



Finance and Economic Overview and Scrutiny Committee

Thursday, 24 July 2025

Report of Councillor Ashley Baxter
Leader of the Council, Cabinet Member
for Finance, HR and Economic
Development

Local Council Tax Support Scheme Proposals 2026/27

Report Author

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Purpose of Report

To outline the Council's proposed Local Council Tax Support Scheme for 2026/27 ahead of public consultation.

Recommendations

The Committee is asked to:

1. Offer comment and feedback on the proposal of a 'no change' Local Council Tax Support Scheme 2026/27 for stakeholder consultation
2. Endorse the areas for stakeholder consultation as detailed in the report (paragraphs 2.12 to 2.30)

Decision Information

Does the report contain any exempt or confidential information not for publication?

No

What are the relevant corporate priorities?

Enabling economic opportunities
Effective council

Which wards are impacted?

All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The actual cost of the current year's scheme will not be known for certain until the end of the financial year and will be dependent on the actual caseload in year as well as the levels of Council Tax set by the District Council and the major precepting authorities.
- 1.2 The estimated cost of the scheme, based on current caseload, is taken into consideration when calculating the Council's tax base for the financial year and will impact on the estimated Council Tax yield for the year. Any difference in the actual cost of the discount scheme to that estimated in the tax base calculation will be accounted for within the Collection Fund and will be considered when future years surpluses or deficits are declared.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.3 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, laid before Parliament on 22nd November 2012, set out the regulations for a default scheme and this was adopted by the Council subject to local policy needs in January 2013. The Secretary of State has issued amendment regulations setting out some changes that must be adopted by the Council for pensioners and the Council had also decided in 2013 to keep the scheme's allowances and premiums in line with those for Housing Benefit for working age claimants. These are incorporated into amendments to the local scheme for approval by the Council.
- 1.4 The regulations for the scheme proposed to be adopted are to be collated and made available for Council in January 2026.

Completed by: James Welbourn, Democratic Services Manager

Equalities, Diversity and Inclusion

- 1.5 An Equality Impact Assessment should be undertaken as part of the ongoing process, dependent upon the options recommended for consultation. It is expected that any changes to the current scheme that reduce the maximum award of support will have an adverse impact on specific household income. Whilst this impact would not be related to any specific protected characteristic identified in law, officers are

mindful of socio-economic impact, as a specifically mentioned area for consideration in the Equality Act 2010 and should give due regard as part of the equality impact assessment.

Completed by: Carol Drury, Community Engagement Manager

2. Background to the Report

- 2.1. The Council Tax Benefit system was abolished on 31 March 2013 and replaced by the Local Council Tax Support Scheme (LCTSS). This scheme can be determined locally by the Billing Authority having had due consultation with precepting authorities, key stakeholders, and residents.
- 2.2. There are currently **7,279** residents claiming LCTSS in the South Kesteven District. Of these, **3,122** are pensioners who are protected under the legislation and receive LCTSS as prescribed by the Government (broadly similar to the level of Council Tax Benefit). This leaves **4,157** claimants of working age; of those **3,176** are deemed vulnerable. This leaves **981** who will be affected by changes to the level of support determined by a local scheme.
- 2.3. The Council agreed to a LCTSS which came into effect on 1 April 2013. Our core scheme currently provides:
 - 80% support for working age claimants
 - 100% support for pension age claimants
- 2.4. The proposed scheme must follow prescribed stages as stated in the Local Government Finance Act 2012 before it can be adopted by this Council as a Billing Authority.
- 2.5. The transfer of the remaining legacy benefit claimants to Universal Credit continues and is due to conclude by the end of 2026. Claimants are contacted by DWP and asked to move to Universal Credit. The current number of legacy customers awaiting transfer is still unknown. It is not known whether or not their entitlement to Council Tax Support will change. These uncertainties mean any material changes to the current Council Tax Support scheme could lead to customers being worse off or could lead to a significant increase in cost to the Council.

Financial cost of the current Council Tax Support Scheme

- 2.6. For 2024/25, the cost of the scheme was £7,657,680. The Council's share of the total cost was £689,191 (based on a 9% share).

2.7. On 1 April 2025, the cost of the 2025/26 scheme increased to £8,004,434. This was a result of increases in 1) Council Tax and b) the number of people in receipt of support. This resulted in an increase of £346,754 with the Councils share being £31,208 (based on a 9% share).

2.8. During 2024, there has been a small increase in claim numbers for working age customers (as detailed in the table in paragraph 2.10). As a result, as of 4 July 2025, the cost of the LCTSS is £8,168,707. This is an increase of £164,273, with the Councils share being £14,785.

2.9. It is difficult to accurately determine the reasons for the increase in cost, however, there has been an increase in caseload as a result of the move to Universal Credit. Officers have noticed an increase in contact with the Cost of Living Team and an increase in applications for Discretionary Council Tax Payments and Discretionary Housing Payments. This would indicate an increase in financial support for residents.

2.10. Details of caseload increase are shown in the table below:

1 st of month	Working age	Pension age	Total
March 2023	4,094	3,141	7,235
June 2023	4,113	3,133	7,246
September 2023	4,001	3,115	7,116
December 2023	4,014	3,090	7,104
March 2024	4,046	3,082	7,128
June 2024	4,096	3,076	7,172
September 2024	4,038	3,076	7,114
December 2024	3,982	3,088	7,124
March 2025	4,097	3,118	7,215
July 2025*	4,157	3,122	7,279

*As of 4 July 2025

South Kesteven District Council Local Council Tax Support Scheme – 2025/26

2.11. The Council's local scheme has been updated with amendments since the introduction in April 2013 to maintain the link with Housing Benefit and the previous Council Tax Benefit scheme.

Restrictions for working age customers – effective from 1 April 2013:

2.12. The current scheme has the following restrictions for working age customers:-

- Maximum entitlement capped to 80%

Council Tax technical restrictions – effective from 1 April 2013 (and onwards)

2.13. The current scheme also has the following amendments to Council Tax technical restrictions for all Council Taxpayers as a result of changes to legislation:-

- Introduction of changes to the properties which are unoccupied and unfurnished: -
 - 100% discount for one month;
 - 25% discount for the following 5 months;
 - 100% charge thereafter;
- Introduction of additional premiums to properties empty over 2 years, plus the original charge: -
 - 200% premium – empty between 2 and 5 years.
 - 300% premium – empty between 5 and 10 years.
 - 400% premium – empty over 10 years.
- Unoccupied discount of 100% for the first month.

Council Tax Exemption for care leavers – effective from 1 April 2019:

2.14. In 2019/20, a scheme was approved for a local discretionary Council Tax exemption of up to 100% for care leavers aged 18 to 21 years, with the exemption ending on each individual's 22nd birthday.

2.15. The scheme was amended for 2021/22 and the age limit was increased to 24 years of age, with the discount ending on each individual's 25th birthday.

Special Constabulary Council Tax Discount Scheme – effective from 1 April 2022:

2.16. This scheme was first introduced on 1 April 2022. The award of the discount is retrospective; therefore the discount was awarded for the financial year 2021/22.

2.17. In the financial year (2024/25) the discount has been awarded to two Special Constable. The amount awarded was £832.51.

2.18. The scheme has now closed for the financial year (2024/25) as the application deadline was 30 April 2025.

Continuation of the War Pension and Armed Forces Compensation Disregard for Housing Benefit and Council Tax Support – effective from 1 April 2024:

2.19. Section 134 8(a) of the Social Security Administration Act 1992, allows local authorities to modify any part of the Housing Benefit scheme to provide for the disregarding of prescribed war disablement pensions or war widows' pensions.

2.20. South Kesteven District Council has applied a disregard of 100% through Officer Delegated Decision. However, as a result of the 2021/22 Housing Benefit audit, a recommendation was taken forward for the Council Tax Support and Housing Benefit War Pension and Armed Forces Compensation Disregard to be included as part of this consultation and decision making process and was first brought to this Committee for inclusion in consultation in July 2023, for the 2024/25 scheme.

The alignment of the value of the capital tariff limit and disregard for working age claimants to the pension age claimant values – effective from 1 April 2024:

2.21. South Kesteven agreed that the capital tariff limit and disregard for working age claimants be aligned to that of the pension age claimant values with effect from 1 April 2024 – these being a capital tariff of £1 for every £500, and a disregard of £10,000.

2.22. This was included as part of the 2024/25 scheme consultation and decision making process and was agreed by this Committee in January 2024 for inclusion in the 2024/25 scheme.

Introduction of the Second Home premium (100%) – effective from 1 April 2025:

2.23. This is a measure, which is included in the Levelling Up & Regeneration Bill, to allow councils the ability to charge a council tax premium of up to 100% for any property left empty for more than 72 days a year.

2.24. The regulations were laid before parliament on 8 October 2024 which set out the mandatory exceptions to council tax premiums on second homes. These regulations came into force on 1 November 2024 and effect from 1 April 2025.

2.25. Councils were required to give 1 years notice of the decision to introduce the premium. Therefore, as part of the consultation and approval process for the 2024/25 LCTS scheme, Council approved the introduction of the premium from 1 April 2025 at its meeting on 25 January 2024.

2.26. In November 2024, letters were issued to all owners (at that time) of second homes (359), making them aware of the exceptions. An exception application form was included with the letter, asking the owner to complete and return this if they believed the second property was eligible for an exception to the premium. The form requested the owner to provide the reason and evidence for the exception.

2.27. Since the letters were issued, any new second home owner is issued with a similar letter and exception application form.

2.28. As of 30 June 2025, 215 second homes have had the 100% premium applied to the Council Tax account, increasing Council Tax annual liability by £788,771 per annum. As of 30 June 2025, £246,990 has been paid – which is a collection rate of 31.3%. This is exceeding our overall collection rate at the same date which is 28.31%

2.29. If the £788,771 this was paid in full, South Kesteven's share of this additional income would be £70,984.

2.30. As of 30 June 2025, 78 second homes eligible for the premium exception. The table below shows the mandatory exceptions and the number of second homes who are eligible for each exception:

Exception Class	Exception Reason	Number eligible
PCLB E	Dwelling which is or who would be someone's sole or main residence if they were not residing in job-related armed forces accommodation	2
PCLB F	Annexes forming part of, or being treated as part of, the main dwelling	17
PCLB G	Dwellings being actively marketed for sale (12 month limit)	31
PCLB H	Dwellings being actively marketed for let (12 months limit)	0
PCLB I	Unoccupied dwellings which fell within exempt Class F and where probate has recently been granted (12 months from grant of probate/letters of administration)	14
PCLB J	Job-related dwellings	5

Exception Class	Exception Reason	Number eligible
PCLB K	Occupied caravan pitches and boat moorings	0
PCLB L	Seasonal homes where year-round, permanent occupation is prohibited, specific for use as holiday accommodation or planning condition preventing occupancy for more than 28 days continuously	4

Government led changes

- 2.31. As a billing authority, the Council can decide whether or not to amend core elements of its scheme each year.
- 2.32. There will be some technical changes that will still need to be applied to ensure that the Council's scheme complies with the Prescribed Scheme Regulations (covering Universal Credit, premiums, and discounts). These details will be announced by the Ministry of Housing, Communities and Local Government (MHCLG).
- 2.33. Technical amendments to the scheme in relation to uprating income, applicable amounts, disregards, and allowances are to be collated once statutory details have been released by the Secretary of State; it is intended that these will be circulated to Members for consideration at the Council meeting in January 2026. There will be no change to the adopted policy in the way LCTSS is calculated for these areas. Officers have considered if there is any need for any transitional arrangements to the revised scheme and concluded transitional arrangements are not needed for the 2026/27 scheme.

Council Tax Support scheme 2026/27

- 2.34. No changes are proposed to the current Localised Council Tax Support scheme for 2026/27.
- 2.35. As detailed in paragraphs 2.4 to 2.5, there are a number of uncertainties with regards to the impact of Universal Credit migration. Changes to the Council Tax Support scheme would not be accurately modelled as the number of those in receipt of Council Tax Support will fluctuate during 2025/26 and therefore would not give an accurate indication of a stable claimant base.
- 2.36. There have been a number of changes to the scheme in recent years, and whilst these have been necessary, it does mean officers and recipients need to be aware

of how the changes can affect entitlement. If Council Tax Support is awarded over multiple years, the relevant scheme eligibility needs to be applied. Therefore, to ensure schemes are simple and easily understood, it is important to consider whether changes are required to the scheme.

- 2.37. Although no changes are proposed to the scheme, the Council must still undertake a consultation. Details are set out in Section 6 of this report.

3. Key Considerations

- 3.1. These are detailed in paragraph 2.34 to 2.37 of the report

4. Other Options Considered

- 4.1. It is a legal requirement for this scheme to be reviewed, consulted upon, and approved on an annual basis. Therefore, no other options have been considered.

5. Reasons for the Recommendations

- 5.1. These are detailed in paragraph 2.34 to 2.37 of the report

6. Consultation

- 6.1. The indicative timetable to approve any new discount scheme would need to be considered as part of the annual review and public consultation of the Localised Council Tax Support Scheme.
- 6.2. The Localised Council Tax Support Scheme 2026/27 will need to be considered by Council no later than 31 January 2026 as the Billing Authority is required to approve the scheme after public consultation for implementation from 1 April 2026.
- 6.3. If the Committee agree with the recommendation of a no change scheme, the timetable is as follows:
 - 1 September 2025 to 30 September 2025: Public and Major Precepting Authority consultation process. The Council is required to review their current Localised Council Tax Support scheme. The proposals and recommendations will seek to ensure the Council has a robust review of its current scheme and understand the implications of adopting a new scheme.

- October 2025: Consultation analysis.
- 18 November 2025: Finance and Economic Overview and Scrutiny Committee – review the outcome of consultation and proposed scheme for 2026/27
- 15 January 2026: Cabinet – recommendation of scheme for 2026/27 for Council.
- 29 January 2026: Council – decision required: approval of final 2026/27 scheme for implementation from 1 April 2026. The Local Government Finance Act 2012 requires a full review of the scheme by the Billing Authority. South Kesteven District Council will need to approve a new scheme after consultation by 31 January.