

Report to: Cabinet



Date of Meeting 4 February 2026

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Council Tax Reduction Scheme 2026/27

Report summary:

This report is seeking Members to consider and approve the Council Tax Reduction Scheme (CTR) for 2026/27, which we are recommending remains un-changed from the 2025/26 scheme. This is because our current scheme continues to support low-income households who are still finding the current economic situation challenging, in the most cost-effective way.

We are intending to carry out a review of our CTR working age scheme for 2027/28 due to the removal of the two-child cap the government announced in the Autumn Budget (19 November 2025), and the need to start to consider aligning our working age scheme with neighbouring Devon authorities in readiness for Local Government Reorganisation (LGR). Any proposed changes to the scheme will be consulted on before a final draft policy is brought to Members for consideration and approval.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That Cabinet

1. Fully consider the Equality Impact Assessment in relation to the scheme and
2. Recommend to Council that the Council Tax Reduction Scheme for working age residents is approved for 2026/27.

Reason for recommendation:

The council is required by law to decide whether to revise or replace its CTR scheme each year. The proposal is that the scheme remains unchanged from 2025/26 as the current economic climate remains difficult for those on low incomes. Leaving the scheme as it is, will ensure that those households on the lowest income and therefore falling into Income band 1 would continue to receive 100% support towards their Council Tax charge.

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Portfolio(s) (check which apply):

- ☐ Assets and Economy
- ☐ Communications and Democracy
- ☐ Council, Corporate and External Engagement

- ☐ Culture, Leisure, Sport and Tourism
- ☐ Environment - Nature and Climate
- ☐ Environment - Operational
- ☒ Finance
- ☐ Place, Infrastructure and Strategic Planning
- ☐ Sustainable Homes and Communities

Equalities impact Low Impact

[Equalities Impact Assessment](#)

Climate change Low Impact

Risk: Low Risk;

Links to background information

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ A supported and engaged community
- ☐ Carbon neutrality and ecological recovery
- ☒ Resilient economy that supports local business
- ☒ Financially secure and improving quality of services

Report in full

1. Background

- 1.1 Council Tax Reduction (CTR) is a means tested reduction/discount for council taxpayers who are on a low income. CTR has been in place since 1 April 2013. Each year the Council is required to review and agree the working age scheme by 11 March of the preceding financial year. Any changes made to a working age scheme are subject to public consultation.
- 1.2 The working age scheme is determined by local policy whilst applications for CTR for residents of Pension Age are determined by the national scheme that is subject to prescribed legislation.
- 1.3 We last made changes to our CTR working age scheme that came into effect from 1 April 2023. The most beneficial of those changes was increasing support for households on the lowest incomes (income band 1) to 100%.
- 1.4 We are not planning any changes this year as we will need to undertake a full review of our scheme during 2026. This is because we need to consider whether changes are required following the Autumn budget (19 November 2025) where the government announced the removal of the two-child limit from April 2026. As this announcement was made in November 2025 this was not something we could consider making changes for in our 2026/27 scheme.
- 1.5 As part of the Local Government Re-organisation, we will also need to start discussions with our neighbouring Devon authorities to consider aligning our schemes, in readiness for the new formed Unitary Council. Aligning our schemes will be a significant amount of work that will also need to be done alongside the changes set out in 1.4. It is worth noting that at present our scheme compared with other Devon authorities is more generous, for example our second income band is set at 80% whereas some authorities only offer 75%

2. Current Scheme

2.1 Our current scheme has four income bands - 100%, 80%, 55% and 25%.

2.2 The following table provides a breakdown of the number of claimants split between working and pensionable age and how the caseload has changed since April 2024.

Caseload	As at April 2024	As at October 2024	As at April 2025	As at October 2025	Difference between Apr 24 & Oct 25 (% rise)
Working age	4,527	4,530	4,459	4,612	1.87%
Pension age	3,456	3,451	3,629	3,491	1.01%
Total	7,983	7,981	8,088	8,103	1.50%

- Our Working Age caseload has increased by 1.87% between the period April 2024 to October 2025.
- The Pensionable Age caseload has increased by 1.01% over the same period. Although we saw an initial increase in the numbers being entitled to CTR following the take up campaign we ran during the winter of 2024/25, we have since seen a reduction in the amount of Pensionable age households qualifying for CTR following us carrying out more reviews of our caseload.
- The overall net effect of these changes has meant that our total CTR caseload has continued an albeit small upward trend in the number of households entitled.

2.3 The current working age caseload is broken down into the following discount bands.

Band	October 2023	October 2024	October 2025	2023 to 2024	% Change	2024 to 2025	% Change
100%	2004	1844	1252	-160	-7.98%	-592	-32.10%
80%	916	869	1034	-47	-5.13%	+165	+18.98%
55%	1194	1321	1735	+127	+10.63%	+414	+31.33%
25%	402	505	591	+103	+25.62%	+86	+17.02%
Total	4,516	4,539	4612	+23	+0.50%	+73	1.60%

- From October 2025 our caseload is more evenly spread across the four income bands as opposed to October 2023.
- The above table highlights that there has been movement from Income Band 1 primarily into Income Band 2 and 3. This movement is due to changes in circumstances, primarily the working age Housing Benefit caseload migrating to Universal Credit.
- Households that were previously receiving a welfare benefit that was passported, such as Job Seekers Allowance (income based), Income Support and Employment and Support Allowance (Income related) were automatically placed into income band 1.
- Universal Credit is not classed as a passported benefit. There are some elements we do not disregard as those who are able to work full time may also receive some of the

elements that others who do not work can receive. This approach is mirrored by other authorities including those in Devon where a banded scheme is in place.

- Households who are placed in a lower band due to the Universal Credit migration are notified that we can consider a payment out of our Exceptional Hardship fund if they are unable to afford the shortfall due to their financial situation.

2.4 The following table shows the characteristics of households where there are children, someone with a disability or someone who is in employment living in the household.

Band	Households with Children			Disability Benefit			Employed		
	Dec- 24	Dec-25	% Diff	Dec-24	Dec-25	% Diff	Dec-24	Dec-25	% Diff
Band 1 100%	671	667	-0.59%	906	326	-64.01%	134	154	+15.92%
Band 2 80%	610	619	+1.47%	405	589	+45.43%	406	395	-2.70%
Band 3 55%	601	634	+5.49%	645	1146	+77.67%	646	671	+3.86%
Band 4 25%	349	348	-0.28%	145	252	+73.79%	440	415	-5.68%
Total	2231	2268	+1.65%	2,101	2,313	+10.09%	1626	1,635	+0.55%

Note: households can fall into more than one of the above categories

- There has been an increase in the number of households receiving earnings falling into Income Band 1.
- The majority of households falling out of Income Band 1 are those where there is a disabled resident in the property, with most of these households now falling into Income Bands 3 and 4. This movement in the bands is due to the level of income received from Universal Credit that is not disregarded under our CTR scheme.
- We are currently monitoring cases that have seen a reduction in the amount of CTR due to migrating to Universal Credit, and as part of the support offered Exceptional Hardship for Council Tax will be considered for those households that are unable to afford the shortfall.

2.5 Our working age scheme continues to include an exceptional hardship fund (EHF) to help those households who will struggle to make up any shortfall in their entitlement. This allows us to provide additional support of up to 100% of the Council Tax charge. Requests are considered on a case-by-case basis and are dependent on individual needs. To date we have awarded approximately £8,500 under EHF for the financial year 2025/26. These costs are included within the total costs of the scheme noted in 3.1.

3. Future Costs

3.1 The expenditure split of the scheme as of 10 October 2025 is shown in the table below

Claim type	Expenditure costs
Working age	£5,093,319
Pension age	£5,200,996
Total	£10,294,315

3.2 Total costs of the 2026/27 scheme will depend on a combination of factors including the annual rise in Council Tax and the economic outlook.

- 3.3 The cost of the CTR scheme is funded through the Council Tax base, and the costs are shared in proportion between the preceptors. For East Devon the CTR expenditure equates to 7% of the total cost.
- 3.4 Alongside notifying those of pensionable age of possible entitlement we have now introduced the vulnerable debt tool kit within Revenues and Benefits. Officers will advise those who could be entitled to CTR to make an application which may result in new claims for CTR being received in the future.
- 3.5 It is a possible that there will be a reduction in the overall cost of the CTR scheme due to the changes mentioned in 1.4. The removal of the two-child limit cap will mean that households will receive more Universal Credit from April 2026. This will mean that households will receive an additional £298 per child per month (*present rate*).
- 3.6 Although this change will not be reflected within our scheme for 2026/27, we are currently carrying out analysis of our CTR caseload to understand the full implications of these changes. Households who are unable to afford the shortfall will be invited to make an application to the EHF to provide the required financial support.

4. Arrears

- 4.1 Nationally council tax arrears are increasing due to economic factors, and East Devon is not immune to this as we are also experiencing a reduction in our overall collection rates.
- 4.2 The following table shows the number of households who are receiving CTR as of 02 December 2025 against the number of households in arrears, further split into working and pensionable age categories.

Total			Working Age			Pension Age		
Cases	In arrears	%	Cases	In Arrears	%	Cases	In arrears	%
8045	798	9.91%	4585	725	15.81%	3460	73	2.11%

- There has been a small rise in the number of accounts in arrears for both working age and pensionable age cases compared to December 2024.
- Pensionable age arrears were previously 1.67% a total rise of 0.44%
- Working age arrears have risen by 2.12% from 13.69% to 15.81%

- 4.3 The table below shows a breakdown of those cases in arrears where CTR is being received broken down into Council Tax bands.

Band	Total CTR Cases in arrears			Working Age			Pension Age		
	Total CTR claims	CTR households in arrears	%	Total Cases	In arrears	%	Total Cases	In arrears	%
A	1884	199	10.56%	1143	178	15.57%	741	21	2.83%
B	3036	297	9.78%	1743	274	15.72%	1293	23	1.77%
C	2128	224	10.52%	1289	213	16.52%	839	11	1.31%
D	629	62	9.85%	298	50	16.77%	331	12	3.62%
E	273	12	4.39%	89	8	8.98%	184	4	2.17%
F	70	4	5.71%	18	2	11.11%	52	12	23.07%

G	25	0	0	5	0	0	20	0	0
Total	8045	798	9.91%	4585	725	15.81%	3460	73	2.10%

4.4 The following table shows the level of arrears spread across the income bands for working age cases as of December 2025.

Income Band	Working age cases in arrears		
	Total cases	in arrears	%
1	1230	168	13.66%
2	1031	171	16.59%
3	1732	282	16.28%
4	592	104	17.57%
Total	4585	725	15.81%

- Increases of arrears have been seen across all income bands since December 2024 which reflects the national picture.
- The highest rate of arrears are in Income Band 2 & 4. This was also the case as of December 2024.
- As per December 2024 the lowest level of arrears are in Income Band 1 supporting the fact that continuing to offer 100% CTR for those on the lowest incomes helps to reduce arrears.

4.5 It is important to note that the percentage of CTR working age households in arrears is still lower than it was in Jul 2022 where 19.7% of the caseload were in arrears. This was before we moved to a 100% support from April 2023.

5. Summary

5.1 Analysis of the data over the last 12 months shows that the current economic climate is still having a negative effect on household incomes. This is also reflected across all households in East Devon where we are seeing a reduction in our overall collection rates. This is not surprising with the current economic climate where people are still experiencing high energy and other essential costs such as food.

5.2 The Universal Credit migration has had a significant impact on our caseload which we will continue to monitor.

5.3 The highest level of arrears is for those households within Income Bands 2 and 4.

5.4 Overall, the spread of awards across the Income Bands is now more balanced as opposed to previous years when the majority of our case load was in Income Band 1

5.5 There will likely be changes to our scheme for 2027/28 as we look towards aligning our scheme with other Devon authorities as part of Local Government Reorganisation and consider the changes announced in the November budget.

Financial implications:

The scheme remains unchanged, so no new financial implications have been identified.

Legal implications:

The legal issues are covered in the body of the report and the Scheme itself.