primarily to adjust the standard deduction, to introduce a tolerance and to align it with Housing Benefit and Universal Credit payments where possible.
- 7.7 During 2022 the Council carried out a full review of the previous scheme and implemented a new banded scheme (for working age applicants). This was approved at the Full Council meeting in January 2023, and applied from April 2023 onwards. Further details can be found in that report (see background papers). At the time the reasons for implementing the new scheme were to:
 - enable us to increase the overall level of support for the lowest income households
 - reduce the administrative burden placed on the Council following the introduction of Universal Credit, and
 - make the scheme easier for our customers to understand and calculate entitlement.
- 7.8 It was expected that the cost of the scheme would increase slightly, but not significantly. The North Herts share of the additional cost was estimated at £15k. A discretionary scheme was put in place to support the transition.
- 7.9 In January 2024, Council considered the CTRS for April 2024 onwards. That report identified that the scheme had achieved the outcomes set out in paragraph 7.7. There had been very little demand for the discretionary scheme that was put in place to support the transition. In that first year the Council had 6 applicants who were awarded a discretionary transition amount which reflected the amount that they lost under the new scheme. The fund was discontinued as the scheme was generally more generous. Although the specific fund was discontinued, the Council still have a discretionary scheme. In 2024/25, due to the uprating of benefits being so much higher, there were more requests for assistance as some claimants had to pay towards their Council tax where they had not been previously required, but they were in an improved financial position overall, so these cases were refused.
- 7.10 The January 2024 report, identified that the scheme was costing the Council more than had been estimated. It was agreed that the discretionary scheme budget would be used to help off-set some of that increased cost. No changes were made to the banded working age scheme for 2024/25.
- 7.11 In January 2025, Council considered the CTRS for April 2025. This proposed that only minor changes were made to the scheme. The changes proposed increased the

thresholds for each of the bands in line with inflation. This was to prevent households being pushed in to higher bands (i.e. paying more Council Tax) just through the impact of inflation on their income. There were higher than inflation increases (2.7% rather than 1.7%) applied to some thresholds where the inflationary uplift on their benefits would push them in to a higher band, and they would end up being worse off in terms of total income. The report at that time noted that the scheme was still costing a bit more than originally estimated.

7.12 The Council continues to have no control over the pension age CTRS. This is administered in line with Government regulations.

8. RELEVANT CONSIDERATIONS

Current working age scheme

8.1. The current scheme is based on an income grid model. The income bands are based on a weekly net income as detailed in the table below:

Band	Discount	Single person	Single Person 1 child	Single person 2 children	Single person 3 children	Couple No children	Couple 1 child	Couple 2 children	Couple 3 children
1	100%	£0 to £103.00	£0 to £169.00	£0 to £224.00	£0 to £336.00	£0 to £144.00	£0 to £208.00	£0 to £264.00	£0 to £346.00
2	75%	£103.01 to £185.00	£169.01 to £252.00	£224.01 to £305.00	£336.01 to £391.00	£144.01 to £226.00	£208.01 to £290.00	£264.01 to £346.00	£346.01 to £402.00
3	45%	£185.01 to £246.00	£252.01 to £313.00	£305.01 to £366.00	£391.01 to £452.00	£226.01 to £288.00	£290.01 to £351.00	£346.01 to £407.00	£402.01 to £463.00
4	25%	£246.01 to £308.00	£313.01 to £375.00	£366.01 to £427.00	£452.01 to £513.00	£288.01 to £349.00	£351.01 to £412.00	£407.01 to £468.00	£463.01 to £524.00
5	0%	Over £308.01	Over £375.01	Over £427.01	Over £513.01	Over £349.01	Over £412.01	Over £468.01	Over £524.01

Table 1: Income bands for the 2025/26 working age scheme

8.2. The following are currently incorporated into the scheme:

- To encourage work, a standard £50 per week disregard will be provided against all earnings.
- Disability benefits such as Disability Living Allowance and Personal Independence Payments will be disregarded.
- Where any applicant, their partner or dependent child(ren) are in receipt of a disability benefits such as Personal Independence Payments or Disability Living Allowance, a further disregard of £50 per week will be given, thereby supporting those with disabilities.
- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded.
- Child benefit and Child Maintenance will be disregarded.
- The amount in respect of the housing element, within Universal credit will be disregarded.
- The total disregard on war pensions and war disablement pensions.

8.3. The full current working age CTRS is included as a background paper.

Assessing the effectiveness of the Council Tax Reduction Scheme

8.4 Any scheme will be a balance between cost and level of support provided. The intention of the new banded scheme (when it was agreed in January 2023) was that it would better provide support to those most in need, with the costs of the scheme being broadly in line with the previous scheme. The report to Council in January 2024 highlighted some issues that either could not be modelled in advance or were missed. These were:

- Disregard of limited capability to work. This could not be modelled in advance, but it was included in the scheme as those in this category are some of the most vulnerable.
- Previous administration of the rent element within universal credit claims had not been disregarded. This was not identifiable during the initial modelling.
- During 2023/24 the council distributed support payments of up to £25 to a number of claimants. This figure was not included in the modelling; however, it has reduced our collectable amount of council tax.

8.5 In addition to the above impacts, it is not possible to isolate the effect of general economic conditions on levels of Council Tax support. Whilst inflation was dropping from its peak by the time the new scheme was implemented, it was still at a very high level, and residents were (and still are) feeling the impact of that.

8.6 The introduction of a new finance system has had an impact on our processes and the usefulness of the data that the Council can currently provide. During the implementation of the new system, a lot of payments went into a suspense account. This, combined with getting used to the new system, has meant that recovery action was suspended for a period. Recovery action has now recommenced, but this has affected the accuracy of the Council's collection rate data. A more generous CTRS would reduce the amount of Council Tax that can be collected, so represents a cost to the Council (and other preceptors). However, a well targeted scheme (and all other things being equal) may see a reduction in that cost if the Council can then collect more of the income that is due. That means less debt is written off and less resources are expended in chasing the debt. However, the Council cannot currently show whether this is the case.

Cost of our Council Tax Reduction Schemes

8.7 Table 2 below shows the cost of our CTRS up until 2021 (data produced for the Council report in January 2023). This includes the value of the CTRS as a percentage of the Gross Council Tax liability. By showing it as a percentage of total Council Tax it helps to strip out the effect of inflation. This shows a steady decline in the percentage cost up until 2019, and then an increase from 2020. This is likely to the impact of the Coronavirus pandemic.

Financial Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross CT Liability £	83,774,520	84,591,594	86,434,938	89,845,133	94,684,222	100,685,225	105,302,251	110,123,753	115,611,353
CTR £	6,998,498	6,902,064	6,693,360	6,761,037	6,770,869	6,863,664	6,771,613	7,208,969	8,218,400
%	8.35%	8.16%	7.74%	7.53%	7.15%	6.82%	6.43%	6.55%	7.11%

Table 2: Cost of CTRS over time, up to Financial Year 2021/22.

8.8 The above table includes both working age and pension age claimants. Table 3 below shows the caseload split between working age and pension age claimants. This shows a continuing steady reduction in pension age claimants, but a spike upwards for working age claimants in 2020 and 2021, with a slight decline in 2022. In more recent years the number of working-age claimants in April each year has been: 4,575 in 2023, 4,652 in 2024 and 4,794 in 2025. The equivalent pension age claimants have been: 2,529 in 2023, 2,457 in 2024 and 2,474 in 2025.

Financial Year Commencing	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Working Age	4797	4718	4537	4327	4187	4058	3980	4355	5151	4823
Pension Age	4214	4065	3831	3608	3404	3120	2981	2874	2746	2636
Total	9011	8783	8368	7935	7591	7178	6961	7229	7897	7459

Table 3: Claimant numbers by year, split between working age and pension age.

8.9 The latest data (estimates for 2025/26 as at November 2025) is that the cost of the scheme will be £9.6 million. That is against a Gross Council Tax amount of £130.6 million, which equates to 7.39%. That is made up of 2,427 pension age cases (estimated cost of £3.4 million) and 5,109 working age cases (estimate cost of £6.2 million). The detailed split is shown in Table 4 below:

Scheme Category	No. of households claiming	Estimated cost of CTRS support
Couple with one child	190	£194,095.99
Couple with two children	199	£192,322.13
Couple with three children	170	£192,223.35
Couple	306	£396,725.13
Passported	77	£287,417.62
Single with one child	891	£959,531.31
Single with two children	707	£733,678.32
Single with three children	376	£502,566.39
Single	2,193	£2,717,118.18
Total working age	5.109	£6,175,678.42
Pensioner	2,427	£3,482,447.30
Overall Total	7,536	£9,658,125.72

Table 4: Detailed CTRS cases (November 2025)

8.10 This data can also be split by Council Tax band, as shown in Table 5 below. All households who are liable to pay Council Tax, can apply and an assessment is performed against our scheme criteria. This also applies to occupants would are jointly liable who are not part of the same household. In these circumstances, each joint person can make a CTRS claim in their own right. This accounts for a difference in the number of households (7,536) and the number of properties by council tax band (7,522).

Council Tax Band	No. of properties with Council Tax support
A	993
B	2470
C	3204
D	614
E	172
F	52
G	16
H	1
Total	7,522

Table 5: Number of properties with Council Tax support by property band

8.11 All Councils complete an annual Council Tax return, which includes data on Council Tax Reduction Schemes. This can be used as a way of comparing data between Councils. The table below looks at the value of CTRS support as a percentage of the total Council Tax that would be payable before the impact of CTRS. It provides a comparison of North Herts with all of Hertfordshire, all East areas and all of England. These totals will be affected by relative demographics and deprivation.

District/ Area	Cost of Working Age CTRS as a % of Total Council Tax	Cost of Pension Age CTRS as a % of Total Council Tax	Cost of Total CTRS as a % of Total Council Tax
North Herts	4.75%	2.70%	7.45%
Hertfordshire	4.53%	2.64%	7.17%
East of England	4.28%	3.06%	7.34%
All England	5.06%	3.67%	8.73%

Table 6: Costs of CTRS as a percentage of Total Council Tax

8.12 The data for North Herts in the table above is different to the data in paragraph 8.9 because of the timing of when the data was taken. Overall North Herts is probably slightly above (i.e. more generous) than where you would expect. This will be due to the scheme design and thresholds that have been agreed.

8.13 As part of the consultation on the Fair Funding formula over the Summer, there was a proposal that the impact of CTRS should be reflected through modelled data, rather than actual scheme costs. The consultants who advised us on our consultation response found that our scheme costs were about £100k above the modelled costs.

Dying in poverty

8.14 Marie Curie have published a report on dying in poverty (<https://www.mariecurie.org.uk/document/dying-in-poverty-report-2025>). This raises awareness around those with terminal illnesses, and that over 100,000 die in poverty each year. Having a terminal illness can affect someone's earnings and also lead to them facing increased costs. The report highlights a number of actions that they would like to see. Most of these are targeted at Government, but there is an action related to Council Tax support.

8.15 The specific recommendation that Marie Curie make is: "The UK government, as well as devolved administrations, should ensure that people living with terminal illness are guaranteed support for council tax. Until that point, individual councils in England should consider how they can provide similar support in their area". They reference that Manchester City Council became the first council in the country to implement specific, additional support for households in which someone has a terminal illness.

8.16 The support that Manchester City Council (MCC) provide is that any household that has someone living there with a terminal illness will pay zero Council Tax. This will apply from the date of diagnosis, until up to a year after the date of death. Whilst the Council are very sympathetic to those with a terminal illness it is not felt that this level of support can be replicated at this Council. The reasons for this are as follows:

- MCCs standard CTRS provides support up to maximum of 85%. Our CTRS provides up to 100%, so the poorest residents already pay no Council Tax.
- The Council cannot see how MCC costed the potential impact of this, and North Herts Council calculations show that the costs could run into millions.
- MCC are a Unitary Authority. If the Council made a change through our CTRS then residents would be required to be consulted with and alongside preceptors (Herts County Council and Police and Crime Commissioner). This would take time which would mean that it would take until 2027/28 to implement this proposal. There may also not be support for the proposal. Further if the Council fully provided this level of support through our discretionary scheme then it would pay the full cost, which could be a disproportionate amount to be met by the Council alone.
- The cost of providing support would either need to come from reducing other levels of CTR support, or through reductions in service levels.
- The support does not seem to be well targeted, for North Herts in comparison to Manchester. According to Loughborough University data that previously accompanied the Marie Curie report, there were estimated to be 166 people per year aged 20+ dying in poverty in North Herts. However, that was estimated to be only 13.3% of those that were dying from a terminal illness in North Herts. That means that there would be over one thousand people per year dying from a terminal illness who are not in poverty. Whilst the poverty level is a low threshold, and the Council would aspire for residents to be well above poverty levels, it is very likely that a high number of those affected by a terminal illness are very significantly above those poverty levels. The equivalent estimated percentage for Manchester City Council was 32.6%.

8.17 For 2026/27 the suggestion is that the primary focus is on our CTRS providing support to all those on the lowest incomes, to reduce the overall numbers of those in poverty. This reflects that the CTRS already provides up to 100% support. The Council would look to supplement this with a change to the discretionary policy to ensure that those with a terminal illness do not fall through any gaps in the main CTRS scheme. For example, it may not be immediately obvious that someone's income has dropped, or they may be incurring increased costs as a direct result of a terminal illness. If something like that took them below the CTRS thresholds then the Council would ensure that the discretionary support was implemented. A copy of our current discretionary scheme is attached at Appendix A. The proposal is that paragraph 4.1 is amended to add a second sentence that would read: *"That would include households where a member of the household has been diagnosed with a terminal illness and this has resulted in a*

significant impact on the net income of the household to an extent that it makes their Council Tax unaffordable”.

8.18 We have made contact with Marie Curie to understand their thoughts on the balance between specific support and the general support we provide to our residents. They acknowledged that changes to the CTRS policy take time to achieve, due to the consultation required. They have not yet provided a specific view on the fact that we already provide up to 100% support.

Proposals for 2026/27

8.19 In addition to the proposed change to our discretionary scheme (as per paragraph 8.17), The Council also intend to uplift each of the threshold bands by inflation (expected to be 3.8%). Reflecting inflation ensures that that eligibility continues at the same affordability thresholds. The Council consider these to be minor changes and therefore not subject to full consultation. We will make our major preceptors (Hertfordshire County Council and Police and Crime Commissioner) aware of the proposed changes.

Local Government Reorganisation and CTRS

8.20 Under Local Government Reorganisation there will be a need for each new Council to have a CTRS for working aged people (assuming that the national scheme for pension aged people continues). Any significant changes made to the scheme for 2026/27 or 2027/28 should ideally consider the schemes in relevant other Councils.

9. LEGAL IMPLICATIONS

9.1. Under Section 13A of the Local Government Finance Act 1992 a local authority is permitted reduce its council tax. Accordingly Schedule 1A of the Local Government Finance Act requires a local authority to have in place a Local Council Tax Reduction Scheme.

9.2. The Council is required to maintain and annually review its Council Tax Reduction Scheme in accordance with Section 13A and Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012).

9.3. Schedule 1A to the Local Government Finance Act 1992 requires the Council to make any revision to its scheme or any replace scheme no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

9.4. Section 3(1) of Schedule 4 of the Local Government Finance Act 2012, which inserts Schedule 1A to the Local Government Finance Act 1992 requires the Council to consult on any changes to its scheme as follows:

- Consult any Major Precepting Authority which has power to issue a precept to it,
- Publish a draft scheme in such manner as it thinks fit, and
- Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

9.5 Full Council's terms of reference include at 4.4.1 (z) “approving the Council Tax Reduction Scheme”. In considering the CTRS, Cabinet is acting in accordance with

statutory provisions and in accordance with its obligations under the Council's constitution.

10. FINANCIAL IMPLICATIONS

10.1. The Council Tax Reduction Scheme in this year is estimated to cost approximately £9.7m which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities which is in approximately the following proportions:

- County Council (including Fire and Rescue Service) (around 76%)
- Police and Crime Commissioner (around 12%)
- District Council (around 12%)

These proportions are based on the overall share of Council Tax income and will change over time in line with decisions made by each Authority on levels of Council Tax increase. Recently, these have mainly been affected by the levels of increase (without a local referendum) that have been allowed by Government. The costs of Council Tax Reduction are not funded by the Precepting Authorities directly. Instead, the estimated level of eligibility is converted into a number of band D equivalent properties. That then reduces the overall tax base (i.e., the number of properties expected to pay Council Tax), and therefore the amount of income that each Precepting Authority should expect to receive. Differences between what was expected, and the amount collected are managed through a Collection Fund. The precepting Authorities will share any surpluses or shortfalls in the following year.

10.2. Increasing the threshold bands by inflation aims to ensure that households with a similar level of income in real terms will continue to be eligible for the same level (as a percentage) of Council Tax support. All other things being equal, this would mean that the band D equivalent eligibility for Council Tax support would remain consistent.

11. RISK IMPLICATIONS

11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.

11.2. General economic factors can have an impact on the number of people that claim CTRS and therefore it is difficult to predict the number of households that will be eligible in the future and the extent of that entitlement and impact on the cost of the scheme. The only way to mitigate the risk of increasing spend is to make the scheme less generous. This in turn will mean increases in the amount of Council Tax to be collected, which may prove counter-productive and move the problem into increased bad debts.

12. EQUALITIES IMPLICATIONS

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 An equalities impact assessment (EIA) was completed for the current scheme in December 2022 before it was implemented. As no major changes are being made, another assessment is not required.

13. SOCIAL VALUE IMPLICATIONS

13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no direct HR implications arising from this report.

16. APPENDICES

16.2 Appendix A: Current Discretionary Scheme

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 *New banded Council Tax Reduction Scheme implemented in April 2023* [Agenda for Council on Thursday, 19th January, 2023, 7.30 pm | North Herts Council](#), see minute 171

18.2 Review of the Scheme in January 2024 <https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=136&MId=3400&Ver=4> see minute 259

18.3 Current Council Tax Reduction Scheme <https://www.north-herts.gov.uk/sites/default/files/2025-11/North%20Herts%20S13A%20202526%20Scheme%20FINAL.pdf>