REPORT TITLE: Council Tax Reduction – April 2026 to March 2029

To: Cabinet 16 December 2025

Lead Member: Councillor Simon Smith, Cabinet Member for Finance and Resources

Report by:
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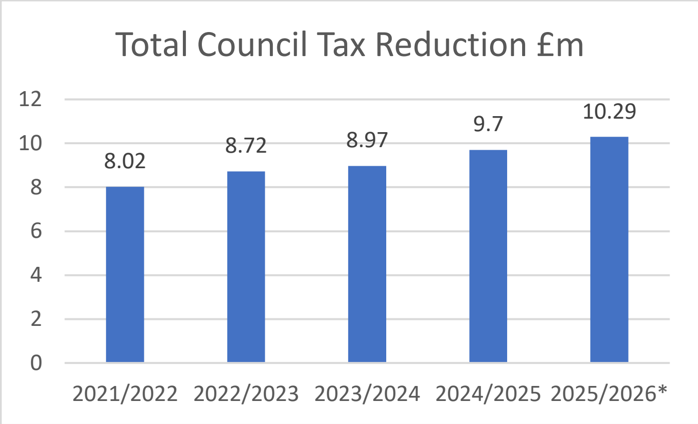
Wards affected: ALL

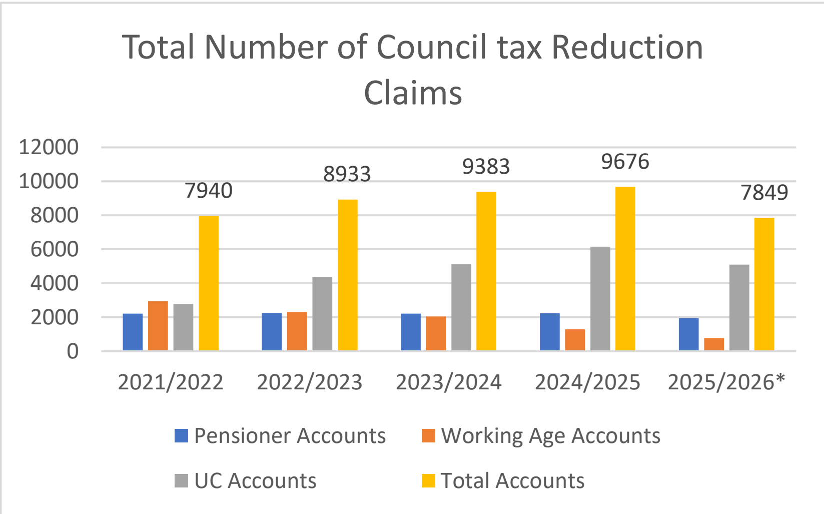
Director Approval: Director Jane Wilson confirms that the report author has sought the advice of all appropriate colleagues and given due regard to that advice; that the equalities impacts and other implications of the recommended decisions have been assessed and accurately presented in the report; and that they are content for the report to be put to the Executive Councillor for decision.

1.	**Recommendations**
1.1	It is recommended that Cabinet agree: 1. **Universal Credit Scheme Uprating** To uprate the income bands and contribution levels within the Council Tax Reduction Scheme for households in receipt of Universal Credit in line with the annual percentage increase in the National Minimum Wage and better equalise earnings disregards. 2. **Non-Universal Credit Working-Age Scheme** To retain a Council Tax Reduction Scheme for working-age households not in receipt of Universal Credit, and to apply: (a) Department for Work and Pensions applicable amounts and premiums where these continue to be published; or (b) where such figures are unavailable, to uprate scheme allowances annually in accordance with the September Consumer Price Index (CPI). 3. **Council Tax Liability Basis** That 100% of the Council Tax liability shall continue to be used as the starting point for the calculation of entitlement under both Council Tax Reduction Schemes. 4. **Delegated Authority and Duration** To delegate authority to the Chief Finance Officer to carry out the annual review and uprating of the Council Tax Reduction Schemes in

	accordance with legislative changes and the uprating principles set out above; and to confirm that the Schemes shall remain in operation (subject to any such annual uprating) until 31 March 2029.
2.	**Purpose and reason for the report**
2.1	A national 'Prescribed' scheme is in place for pensioner households and is not subject to local changes. Councils are required to review their working age Council Tax Reduction scheme annually and determine whether to revise it or not, to ensure it meets the needs of residents and contributes towards Corporate objectives. Council Tax Reduction is funded by a reduction to the tax base and impacts all preceptors. The costs of the scheme has varied over the years, particularly during Covid 19 and the cost-of-living crisis, when there was an increase in applicants. However, the main cause for increase, has been the increase in Council Tax liability itself. Costs fall to local preceptors and are based on their percentage of the Council Tax levied. Cambridge City Council's share of the cost is currently approximately 9.86%. Universal Credit is in the final stages of national rollout and will be completed by March 2026. Council Tax Reduction, when calculated, is credited for the financial year; having a banded scheme for Universal Credit means that the number of changes are reduced during the year. Total spend does not vary much from the start of the financial year to the end of the year because similar numbers of households stop getting Council Tax Reduction, as new households apply. Total spend indicated below is generally driven by the increase in Council Tax liability.



The graph below highlights the shift in claims with households on UC increasing year on year, Working Age not on UC reducing and pensioner households decreasing slightly.



*The current year caseload figures are low but will likely mirror 2024/2025 by the end of this year.

The Council ran a consultation during August, September and October asking for feedback on the following:

- Limiting the starting point for the calculation of Council Tax Reduction. Whilst this could save the Council and the other preceptors, it does create a significant number of modest debts that are difficult to collect from households on means tested incomes. The cost of collection, which is met from total Council Tax income, can often be more than the debt itself. Details of the possible options considered are at point 3.1. Three quarters of respondents fully

	supported not limiting the starting point. Only 12% disagreed. • Having two schemes, one for households on Universal Credit and one for households not on Universal Credit. Both schemes are fully set up so there are no set up and administration costs in continuing with two. We have seen few, less than 20 households, who for whatever reason do not wish to claim Universal Credit, even though they would be better off. Removing the non-Universal Credit scheme would push these few households to having to claim Universal Credit. Some would only benefit by a few pounds as they are already working, others would be much better off and the Council is looking at supporting them to maximise their incomes. In the consultation, nearly 2/3rds either agreed or strongly agreed to keep two schemes. • The next point is how we keep the schemes uprated. For the Universal Credit scheme, where only earnings are taken in to account, the proposal is to uprate the bands and the contribution levels by the increase in national minimum wage. Just over half agreed to this and only 19.5% said no. There was some confusion over what this meant as some comments were concerned that this was not in line with inflation. Universal Credit is uprated by CPI and this income is ignored in the Council Tax Reduction scheme, so there is some protection against inflation with total household income increasing. • For the non-Universal Credit scheme, if DWP do not issue working age allowances and premiums, which is a possibility as they are winding down non-Universal Credit working age benefits, the proposal is to use September CPI to uprate current allowances and premiums for the very small number of claims. 42% of respondents agreed with only 18.9% disagreeing. Again, there was some

confusion about what this meant in practice but the approach will maintain similar levels of support in the absence of DWP figures.

- The final area was equalising of earnings disregards. When the local Council Tax Scheme for Universal Credit households was initially designed, a disregard was put in place, ignoring the first £5-£20 of earned income. This is similar to pensioner and non-working claims. However, it did not take into account that Universal Credit already has it’s own earning disregards that positively affect the calculation of Universal Credit giving rise to more Universal Credit, which is ignored in our scheme, meaning increased household income. Applying a second disregard in our scheme means the three schemes, Pensioner, non-Universal Credit and Universal Credit are not equal for working households. This has been difficult to explain in the consultation, however, 45% did agree or strongly agree to remove the disregard and therefore equalize support across schemes. Only just over 16% disagreed.

Universal Credit Scheme

This scheme uses extensive data from the Department for Work and Pensions, and is beneficial for both the household and the Council in terms of reducing the administration burden.

As soon as a Universal Credit claim is made, this information is passed to the Council and used to set up a claim for Council Tax Reduction. No additional claim is required. This supports households at an often difficult time when circumstances have changed and they require financial support.

Once the Universal Credit claim has been processed, the information is again passed to the Council and entitlement to Council Tax Support is calculated using verified earnings and characteristics of non-dependants living in the property.

There will be 6 contribution levels, depending on the band. The values below are *indicative* and based on the current 2025/2026 National Minimum Wage.

Net Earnings From	To	**Weekly Contribution**
£0.00	£92.04	£0.00
£92.05	£158.72	£7.50
£158.73	£238.09	£15.00
£238.10	£317.45	£22.50
£317.46	£396.82	£30.00
£396.83	£476.18	£37.50
£476.19	£555.55	£45.00
£555.56		**No Award**

Net Earnings From	To	**Monthly Contribution**
£0.00	£398.84	£0.00
£398.85	£687.79	£32.50
£687.80	£1,031.72	£65.00
£1,031.73	£1,375.62	£97.50
£1,375.63	£1,719.55	£130.00
£1,719.56	£2,063.45	£162.50
£2,063.46	£2,407.38	£195.00
£2,407.39		**No Award**

The proposal is to increase the bands and contribution levels based on the percentage increase of National Minimum wage effective from 1 April 2026, and annually thereafter. For example, if the national minimum wage increases by 2%, the above bands and contribution levels will increase too.

Using this metric for uprating, ensures that the scheme going forward is clear. Whilst a change in earnings could mean changing contribution bands, a small increase of just one hour per week employment, will more than cover that increase.

Earnings disregard

Earnings disregards are designed to help working households with the additional costs associated with working such as commuting, clothing etc. Universal Credit has its own earnings disregard it is proposed to remove the earnings disregard in the Council Tax Reduction scheme calculation. This makes the schemes more equal, as pensioners and working age earners only get the one disregard.

Non-Dependants

A non-dependant is an adult who lives in the household but who is not liable for the Council Tax. Often, adult children, friends or relatives. It is reasonable that these people should contribute to the household finances by contributing towards the Council Tax. Councils do not receive this information from the Department for Work and Pensions, therefore to

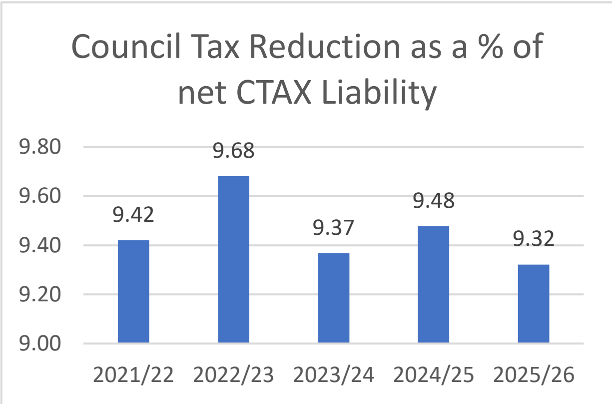
	reduce the burden of asking for this information on a regular basis, a flat rate applies. Currently, this is £8.05 and is increased by the September CPI figure. This arrangement could continue in the next iteration of the scheme, or be set for the 3 years. A suggestion is that this is £10 per person, per week. Non-dependants who receive a disability income, Pension Credit or are in receipt of a War Pension or Armed Forces Independence Payment, will not be asked to contribute. Additionally, no deductions will be made where the applicant or partner have a disability or receive a carers benefit. This recognises that these individuals may have limited ability to work or increase their incomes.
3.	**Alternative options considered**
3.1	**Limiting Liability** Placing a limit on the Council Tax liability used in the calculation or expecting a flat rate contribution across all households is something that some other Councils have done. Cambridge City Council uses 100% of the Council Tax liability for both of its working-age schemes. The national scheme for pensioners also uses 100% of the liability as the starting point in calculating entitlement. This recognises that households who receive means tested benefits find it difficult to find even relatively small amounts of money from their benefits. Allowing 100% of the liability frees these households from worry and means that the Council is not chasing small, difficult to recover, debts. Details of the impact of limiting this are below. **Flat rate** Asking households to make a flat rate contribution, for example £5 per week. This would place a cost to all working age households of £260 per year. 2402 of these households have dependant children; 4674 children in total. Most of those without dependant children have disabilities or caring responsibilities. This restriction would mean the loss of Council Tax Reduction for households currently with entitlement below £5.00. **Percentage cap**

	Modelling entitlement based on 80% liability, would save £1.48m across all preceptors and would save Cambridge City Council £145,928 per year. This change would leave an average of £251 to be paid by households. It may also mean that some households would no longer be entitled to Council Tax Reduction. These relatively small annual bills take more resources to collect and therefore prove to be more expensive. **Cap to Council Tax band** Capping liability to Council Tax Band D would affect 245 households, 176 of these households have a total of 431 dependant children. Of the remaining households, overwhelmingly they have a disabled household member or have caring responsibilities. Enacting this change would result in £125k reduction in total Council Tax Reduction spend, and Cambridge City Council would benefit by £12,325. This restriction would impact families more as they tend to be in bigger properties that have a higher Council Tax Band. Any of these changes would lead to additional sums to be collected, but with reduced chance of collection without significantly affecting households. Not applying restrictions to particularly vulnerable households such as those with dependant children, disability or carer incomes will reduce the impact but will also not make significant changes as 2,500 have children and 2,400 have a disability benefit income out of 5,891 working age households. Council Tax Reduction is a benefit that leads to entitlement to discounted swim and play cards. Council Tax Reduction also enables applications for Taxi Cards and Discretionary Council Tax Reduction. If any of the above restrictions ultimately reduces entitlement to Council Tax Reduction, entitlement to these additional benefits, designed to support low-income households, could also be removed. Penalties for non-payment, especially due to any the above changes, can

	easily overwhelm financially vulnerable households without any real financial benefit to the preceptors, especially if the cost of collection is factored in. Court costs are currently £70 and Enforcement Agent fees can be substantially more than this.
4.	**Background and key issues**
4.1	The current two schemes have worked well, providing clear mechanisms for support that work sympathetically with Universal Credit and non-Universal Credit claims. Easy to understand rules for entitlement, clear earnings bands and contribution levels, flat rate deductions for some other adults living in the property and no complex lists of vulnerable groups has been supported by advice agencies, housing providers and the public. Utilising secure data from the Department for Work and Pensions to set up claims where possible and maintain them has significantly enhanced the number of days it takes to get entitlement credited to accounts. It also means that the schemes can be operated in a cost-effective way. Over the past 6 years, there have been no complaints or appeals against the structure of the schemes in place.
5.	**Corporate plan**
5.1	*Explain how the decision links to the Councils Corporate Plan* Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council **Tackling poverty and inequality and helping people in the greatest need** Cambridge City has some of the highest disparities in the UK, the Local Council Tax

	Reduction schemes seeks to continue the level of support by retaining 100% liability within the calculation, not placing high administration burdens on households by utilising secure data already given to the Council.
6.	**Consultation, engagement and communication**
6.1	Consultation was carried out during August, September and October 2025, and in addition to general social media, Council publications and promotion on the website, the following groups were specifically invited to comment: • All current working age Council Tax Reduction recipients. • A sample of pensioners currently receiving Council Tax Support via the national prescribed scheme. • Partnership meetings with Cambridge Citizen's Advice Department for Work and Pensions, financial inclusion organisations and third sector organisations. • Engagement with internal stakeholders. • A sample of Council Tax payers not receiving Council Tax Reduction. • Council Tax Precepting Authorities. • Groups representing those with protected characteristics. There were a number of questions in the consultation and some of them were quite technical which resulted in some higher than desired 'don't know' responses. Particularly, the need for a non-Universal Credit scheme and why was support given to households who were not maximising their entitlement. There are some households, at the margins of Universal Credit, who do not wish to undertake the claiming process for only a little Universal Credit. Also, there are some households who really are struggling to face claiming Universal Credit and whilst this cohort would benefit from making a claim and have been receiving support in their Universal Credit journey, are refusing to make a claim. Supporting them in reducing their Council Tax costs when their incomes are generally only disability benefits is one way to help this group. The scheme and software is already set up so there are no additional set up costs and linking the uprating to either Department for Work and Pensions rates or September CPI will keep the schemes relevant. It is anticipated that less than 20 households will be supported

	under this particular scheme as most working age households will be on Universal Credit. Another area was increasing the Universal Credit income bands by the percentage increase in the National Minimum Wage. If the national minimum wage increased above CPI but the bands increased by CPI, people may be moved to the next band and have to pay more towards their Council Tax. Conversely if national minimum wage increased less than CPI but the bands increased, this could make the scheme more expensive to administer as more people would be entitled to more support. Universal Credit generally increases by CPI, and this income is ignored in the Council Tax Reduction scheme, therefore total net household income will still afford some protection against inflation.
7.	**Anticipated outcomes, benefits or impact**
7.1	Maintaining support for low-income households meets key objectives for Cambridge City Council. It benefits the wider community by encouraging healthy lifestyles by protecting family incomes and ensuring maximum entitlement to other Cambridge City Council healthy lifestyles activities.
8.	**Implications**
8.1	**Relevant risks**
	None, because maximising Council Tax Reduction will assist households pay their rent, and any residual Council Tax liability and utility bills. As a housing provider itself, maximising income will help with rent collection and reduce household debt which can be a factor in the causes of homelessness.
	Financial Implications
8.2	Although the actual cost of the schemes currently, including the prescribed scheme for pensioners, has increased from £8.02 in 2021/2021 to an estimated £10.29m in 2025/26, due to the increasing tax base and the

	ongoing work of the Local Taxation Team in reviewing Council Tax discounts, the percentage loss due to Council Tax Reduction has reduced slightly.  This indicates that maintaining the structure of support is sustainable as growth in the City is forecast to continue. Grant funding for the administration of Council tax Reduction is no longer separately identifiable but is included in the overall General Fund grant. The local schemes, which rely heavily on automation of available information from the Department for Work and Pensions in the calculation, make the most of the funding from central government. The restructure of the Revenues and Benefits Teams in 2021, relied on this automation to achieve the savings it did. To move away from a highly automated, banded scheme, will necessitate additional assessment staff and increase costs, while not delivering a better, balanced scheme, that has been well received by applicants since 2020. Having a less favourable scheme will create small debts that are difficult and expensive to recover and will encourage applications to the Discretionary Council Tax Reduction (S13A). The financial burden of which falls solely to Cambridge City Council and not spread across preceptors.
	Legal Implications
8.3	Councils must have set their working age schemes by 11 March each year

	and schemes cannot change during the financial year. The schemes must be agreed by Full Council. Schemes must be reviewed annually and if changes are to be made, consultations must take place. Having schemes with linked uprating, with delegation for reviews to Chief Finance Officer, helps achieve a level of transparency and reduces administration and a three-year reset allows for a structural review and wide-ranging consultation.
	Equalities and socio-economic Implications
8.4	An Equality Impact Assessment is attached.
	Net Zero Carbon, Climate Change and Environmental implications
8.5	None.
	Procurement Implications
8.6	None.
	Community Safety Implications
8.7	None.
9.	**Background documents**
9.1	*None.*
10.	**Appendices**

10.1	• Equality Impact Assessment • Consultation outcomes and AI generated synopsis of responses - PDF • Consultation outcomes and comments - Excel
	To inspect the background papers or if you have a query on the report please contact Naomi Armstrong, naomi.armstrong@cambridge.gov.uk, 01223 457752.