

Meeting: Cabinet/Council Meeting

Date: 18 November 2025/11 December 2025

Wards affected: All

Report Title: Review of Council Tax Support Scheme 2026/27

When does the decision need to be implemented? 01 April 2026

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1 Purpose of Report

- 1.1 Council Tax Support is a discount that reduces the amount of Council Tax to pay for households that have a low income.
- 1.2 This report provides members with an overview of the current Council Tax Support scheme and the proposed change for the financial year 2026/27.
- 1.3 The Local Government Finance Act 2012 requires that the working age Council Tax Support scheme is reviewed annually and where a council proposes changes to its scheme it must consult on the changes.
- 1.4 The Council must approve the scheme for the financial year 2026/27, before 11 March 2026.

2 Reason for Proposal

- 2.1 Currently, working age single parent households that do not receive the maximum 75% Council Tax Support discount, receive less discount, when comparing weekly income bands with couples with children.

3 Recommendations

- 3.1 That the Council be recommended to amend the Council Tax Support Scheme for 2026/27 as follows:
 - 1. Financial support to some of our working age households within our community is increased by aligning the income bands that allocate Council Tax Support discounts for single parents with couples that have children. By making this change it will help to alleviate the cumulative effects of welfare cuts and rising household costs (see paragraphs 8.1 to 8.14).

2. Income bands will be increased by the September 2025 Consumer Price Index inflation rate, at 3.8% (see paragraph 8.15).

That subject to 3.1 above, the Cabinet:

- 3.2 Notes that all income banded Council Tax Support schemes in Devon have combined income bands for single parents and couples with children. For comparisons with other Council Tax Support schemes in South Devon, see Appendix 2.
- 3.3 Notes that the Exceptional Hardship Fund will continue at £100,000 (see paragraph 8.16).
- 3.4 Notes that pension age households will not be affected as they are part of the national scheme, set by the Government.
- 3.5 Gives delegated authority to the Director of Finance, in consultation with the Cabinet Member for Housing and Finance, to make any further adjustments required to the Exceptional Hardship Policy and Fund and the Vulnerable policy.

4 Appendices

Appendix 1 – Current expenditure and caseload

Appendix 2 – Council Tax Support schemes in South Devon

Appendix 3 – Universal Credit glossary of terms

Appendix 4 – Equality Impact Assessment

Appendix 5 – Council Tax Consultation Report

5 Background Documents

Draft Scheme

6 Introduction

- 6.1 In March 2012, the Welfare Reform Bill received Royal Assent and contained provisions for the abolition of Council Tax Benefit. In October 2012, the Local Government Finance Act became law and included the framework for localised Council Tax Reduction schemes which is known as the Council Tax Support scheme.
- 6.2 Statutorily, Local Authorities were required to develop and adopt a Localised Council Tax Support scheme by 31 January 2013 with implementation on 1 April 2013. To an extent, Councils had been given autonomy to develop schemes that met the needs of their local area but were also prescribed a framework, where pensioners are protected. However, Local Authorities would only receive 90% of the funding received in the previous year (2012/13). It was up to Local Authorities to decide whether to absorb the ten per cent cut in funding or pass this onto Council Tax Support recipients.
- 6.3 To enable this activity to be taken forward, the Government provided Local Authorities with a statutory framework that included the following:

- Local Authorities must have their new schemes agreed by 31st January 2013.
- Financial help with Council Tax will now be seen as a discount and not a benefit.
- There will be no change to the amount of help pension age claimants receive.
- Councils can decide the rules for their new schemes within a prescribed framework, however, must consider the impact on the most vulnerable.
- Guidance was given to encourage local authorities to ensure local schemes do not act as a disincentive to working.

6.4 The Government required that all pensioners are protected under the new scheme with the reduction in funding not applying to them. Working age households would therefore bear the full reduction in grant to cover future Council Tax Support scheme expenditure.

7 Background

- 7.1 Prior to April 2013 the national Council Tax Benefit scheme was available to taxpayers on low incomes to assist them with their Council Tax liability. This scheme had been in operation since 1993 and was administered by Local Authorities on behalf of the Department for Work and Pensions.
- 7.2 Under the national scheme Council Tax payers could receive up to 100% of their Council Tax liability. The Council then received full funding from the Government for all claims that were correctly awarded.
- 7.3 Following changes introduced by the Local Government Finance Act 2012, local authorities had to devise their own local schemes for low income households to take effect from 1 April 2013. At that time the Government also reduced the amount of funding by 10%.
- 7.4 When devising the new scheme, a detailed analysis of over 35 different financial profiles was undertaken, taking into account the demographic profile of the households receiving Council Tax Benefit at that time. The evaluation process was based upon the principles of fairness and ease of administration.
- 7.5 The scheme was approved by members at Full Council in December 2012 and introduced in the following April 2013.
- 7.6 Further changes to the scheme were agreed by members in December 2016 and introduced over the following two financial years, in 2017/18 and 2018/19. These changes were made to make the scheme more affordable and to align with Housing Benefit and Universal Credit legislation.
- 7.7 Between financial years 2019/20 and 2023/24 minor changes were made to the scheme so that it continued to be aligned with Housing Benefit Regulations and Universal Credit legislation.
- 7.8 From 1 April 2024, an income banded scheme replaced the means tested scheme.
- 7.9 Minor changes were made to the 2025/26 scheme, for self-employed households, not receiving Universal Credit and have a disability, or caring responsibilities. It also included discounting certain payments or settlements made by the UK Government.

8 Proposed Scheme Change

- 8.1 Torbay's scheme currently has six household types. For each household type there are four income bands that will allocate a discount to the liable Council Tax charge. The level of discount is determined by the net household income.
- 8.2 Household types are based on the components that's been used by DWP to calculate social security benefits for many years. The components determine the estimated amount of income required to cover basic living costs, depending on household composition and individual circumstances. The same principle continues to be applied for the calculation of Universal Credit.
- 8.3 The three main components that are used to allocate these amounts are:
1. A personal allowance – for single people or couples.
 2. An amount for any dependent children.
 3. A premium, to cover any special needs.
- 8.4 Household types vary, depending on the number of adults and children in the household. There are four primary household types - single people, couples, single parents, and couples with children. Single parents and couples with children are assigned to two further household types, depending on the number of children in the household.
- 8.5 The proposed change will align:
- The income band for a single parent with one child with the income band for a couple with one child.
 - The income band for a single parent with two or more children with the income band for a couple with two or more children.
- 8.6 The aligned income bands will come into effect from 1 April 2026 for single parent households receiving Council Tax Support on 31 March 2026 and for all new applications.
- 8.7 Income bands and the associated level of discount for single parents will remain unchanged for financial year's ending, 31 March 2025 and 31 March 2026.
- 8.8 The table below shows the current income bands for single parents and couples with children for financial year ending 31 March 2026.

Level of Discount	Single and 1 Child	Single and 2+ Children	Couple and 1 Child	Couple and 2+ Children
75%	£0-£179	£0-£261	£0-£234	£0-£316
55%	£179.01-£220	£261.01-£302	£234.01-£275	£316.01-£356
40%	£220.01-£261	£302.01-£342	£275.01-£316	£356.01-£397
20%	£261.01-£302	£342.01-£383	£316.01-£356	£397.01-£438

0%	£302.01+	£383.01+	£356.01+	£438.01+
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8.9 The table below shows the estimated net increase in expenditure as a result of aligning income bands for single parents with couples with children that are currently receiving a discount.

Household Type	Number of Cases	Annual Expenditure
Single Parent - One Child	786	£64,856
Single Parent - Two Children or More	858	£110,286
Total	1,644	£175,142

Source: Council Tax Reduction Administrative Data 8 July 2025

- 8.10 Expenditure has been calculated on the basis of a full years Council Tax charge and discount, for financial year ending 31 March 2026.
- 8.11 For current scheme expenditure see Appendix 1.
- 8.12 The calculation does not include any increase in the Council Tax from April 2026 or the increase in the income bands, in line with the September 2025 Consumer Price Index.
- 8.13 As this change will increase the income levels for the 40% and 20% bands, more single parent households will qualify for a discount.
- 8.14 Based on current data, it is estimated that expenditure could increase by a further £35k during the first year of making this change.
- 8.15 Income bands will be increased by September's (2025) Consumer Price Index rate, at 3.8%, which is the same rate as working age benefits will increase from 1 April 2026 - this increase will be rounded up to the nearest pound.

The revised income bands to be used for all working age households are shown below.

Proposed Income Bands from 1 April 2026 for Working Age Households						
Level of Discount	Single	Couple	Single and 1 Child	Single 2+ Children	Couple and 1 Child	Couple 2+ Children
75%	In receipt of a passported benefit	In receipt of a passported benefit	In receipt of a passported benefit	In receipt of a passported benefit	In receipt of a passported benefit	In receipt of a passported benefit
75%	£0 to £108.00	£0 to £158.00	£0 to £186.00	£0 to £271.00	£0 to £243.00	£0 to £329.00
55%	£108.01 to £141.00	£158.01 to £201.00	£186.01 to £229.00	£271.01 to £314.00	£243.01 to £286.00	£329.01 to £370.00
40%	£141.01 to £172.00	£201.01 to £242.00	£229.01 to £271.00	£314.01 to £355.00	£286.01 to £329.00	£370.01 to £413.00
20%	£172.01 to £204.00	£242.01 to £285.00	£271.01 to £314.00	£355.01 to £398.00	£329.01 to £370.00	£413.01 to £455.00
0%	£204.01+	£285.01+	£314.01+	£398.01+	£370.01+	£455.01+

If the proposed change, to align income bands that allocate Council Tax Support discounts for single parents with couples that have children is not approved, the income bands highlighted in grey will apply to single parent households.

If the proposed change is approved, the income bands that allocate Council Tax Support discounts to couples with children will also apply to single parents.

If income bands are not increased by September 2025 CPI rate, some working age households would move into a higher income band, resulting in less discount and having to pay more Council Tax.

- 8.16 The Exceptional Hardship fund was introduced from 1 April 2013, to provide financial assistance to working age households with their Council Tax. The fund is available to Council Tax payers receiving Council Tax Support who experiencing significant financial hardship and the level of support does not meet their full Council Tax liability.

The fund has financial limitations and, as such, awards can only be made based on eligibility, whilst having regard to the level of funding available or remaining within the Exceptional Hardship Scheme each financial year.

It should be noted that this fund was increased from £80,000 to £100,000 from 1 April 2024 to mitigate the impact of the new income banded scheme for those households that were most adversely affected. To ensure that the correct level of funding is maintained monitoring arrangements are in place to review the fund position.

9 Options Under Consideration

- 9.1 To approve the proposed scheme change.
- 9.2 Leave the current scheme unchanged.

10 Financial Opportunities and Implications

- 10.1 The proposed changes will lead to an increase in the scheme's cost - see paragraphs 8.9 and 8.14.

11 Legal Implications

- 11.1 Schedule 1A(3) of the Local Government Finance Act 1992, states:

Before making a scheme, the authority must:

- a) consult any major precepting authority which has power to issue a precept to it,
- b) publish a draft scheme in such manner as it thinks fit, and
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The draft scheme is available as a separate document.

- 11.2 In addition to the above, to set a new scheme the Council is required to make a resolution by 11th March of the year prior to the scheme coming into place.

12 Engagement and Consultation

- 12.1 Before final approval of the scheme, Councils are required to consult with:

- Major Precepting Authorities (Police and Fire Authorities)
- The public
- Relevant stakeholder groups - e.g. CAB, representative groups.

- 12.2 The consultation process ran for a period of six weeks, from 24 September 2025 to 4 November 2025.

- 12.3 Consultation activities included the following:

- An online survey made available on the Torbay website with the provision of a hard copy of the consultation questionnaire where required.
- A consultation questionnaire with covering letter and a pre-paid envelope sent by post to 2,000 randomly selected households that were in receipt of Council Tax Support at that time and 2,000 randomly selected Council Tax payers (not receiving Council Tax Support).
- Residents' Satisfaction Survey Roadshows, which took place throughout September and October at the following locations:

Saturday 27 September	Scala Hall, Brixham
Thursday 2 October	Outside Primark, Torquay Town Centre
Tuesday 7 October	Sainsbury's (The Willows, Torquay)
Thursday 9 October	Former Shoe Zone shop, Fleet Walk, Torquay (has Spaces to Thrive sign)
Tuesday 14 October	Fore Street, Brixham (outside Tesco)
Tuesday 21 October	St Marychurch High Street
Thursday 23 October	Victoria Street, Paignton

- A press release issued on 24 September 2025.
- Staff engagement.
- Consultation was undertaken with the major precepting authorities (Devon & Cornwall Police and Devon & Somerset Fire and Rescue), who are statutory consultees.

12.4 The consultation report for the proposed change is attached at Appendix 5.

13 Procurement Implications

- 13.1 The proposed scheme changes may require some minor changes to the on-line application form software that will incur a nominal charge from our current software supplier.

14 Protecting our Bay and Tackling Climate Change

- 14.1 There are no additional environmental implications with the current Council Tax Support scheme. Electronic applications will continue to be promoted reducing the need for paper forms. It also removes the need to travel to either post or deliver the application to a designated office.

15 Associated Risks

- 15.1 A more challenging financial environment with greater uncertainty than in previous financial years could result in an increase in the number of working age households receiving a discount.
- 15.2 Should the caseload increase, the Council, along with the other preceptors, bears the risk of the additional cost of the scheme.

16 Equality Impact Assessment

- 16.1 An equalities impact assessment has been undertaken and no significant issues from making the proposed scheme change have been identified - this is available as a separate document (Appendix 4).
- 16.2 An updated version will be brought to the full council meeting in December following the results of the public consultation.

17 Cumulative Council Impact

17.1 None.

18 Cumulative Community Impacts

18.1 None.