

By: John Betts, Interim Corporate Director – Finance
Brian Collins, Deputy Leader

To: Scrutiny Committee, 25 November 2025

Subject: 25/00004 - Council Tax Collection Subsidies and Incentives

Summary:

The Chair and Spokespeople of the Scrutiny Committee have asked that decision 25/00004 – Council Tax Collection Subsidies and Incentives be placed on the Committee agenda for discussion.

This paper sets out the council tax base assumptions for 2025-26 compared to 2024-25 as determined by the 12 collection authorities in Kent in comparison with the national totals for England and Shire districts.

The analysis shows that the growth in the net taxbase between 2024-25 and 2025-26 after adjustments for discounts, exemptions and premiums (this includes the impact of council tax reduction discounts) across Kent was similar to the national England average (and slightly above the average for Shire districts). However, after taking into account changes in estimated collection rates the growth in the taxbase for council tax setting purposes was less than the national English and Shire district averages.

The report outlines the County Council's arguments against more generous local council tax reduction schemes

If council tax collection is more difficult for those households already in receipt of council tax reduction discounts, then it is reasonable to conclude that increasing council tax reduction discounts for 2026-27 should improve collection rates and there may not be an overall discernible reduction in tax base growth for council tax setting purposes. This may already have been built into some districts' taxbase estimates from this year. However, until we have seen initial estimates from districts, we cannot be sure.

1. Introduction

- 1.1 In March 2025 a decision was taken, under the previous Council administration, to cease the financial support and incentive payments towards the cost of setting up and administering local Council Tax Reduction Schemes (CTRS) with effect from 1 April 2025. The Record of Decision, associated Decision Report and Equality Impact Assessment are attached as appendices.
- 1.2 This decision was called-into the Scrutiny Committee in April 2025 ([Agenda for Scrutiny Committee on Thursday, 10th April, 2025, 10.30 am](#))

- 1.3 Previously this had been discussed by the [Policy and Resources Cabinet Committee on Wednesday, 5th March, 2025, 10.00 am](#)
- 1.4 The decision papers remain available online here: [Decision - 25/00004 - Council Tax Collection Subsidies and Incentives](#) but are republished in the agenda pack as appendices for ease of reference.
- 1.5 The minutes of the Scrutiny Committee held on 10 April confirm that, at the time, Members of the Scrutiny Committee considered that the decision would have a negative impact on KCC and the removal of the subsidy would impact the next administration negatively. The Chair and Spokespeople would now like to review this decision to determine any possible impact on KCC in advance of decisions being made about this year's budget.

2. Background

- 2.1 All council tax billing authorities (the 12 district, borough and city councils in Kent) have a statutory responsibility to calculate an estimate for the council tax base for council tax setting purposes under the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. The calculation is based on determining the relevant number of properties liable to pay council tax in each council tax band (quoted as band D equivalent properties) and an estimate of the collection rate for the year.
- 2.2 The number of properties liable for council tax is adjusted for those subject to discounts, exemptions and premiums. It is based upon the number of dwellings in each band (A to H) shown on the valuation list at a prescribed date (usually 30th November). This is then adjusted for exempt dwellings (student dwellings, etc.), eligible discounts (single occupancy discount, etc.), premiums (long term empty and second homes), discounts for council tax support (low-income, elderly and working age households) and where applicable assumed in-year changes to the number on the valuation list, eligible discounts and premiums).
- 2.3 The calculations must be approved by each authority for the forthcoming year between 1st December and 31st January to enable precepting authorities and billing authorities to determine council tax charges as part of annual budget setting in accordance with council tax referendum requirements (as set out in the Referendums Relating to Council Tax Increases (Principles) (England) Report). Major precepting authorities must notify billing authorities of their council tax precept by 28th February.

3. Comparison of Kent Tax Base Estimates

3.1 Table 1 shows comparison of the overall tax base estimate for 2025-26 compared to the England national and Shire district averages. This information has been extracted from statutory CTR1 returns¹.

Table 1	Change in tax base after discounts, exemptions and premiums	Change in estimated collection rate	Change in tax base for council tax setting purposes
Kent Average	2.0%	-0.7%	1.2%
England Average	2.0%	0.0%	1.9%
Shire District Average	1.7%	-0.1%	1.6%

3.2 Table 2 shows the individual returns for the 12 Kent Collection authorities compared to the Kent, England National and Shire District averages

Table 2	2024-25			2025-26		
	Net taxbase after discounts, exemptions & premiums	Estimated collection rate	Council taxbase for council tax setting purposes	Net taxbase after discounts, exemptions & premiums	Estimated collection rate	Council taxbase for council tax setting purposes
Ashford	50,571.00	98.5%	49,832.00	50,589.00	97.5%	49,332.00
Canterbury	54,437.00	98.0%	53,348.30	56,756.68	97.0%	55,053.98
Dartford	42,081.50	97.5%	41,029.50	42,992.10	97.0%	41,702.34
Dover	41,560.60	98.0%	40,874.50	43,273.84	97.0%	42,119.72
Folkestone & Hythe	41,664.80	96.5%	40,466.10	43,100.73	95.5%	41,413.64
Gravesham	36,450.20	98.8%	35,994.60	36,258.71	97.8%	35,442.89
Maidstone	69,129.30	98.5%	68,263.60	69,652.41	97.5%	68,085.50
Sevenoaks	52,700.90	99.4%	52,394.70	53,318.24	99.4%	53,008.33
Swale	51,031.30	98.7%	50,367.90	51,707.48	97.7%	50,518.21
Thanet	47,385.00	98.0%	46,454.10	49,742.77	97.0%	48,260.89
Tonbridge & Malling	54,347.50	98.4%	53,477.90	55,061.15	97.8%	53,849.80
Tunbridge Wells	49,474.10	97.8%	48,360.90	50,137.35	98.0%	49,134.60
Kent Total/Average	590,833.20	98.2%	580,864.10	602,590.46	97.5%	587,921.90
England Total	19,317,385.72	98.1%	18,987,788.60	19,696,007.44	98.1%	19,348,235.71
Shire District Total	7,114,885.11	98.4%	7,020,041.30	7,237,446.52	98.3%	7,134,487.45

3.3 The changes in taxbases between 2024-25 and 2025-26 suggest that some district councils may have already effectively “baked in” reductions in the taxbase as a result of more generous local discount schemes. In the majority of cases the assumed collection rate performance has got worse. In some areas (for example, Ashford) the taxbase itself has reduced by a remarkably precise

¹ The CTR1 return is a form used by local billing authorities (such as shire districts, London boroughs, metropolitan districts, and unitary authorities) to report details of how they have calculated their council tax requirement for the upcoming financial year. This form is part of a set of Council Tax Requirement (CTR) forms submitted to the Ministry of Housing, Communities & Local Government (MHCLG).

figure (in this case, precisely 500). All this makes it very difficult to predict the taxbase for 2026-27.

4. Local Council Tax Discount Schemes

- 4.1 Local councils have been responsible for providing support to low income households through Local Council Tax Reduction Schemes (LCTRS) since responsibility for Council Tax Benefit (CTB) was localised in 2013. Local schemes must include mandatory council tax reductions of up to 100% for pensioner households in accordance with national provisions, but discounts for working age households are discretionary. When funding was transferred in 2013 it came with a 10% reduction. Local schemes are agreed and administered by collection authorities (district councils in two-tier areas) although the majority of the impact falls on major precepting authorities (County Council, Police & Crime Commissioner and Fire & Rescue).
- 4.2 In Kent we had an agreement with collection authorities to apply a maximum 80% discount for working age households (albeit with the ability for local variation providing other measures were also taken such as changing empty property discounts to fund these variations). The 80% discount applies to families with no qualifying income other than Universal Credit and other welfare benefits with the discount reducing according to bands as income increases.
- 4.3 Until this year KCC and other major preceptors paid subsidies totalling £2m (KCC share £1.75m) to all 12 collection authorities in return for councils adopting the standard scheme (80% maximum discount subject to local variations). This was a discretionary arrangement and the previous Administration agreed to remove this subsidy in 2025-26 as part of the savings requirement and the focus on KCC's statutory responsibilities.
- 4.4 Some collection authorities had already been considering opting out of the standard agreement and were considering introducing higher discounts to help low income households struggling to pay council tax. Other collection authorities suggested that without the subsidy it would not be economic for them to continue to offer the current discounts, as it would cost more to collect council tax than their share (typically districts receive between 10% to 12% of total council tax).
- 4.5 To date 9 councils have undertaken public consultation on changing their LCTRS. To date none have made the final decision. This decision would need to be taken by end of January.

5. Response to LCTRS Consultation

- 5.1 KCC has submitted response setting out its opposition to the proposed changes to LCTRS, as they reduce the council tax base (and therefore the amount of council tax all authorities will receive). Kent Fire & Rescue services has responded along very similar lines.
- 5.2 KCC acknowledges that the current arrangements were developed mutually between collection and precepting authorities with the aim of mitigating the

original reduction in funding from the estimated cost of previous Council Tax Benefit arrangements. This agreement was based on setting a maximum discount of less than 100% for working age households on the lowest incomes (with tapered reductions in discounts as income increases), adopting standard criteria for other aspects scheme such minimum income thresholds, and reductions in empty property discounts. The mutual agreement was subsequently refined and local schemes updated to mirror the welfare reforms under the Welfare Reform and Work Act 2016.

- 5.3 KCC has also supported changes made by districts to simplify local schemes with a move to a banded approach. This has provided more certainty for individuals as discounts only change should their circumstances mean they move into a different band. The change to a banded approach has reduced the assessment burden on districts and has not materially affected the taxbase (other than impacts that would have occurred due to any economic upturn or downturn affecting employment and income levels).
- 5.4 However, KCC does not support proposals to provide a higher level of discount (either 90% or 100%) for those in the lowest income band or increasing the discount in other bands. KCC does not support other options under consideration such as removing the minimum income floor and believes the current scheme should be retained. The reasons are set out below.

Impending Local Government Reorganisation

- 5.5 The Government has recognised that although councils were invited to submit proposals for unitary government, in the meantime Councils should continue to deliver essential services and meet statutory obligations. In doing so the government has been clear that decisions of existing councils should not compromise the future sustainability of new councils or fetter future decisions of new councils. Included in the examples of such decisions are local council tax support schemes and council tax exemption schemes.
- 5.6 KCC is concerned that consultations on more generous LCTRS have not acknowledged that changing schemes for 2026-27 to allow higher discounts will reduce the overall taxbase (both for existing councils as well as newly re-organised councils). It also fails to acknowledge that a re-organised unitary authority would probably take a broader view, rather than just considering the impact of schemes on individual recipient households and impact on cost of council tax collection. Instead, new unitaries are left with lower taxbases, potentially exacerbated over a wider geographical area than just the current district boundary. Because this decision will affect the council tax base (and thus the future sustainability of new councils to deliver a wider range of services) we believe this is a fundamental flaw and should have been explicitly covered in the consultation.

Impact of Proposed Changes

- 5.7 The cost of LCTRS discounts is borne by all taxpayers and this has not been made clear in consultations. Respondents haven't been asked whether they support a greater share of the council tax they pay being used to support those on low incomes. KCC believes that it should have been made much more

explicit in the consultation that the proposals will impact on all council taxpayers.

Fiduciary Duties

- 5.8 It is a long-standing legal principle that in managing their financial affairs, councils have a fiduciary duty to all taxpayers. KCC contends that this fiduciary duty does not just apply to the individual collection authority budget and that in discharging statutory functions with regard to council tax collection, authorities are already under a duty to seek to maximise collection at lowest possible cost. In only considering the impact of the costs of administration of LCTRS compared to the income the collection authority receives from its share of council tax collection, districts have not demonstrated that this meets the fiduciary responsibility to all taxpayers.
- 5.9 Effectively the cost of LCTRS discounts is borne by all taxpayers and this has not been made clear in the consultation, or respondents asked whether they support a greater share of the council tax they pay being used to support those on low incomes. KCC believes that it should have been made much more explicit in the consultation that the proposals will impact on all council taxpayers

Comparison with Other Councils

- 5.10 KCC is concerned that there does not appear to be any analysis of schemes in other council areas. Schemes offering 100% discount remain in place in only a minority of other councils, with the most common schemes offering 70%-80% discounts (that is, in line with the current arrangements in Kent). There has been no acknowledgement in consultations that the proposals would result in more generous discounts than in most other council areas.

Evidence of Impact on Collection Rates, Council Tax Collection Costs and other impacts.

- 5.11 Consultations have not explicitly stated how offering a higher discount will impact on council tax collection rates (it is implied that the difficulty households face in paying existing discounted bills impacts on collection, but no evidence has been supplied). This lack of evidence on collection rates for households in receipt of support through LCTRS and households paying full council tax should have been made available to inform consultees.
- 5.12 No evidence has been provided to precepting authorities or other consultees on the cost of administering current LCTRS or costs of council tax collection for those paying full council tax. No evidence has been provided on the lower costs of administering the proposed new schemes for respondents to judge whether these savings are appropriate, compared to costs. Since one of the stated objectives is to reduce the cost of administering schemes, this information should have been provided.

Alternatives

- 5.13 KCC is concerned about the lack of alternatives considered. These have been limited to continuing with the current scheme, either with the subsidy from preceptors restored, or reducing other services to maintain council tax

collection. The consultation should have spelled out other alternatives such as improving council tax collection to pay for the cost of collection, doing more to tackle fraud and error, increased efficiencies in council tax collection, and reductions in discounts.

6. Conclusions

- 6.1 It is evident that the majority of Kent districts are considering LCTRS changes that will reduce the overall taxbase. It is not clear what that impact may be, as some districts appear to have pre-empted that decision in the current taxbase. It is also unclear what impact (if any) the County Council's response to consultations on these proposals may be.
- 6.2 If council tax collection is more difficult for those households already in receipt of council tax reduction discounts, then it is reasonable to conclude that increasing council tax reduction discounts for 2026-27 should improve collection rates and there may not be an overall discernible reduction in tax base growth for council tax setting purposes. This may already have been built into some districts' taxbase estimates from this year. Until we have seen initial estimates from districts, we cannot be sure.
- 6.3 In order to partly mitigate some of the risk of lower than expected taxbases being issued by districts, the County Council could choose to reverse its previous decision and continue subsidising the legal responsibilities of district councils. In doing so, it would need to consider how much subsidy to offer and whether to apply any conditions to the subsidy (for example, minimum taxbase increases, improved collection rates, guaranteed reversals of LCTR proposals). To give district sufficient time to consider such an offer, it would need to be made prior to the Christmas period.

7. Recommendation

As per Covering Report - The Scrutiny Committee is asked to note and comment on the update on decision 25/00004 - Council Tax Collection Subsidies and Incentives.

8. Attached documents

- a) [25-00004 - Record of Decision](#)
- b) [25-00004 - Decision Report](#)
- c) [25-00004 – EqIA](#)

9. Background documents

- a) [Agenda for Scrutiny Committee on Thursday, 10th April, 2025, 10.30 am](#)
- b) [Agenda for Policy and Resources Cabinet Committee on Wednesday, 5th March, 2025, 10.00 am](#)

Contact Details

Report Authors:

Dave Shipton (Head of Finance Policy, Planning and Strategy)

03000 419418

dave.shipton@kent.gov.uk

John Betts (Interim Corporate Director – Finance)

03000 410066

John.Betts@kent.gov.uk