

To: Cabinet
Date: 11th February 2026
Report of: Head of Financial Services
Title of Report: Council Tax Reduction Scheme 2026/27

Summary and recommendations	
Purpose of report:	To delegate responsibility for the local Council Tax Reduction Scheme for 2026/27 to the Section 151 Officer. To note that the current 2025/26 scheme has been through a public consultation and the report sets out the proposed changes with an Equality Impact Assessment.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner Statutory Deputy Leader and Cabinet Member for Finance Asset Management
Corporate Priority:	Enable an Inclusive Economy Support thriving communities
Policy Framework:	Financial Inclusion Strategy
Recommendation(s): That Cabinet resolves to:	
1	Recommend to Council to agree the change to the existing Council Tax Reduction Scheme to the income bandings in accordance with Option 2 listed at paragraphs 32-37 within the report.
2	Recommend to Council to delegate authority to the Group Finance Director (Section 151 Officer) to draft the details of the new Council Tax Reduction Scheme for 2026/27

Appendices	
Appendix 1	Council Tax Reduction Scheme 2026/27 Consultation
Appendix 2	CTRS Risk Register 2026/27
Appendix 3	Section 13a Discount Policy
Appendix 4	CTRS Equalities Impact Assessment
Appendix 5	Glossary of Benefit Terms

Introduction and Background

1. In April 2013, the national Council Tax Benefit (CTB) scheme was replaced by a new Council Tax Reduction (CTR) scheme. The CTB scheme was funded by the Department for Work and Pensions (DWP) and supported people on low incomes by reducing the amount of council tax they had to pay.
2. The CTR scheme (the Scheme) is for working age customers and determined locally by councils rather than nationally by the DWP. The separate scheme that exists for pension age recipients is a national scheme prescribed by regulation and cannot be varied locally. The basic calculation for CTR is an assessment of the household income versus the amount of money that central government says the household needs to live off. A household can be a single person, couples, families with children etc. The scheme works by applying discounts against the council tax liability based on the financial circumstances of those in the household. The discount reduces the amount of council tax income to be collected by the authority. Whilst the Government initially provided funding for the local schemes through the Revenue Support Grant, since the Grant has now reduced to zero there is no funding provided by central government for any CTR scheme.
3. 2018/19 was the first year that Oxford City Council (OCC) amended its CTR scheme to that introduced by the Government in 2013/14. From 2019/20 and subsequent years, further amendments were made, including moving to an Income Banded Scheme initially for Universal Credit claimants and then across all Working Age claimants. The Council's scheme still provides a reduction of up to 100% against the council tax liability for certain households.
4. The annual estimated total loss of council tax income in Oxford, arising from CTR and based upon November 2025 caseload is £13.4m. This is based on the current CTR caseload and the application of the 2025/26 scheme. The Council's share of this loss of income is £2m in 2025/26 at the time of this report, based upon a contribution of 14.8%.
5. The balance of the income loss is picked up by the other preceptors, Oxfordshire County Council and Thames Valley Police and Crime Commissioner.
6. Councils are required to review their CTR working age scheme annually and determine whether to revise it. To change its scheme a council is required by law to.
 - a) consult with the major precepting authorities.
 - b) consult with other persons it considers are likely to have an interest in the operation of the scheme. The CTR scheme itself must be adopted by the Council, and the approval of the scheme cannot be delegated to an officer or committee.
7. The CTR scheme must take account of and support:
 - a) work incentives and avoid disincentives for those moving into work.
 - b) the Council's duties to protect vulnerable people (under the Equality Act 2010, the Care Act 2014, the Child Poverty Act 2010, the Housing Act 1996); and
 - c) the Armed Forces Covenant which protects those people who have served in the British armies.

Public Consultation process.

8. In accordance with Government principles in 2018, any consultation with the public should be.
 - clear and concise
 - have a purpose.
 - be informative.
 - only part of a process of engagement
 - consider whether informal iterative consultation is appropriate, using new digital tools and open, collaborative approaches. Consultation is not just about formal documents and responses. It is an on-going process.
 - should last for a proportionate amount of time.
 - should be targeted.
 - Consider the full range of people, business and voluntary bodies affected by the policy,
 - should take account of the groups being consulted.
 - should be agreed before publication.
 - should facilitate scrutiny.
 - should be published in a timely fashion.
 - should not be launched during local or national election periods.
9. The Council consulted with the Precepting Authorities and the public via an online form between 5th May 2025 and 15th June 2025. There were also paper forms available at the central Oxford (?) library and the Council did receive a small number of paper responses which have been included in the Appendix 1 summary.
10. The Council received 290 responses. The questions asked in the consultation related to the current scheme focusing on the principal areas of assessment, such as the income bands used and how they are calculated, all members of a household to contribute to the Council Tax charge and the use of on-line functionality. A copy of the Consultation Document is shown in Appendix 1 with individual responses discussed below:
11. **Question 1** -The Council's current approach of using income bands to award CTR entitlement is welcomed by the members of the public who responded to the consultation. The consultation showed that most of the respondents wish for this approach to continue, with 71% agreeing with the use of income bands. **It is recommended that the Council continues to use income bands for the 2026/27 CTR scheme.**

Question 2/3-The public were also asked if they would like to increase the threshold of the income bands by the rate of inflation or if they would like the income bands to be reduced (Question 3). These two questions relating to the banded approach for 2026/27 shows a mixed response. Both questions had a high response rate of 285 to the question relating to increasing the threshold of the bands and 279 people replying to the question of reducing the threshold of the income bands.

- 48% wished for the band thresholds to increase with inflation.
- 25% disagreed with inflationary rise to the band thresholds.
- 39% wished for the band threshold to be decreased as they are too generous.
- 22% disagreed that the income band threshold should be reduced.
- Over both questions, 60% of respondents were indifferent to an increase or a decrease to the band threshold.

12. **Question 4** - This question related to household members being asked to contribute to the household (which would then involve what is known as non-dependants' deductions) the question received a 47% agreement that non-dependant deductions should remain. 24% of answers were unsure and 26% of respondents stated that they should be removed. 3% of submissions did not answer this question. **It is therefore recommended that the 2026/27 CTR scheme continues with the non-dependant rules that it has in place in its scheme for 2025/26 and that these are mirrored for future schemes. The rates of deduction will match those in the national pensioner council tax reduction scheme for consistency across the two schemes applied in the city.**

13. **Question 5** asks the public for their view in whether all forms of income should be used to assessed affordability. The question looks at whether some income is disregarded, such as child benefit and disability income. 38.28% of responses believed all income should be included, whilst 22.07% were indifferent to this approach and 37.94% believed some income should be disregarded.

14. **Question 6** asks the question of any types of income that should not be used in the assessment of affordability. There were 250 responses to this question with the following results

	Income should not be included
Disability Benefits	62.76%
Child Benefits	52.76%
Additional payments for families	27.59%
Wages	10.69%
Housing Benefit or Universal Credit Housing Element	57.24%
Other	8.97%

Recommendation-As a result of the consultation for questions 5 & 6, that there are no proposed changes to the disregarded income of disability and child benefit. All other income should be included.

15. **Question 7** 27.59% of respondents were agreeable to continuing to have details of the level of council of tax reduction available on-line whereas 43% were not agreeable to this. The Council has been seeking to transition its operation to on-line for several years to secure several efficiency savings. Not to would increase cost and may lead to unpalatable reductions in other services. **Recommendation is that the Council continues with its approach to having**

an on-line portal for those claimants who wish to have electronic notification and to have paper for those who wish to still have a postal letter and bill.

Current Banded Scheme

16. The Council uses a banded income scheme which applies a council tax percentage discount depending on the income band that the claimant falls within. This approach has been in place since 2018 as a method of ease for the public to experience changes to their income within an income band which would otherwise affect their award of CTR. The public are requested in the current scheme to report any changes throughout the financial year (an award of CTR is made for the whole period of April to the following March) where it will affect the discount applied. Reporting must be made within a month of the change and can be both favourable and adverse to the award of entitlement. This allows households with fluctuating earnings to report changes and not have the worry of the impact to the council tax charge when the CTR claim is changed.
17. The Council undertook a review of its CTR scheme with an external consultant in September 2024, and it was found that the current scheme was inadvertently affecting claims where earned income was not considered in the calculation process of affordability where Universal Credit (UC) was in place. In effect claimants who are in employment receive less UC but more council tax reduction, conversely claimants who do not or who are unable to work receive more UC but less council tax reduction. Pensioners are not affected by this local policy.

18. The current 2025/26 bands are.

Band	Household Net Weekly Income	Percentage of reduction
1	£0 - £500.00	100%
2	£500.01 - £575.00	75%
3	£575.01 - £650.00	50%
4	£650.01 - £700.00	25%
5	£700.01 and above	0%

19. As of 1st September 2025, the Council's CTR working-age scheme financially supported 6,032 households with their council tax charge. In accordance with the Local Government Finance Act, each local scheme must be 'means' evaluated which defines that our scheme must take into consideration affordability of the council tax charge when determining eligibility. Affordability would include wages, state benefits, savings for example. The scheme does not consider any expenses that a household incurs, such as utility bills.

20. The Oxford scheme supports the following categories and there is no proposal to change this approach in the 2026/27 scheme.

- a) Work incentives and avoids disincentives for those moving into work.
- b) The Council's duties to protect vulnerable people (under the Equality Act 2010, the Care Act 2014, the Child Poverty Act 2010, the Housing Act 1996)
- c) The Armed Forces Covenant

21. The CTR scheme for 2025/26 takes into consideration the housing element of UC and consequently the Council decided to significantly increase the income band thresholds from the 2024/25 CTR scheme into 2025/26 to ensure that where this 'allowance' is included that this is not affecting the percentage of award towards the council tax charge. It also discussed tapering down the bandings in future years and put this into its proposed Medium Term Financial Strategy (MTFS) last year.

22. In order to mitigate the impact of these changes the Council made available some funds under its Discretionary Section 13a scheme and funds awarded to it via Oxfordshire County Council for this purpose. This discretionary scheme allows a Billing Authority to reduce the charge in part or full where any other discounts and exemptions still require an amount of the local tax to be paid. A copy of the local discretionary scheme is included in Appendix 3.

23. This policy was highlighted for those people who were finding the Council Tax charge unaffordable after all national and local discounts were applied, via the city's local advice agencies and on the Council's website. Where the public were

calling and speaking to advisors within the Council's Customer Services Team or within the Revenues and Benefits Team, then applications for this further support were recommended.

24. To date the Council has received 23 applications for this discretionary relief which relate to CTR (out of a total 80 received as of 31st December 2025) at a cost of £19,000. There is expected to be funding for this discretionary scheme in 2026/27 from both the Oxfordshire County Council and Oxford City Council.

25. Of the 23 applications the reasons for requiring a Section 13a discretionary award are:

- a. No recourse to public funds (such as asylum seekers who cannot claim CTR)
- b. Domestic Violence case where the CTR scheme does not allow for the council tax charge to be paid at two addresses.
- c. Shortfall in CTR awards covering,
 - i. non-dependant deductions applied, and the non-dependant was not contributing to the household finances.
 - ii. start date of the claim does not match the date of liability.
 - iii. a gap when the income changed and there was a delay in making an application or reporting the change to the Council.
 - iv. change in income bands resulting in less CTR award.

26. An evaluation of the reasons why the Council has received applications for further discretionary financial support to the CTR scheme has been undertaken. Using the data from the applications for a Section 13a discretionary award, the Council can ascertain that the use of earned income was only of a handful of cases. The majority reason for the Section 13a applications was due to a delay in reporting a change or a delay in making an application to the Council for support.

27. This delay in reporting changes has been identified by the Council and there are currently 5500 claims being reviewed from November 2025 to March 2026 to ensure that the Council has the correctly held data in determining an award of CTR. This process of intensive reporting also reminds claimants that they must report changes in a timely manner to prevent large overpayments to the Council Tax charge or underclaiming on a CTR award which they are entitled to within the local scheme.

28. The CTR scheme is promoted by the Council's Customer Services, Revenues, Benefits and Welfare Advice teams. The Council also attends quarterly meetings with local welfare organisations to ensure that the message to the public about the support that the Council provides is available including how to make an application. Further promotional work will use social media campaigns and Council representative attendance at local community centres.

29. Whilst the CTR scheme for 2026/27 cannot rely on the option of Section 13A Discretionary relief to cover the assessment of awards of CTR where there is a shortfall, it can cover for those occasions that CTR has been awarded and can be applied for anti-poverty needs within the city.

Financial Modelling for 2026/27 CTR scheme

In accordance with the requirement of the Local Government Finance Act, should the local authority wish to change the scheme methodology then it needs to have considered alternatives. Options for financial changes are outlined below:

Option 1

30. To keep the scheme as the 2025/26 scheme and the threshold of the income bands remain the same. This will not meet any proposed budgetary savings and will increase the cost to the Council in 2026/27 in line with the proposed council tax changes.

Caseload of 2025/26 current distribution over all bands (as of 1st September 2025)

Current Weekly Income	Number in each band	CTR Discount
£0 - £500.00	4751	100%
£500.01 - £575.00	558	75%
£575.01 - £650.00	289	50%
£650.01 - £700.00	152	25%
£700.01 and over	282	0%

Option 2

31. The Consultation Budget recommends taking a Council saving of £75,000 per annum from 2026/27 to the ongoing cost of CTR. This is a total saving of £510,000 per annum across the CTR scheme with the remainder of the saving accruing to the Oxfordshire County Council and the Thames Valley Police and Crime Commissioner. It is in line with the agreed Medium Term Financial Strategy (MTFS).
32. The table below has suggested income thresholds based upon the current earning levels used in the current CTR scheme. This would decrease the level of the bands within the 2026/27 CTR scheme and maintain the inclusion of wages. When modelling this forecast of CTR awards, the income band thresholds were moved mathematically to reduce the number of claims impacted by the changing of the income bands, so that the least number of claims are affected, but the Council would still be able to achieve the desired saving to the budget.

33. This scheme in this option would still protect those claims made with an element of disability income as it is intended that this would be ignored in the calculation, supporting national and local policy.
34. The option will affect all income bands and therefore all groups of society equally, meaning that the Council does not need to take any measures its duties under the Equalities Act 2010.

Income Bandings for CTR 2025/26 with £75k savings

Current Weekly Income	Number in each band	CTR Discount	Proposed Weekly Income	Claim shift per band (£)
£0 - £500.00	4751	100%	£0 - £480.00	-190
£500.01 - £575.00	558	75%	£480.01 - £530.00	-129
£575.01 - £650.00	289	50%	£530.01 - £580.00	-120
£650.01 - £700.00	152	25%	£580.01 - £660.00	+307
£700.01 and over	282	0%	£660.01 and over	+132

35. The table shows that with a change in the threshold for eligibility from a total weekly income of £700.01 to a reduced level of £660.01 (reduction of £40 per week) 132 claims would no longer qualify for CTR support although 4751 (86.2%) of all claimants will continue to qualify for 100% council tax reduction.
36. All other claims will still have an amount of reduction applied to their council tax charge; however, it may be lower percentage of support than in the 2025/26 entitlement. Modelling has been applied to ensure that the number of claims which received 100% support are minimally affected. The approach has been to evenly apply a reduction to all income bands and not to apply the reduction to only the largest income families to achieve the savings for the budget.

Alternative Options Considered

37. Cabinet could recommend to Council Option 1 of the CTR, as listed at paragraph 30 within the report. However, this option is reliant on Council not agreeing with the proposed £75,000 savings within the Consultation Budget. Without pre-determining the position of Council, this alternative recommendation is presented to Cabinet for consideration.

Financial Implications

38. The Council has several challenging financial pressures which are impacting on its ability to balance the next iteration of the 4-year General Fund Medium Term Financial Plan.

39. Option 2 identified above supports a saving of £75k per year to the council which has been included in the Consultation Budget.

Legal issues

40. When considering changes to the CTR scheme, the Council must have regard to the provisions of The Council Tax Reduction Schemes (Prescribed Requirements) (England) 2012 and subsequent amendments.
41. The Council must have a local CTRS working-age scheme in accordance with Section 13A(2) of the Local Government Finance Act 1992.
42. The Council must have its scheme in place by 1st April 2026 and published on the website by 11th March 2026 for the public to view. This is in accordance with the Local Government Finance Act 1992 (as amended) Schedule 1A(5)
43. The Council has complied with its legal duty to consult with the public on the local CTRS working age scheme. The Localism Act 2011 states that the Council must consult where it wishes to review or make any changes.
44. The Council has made sure that its consultation on the future CTR scheme met the following criteria:
- a. The consultation took place at the formative stage.
 - b. The Council was available to respond to questions and provide further clarification for answers to be provided. The Council also ensured that there was enough information available during the consultation process for informative replies to be provided by the public.
 - c. There was adequate time for the public to be able to respond fully to the questions posed.
 - d. Conscientious consideration was given to the outcome of the consultation, and the results of the consultation have been considered in the final decision-making process.
45. The Public Sector Equality Duty (PSED) contained in the Equalities Act 2010 and the Local Government Finance Act 2012 require the Council to review impact on vulnerable groups in the city. An Equality Impact Assessment has been undertaken to review the changes proposed and recommended. This can be found in Appendix 4 to this report. (EG 6/12/26 18466)

Level of risk

46. A risk register has been included in appendix 2. This is to consider any areas of the scheme design which may impact the cost and viability of the local scheme.

Equalities

47. An Equalities Impact Assessment (EIA) has been undertaken in relation to Option 2 for the proposed 2026/27 scheme. There are no specific groups which are detrimentally affected using a banded scheme which includes earned income and disregards income relating to disability and caring responsibilities.

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Background Papers: None

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