

Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Policy Development & Scrutiny Panel	
MEETING/ DECISION DATE:	11th November 2025	EXECUTIVE FORWARD PLAN REFERENCE:
		E 9999
TITLE:	Council Tax Reduction Scheme Update	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 Letter to households		

1 THE ISSUE

Under the current rules of the council's Local Council Tax Support (LCTS) scheme, residents receiving income-related Employment Support Allowance (ESA) are entitled to full council tax support. In contrast, those receiving Universal Credit (UC) receive a percentage reduction based on where their weekly income falls within pre-defined income bands. As ESA recipients have been migrated to UC during 2025, some residents have experienced a reduction in the level of council tax support they receive. Officers have been asked to review the experience of the last 6 months for this cohort, and the impact migration has had on their Council Tax Support entitlement and ability to pay council tax.

2 RECOMMENDATION

The Panel is asked to;

- 2.1 Note the impact of Universal Credit migration on recipients previously entitled to Employment and Support Allowance (ESA).**
- 2.2 Note the support mechanisms currently in place for this cohort where Council Tax liability presents financial hardship.**

2.3 Note the financial implications of fully disregarding the Limited Capability for Work-Related Activity (LCWRA) component within Universal Credit for the purposes of Local Council Tax Support.

3 THE REPORT

3.1 ESA claimants started the migration process to Universal Credit from September 2024; however, this significantly increased from April 2025 with a timetable scheduled by the DWP which means that all ESA recipients will be migrated by the end of March 2026.

3.2 Officers have sampled cases over a relatively long period of time to review the effects which migration has had on this cohort, from January 2025 to October 2025. This was done to understand the effect on LCTS and claimants' ability to pay. It is estimated that around 1600 households have migrated across that period. Within this group, officers have looked at a sample of 564 cases to determine the reduction in support and have checked whether these residents are up to date with their council tax.

3.3 Claimants were assessed in their new council tax support band, so that officers could see the proportionate loss in support for claimants from the sample group, all of which had previously received 100% support.

New Reduction level	Percentage of Sample
100%	1%
85%	26%
60%	47%
40%	11%
20%	3%
0%	12%

3.4 Most claimants in the sample experienced a reduction in support placing them in mid-range income bands, with the highest proportion seeing a 40% reduction in support, although the trend appeared to change with a higher proportion than expected receiving no support under the income-banded rules. Officers therefore drilled down into this cohort of 67 cases which would no longer receive any support at all to determine trends which caused this loss of entitlement.

3.5 Of the 67 cases which lost all entitlement, 21 no longer qualified because their savings and capital was above the £6,000 limit for people who receive Universal Credit. This capital threshold is lower than the £10,000 or £16,000 threshold for the legacy council tax support rules. The other 46 households did not qualify because their weekly income exceeded the appropriate threshold. The average weekly income for this cohort was £627.53 excluding any Universal Credit for Housing costs or Personal Independence Payment or Disability Living Allowance.

3.6 Officers looked at each household within the new income bands to determine whether they were in arrears, had historic arrears (and so a history of non-payment for different reasons), or were up to date.

Reduction level	Historic Arrears	Arrears	Up to date
100%	40%		60%
85%	15%	35%	55%
60%	10%	34%	56%
40%	10%	28%	62%
20%	32%	10%	58%
0%	14%	19%	67%

There is not much variation within each group of the percentage of households which are up to date with their council tax. The 20% cohort has a higher percentage of households with historic arrears, but there are only 19 households in total within the 20% cohort, so this might distort the results of the analysis. A higher proportion of households who receive no support under the income banded rules are up to date with their council tax, and this may be because they have a higher weekly income or access to savings to pay the council tax. Those who do not qualify because their capital is above £6,000 will be eligible to reclaim council tax support if their capital falls below that level.

- 3.7 Households struggling to pay council tax may apply for discretionary support from the Welfare Support team. This was highlighted during the 2023 consultation, prior to scheme changes which saw the disregard of the Housing Costs element and revision of discount amounts and income band thresholds. As the cohort which has recently migrated from legacy benefits to Universal Credit may not have seen that consultation material, because it was not relevant to their individual circumstances at the time, officers drafted and issued a mailshot to explain the reason for their new council tax bill and highlighted discretionary help available through the Welfare Support team. A copy of this letter is included as an appendix to this report. A list of claimants with historic arrears has also been passed to the council tax recovery section, and officers within that team have been proactively contacting households to highlight available support and to enter into payment arrangements to clear historic debts.
- 3.8 A significant number of households within the sample population, and those which have migrated from ESA to Universal Credit receive the Limited Capability for Work related Activity component. This is a relatively high amount of money, totalling £97.65 per week for each qualifying adult. This is higher than the standard allowance for a single adult and although the Government plan to reduce the LCWRA element from 2026/27 to £50.14 per week for new claims, existing claimants will not see a reduction. Officers have been asked to look at options to consider for changing the LCTS scheme rules, and disregarding the LCWRA element from the income assessment would make a difference to those who have migrated from ESA to Universal credit, but this would come at a significant cost to the scheme. When officers modelled the costs of changes to the scheme from 2024, there were approximately 1709 claimants who received the LCWRA element. Disregarding this element from those claims, and those which have migrated during the last 12 months would probably cost around £500,000.
- 3.9 Officers have also considered whether some sort of arrangement where those who migrate across to Universal Credit may receive some form of transitional protection from having to pay more council tax, however this functionality does not currently exist for the software system used to calculate LCTS claims, and

given the advanced stage of Universal Credit Managed Migration, by the 31st of March 2026, which is the earliest date that the council could theoretically make changes to the scheme rules, there should be no ESA claimants left on the legacy scheme. Any changes to the scheme would also require a public consultation, investment in tools to model the cost of scheme changes accurately, and careful planning and system testing. It would not be possible to do this by the time that full council meet to set the council tax for 2026/27, so the earliest that any changes could take effect, should Cabinet wish to propose any modifications would be from April 2027.

- 3.10 In summary, most claimants within the sample group who have migrated from ESA and Income Support to Universal Credit are up to date with their council tax. The council has also maintained supportive measures to help households who cannot afford to pay, and there are time constraints and financial and resource implications involved in making scheme changes. In light of these findings, officers recommend maintaining the current scheme and continuing to monitor the impact of migration.

4 STATUTORY CONSIDERATIONS

- 4.1 The Local Council Tax Support (LCTS) scheme is governed by the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, as amended annually. These regulations set out mandatory provisions for pension-age claimants and provide the framework within which local authorities design schemes for working-age residents.

The authority to implement and revise the LCTS scheme is derived from the Local Government Finance Act 2012, which replaced Council Tax Benefit with locally administered schemes from 1 April 2013. Decisions relating to the scheme are made under the council's powers as set out in this Act and associated regulations.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The cost of the Local Council Tax Support (LCTS) scheme is met through a reduction in the council tax base. This means that the total amount of council tax to be collected must account for the revenue foregone due to reduced liability for eligible claimants.
- 5.2 As a result, the scheme has a direct impact on the funding available to the billing authority and precepting authorities, including parish councils. Any changes to the scheme, such as adjustments to eligibility criteria or levels of support, must be carefully considered, as they could affect the overall distribution of council tax income and place additional financial pressure on both the council and its partners.
- 5.3 The implications extend to all council tax payers, who may experience changes in their liability depending on how the scheme is funded. Therefore, any proposed amendments should be subject to consultation and equality impact assessment to ensure transparency and fairness.
- 5.4 Staffing resources required to administer the scheme are already in place within the Revenues and Benefits service. However, significant changes to the scheme may require additional training, system updates, or temporary

increases in workload, which could have short-term staffing and operational impacts.

6 RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. It should be noted that any changes to the Local Council Tax Support (LCTS) scheme carry potential legal, financial, and reputational risks.

7 EQUALITIES

An EQIA has not been carried out for this report, because a decision has not been proposed to make changes to the LCTS scheme.

8 CLIMATE CHANGE

This report does not impact climate change or carbon neutrality.

9 OTHER OPTIONS CONSIDERED

None

10 CONSULTATION

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Background papers	<i>Appendix 1 Letter to Households</i>
Please contact the report author if you need to access this report in an alternative format	