

London Borough of Barking and Dagenham

Localised Council Tax Support

Final report

June 2023

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Executive Summary

The London Borough of Barking and Dagenham has commissioned Policy in Practice to provide an assessment of the current Council Tax Support (CTS) scheme and to examine possible future working-age scheme options. Figures are provided for the current scheme retained into 2024/25 and two models.

Council objectives

The London Borough of Barking and Dagenham council's core objectives for changing their CTS scheme are:

- Simplify the scheme to make it easier for residents to understand and access.
- Provide the maximum level of support for all low-income households.
- Reduce the need for frequent changes in awards, making support more consistent.
- Improve how the scheme interacts with Universal Credit.
- Create a scheme that is fair and equitable to all residents.
- Build in capacity to better manage an increase in demand for the scheme.
- Maintain a cost neutral position against the modelled spend for retaining the current scheme in 2024/25.

Wider objectives and council priorities related to CTS scheme design include:

- Support residents through the cost-of-living crisis.
- Make every contact count (reduce avoidable contact, improve customer service etc.).
- Build service capacity for the future.
- Improve council tax collection rates.
- Ensure equality, diversity and inclusion are at the heart of decision making.
- Support residents into employment.
- Support vulnerable residents.

How do the proposed models meet council objectives?

Both CTS scheme models presented in this report are for income banded schemes, which divide residents into bands based on their overall household income and apply a set discount to their council tax bill. This type of scheme can reduce administration costs compared to the current means-tested scheme as changes in income only trigger a recalculation of award when they cross one of the band thresholds.

Both schemes also allow for the maximisation of automation of applications for households on Universal Credit, using the Universal Credit Datashare (UCDS). This is achieved through the introduction of flat rate non-dependant deductions (because the UCDS does not include information on non-dependant income) and through the use of LCW/LCWRA status rather than receipt of Personal Independence Payment (PIP) or Disability Living Allowance (DLA) to determine vulnerability due to disability for households on UC (because the UCDS does not include information on PIP/DLA receipt).

Automating CTS applications for households on UC saves on the cost of processing manual applications. It also increases take-up amongst households migrating to UC from legacy benefits and prevents the build up of Council Tax arrears that can be caused by a delay in applying.

Both scheme options also provide an increase from the current maximum award of 85% of CT liability, to 90% and 95% respectively. This will benefit the most vulnerable households and will likely have a positive impact on council tax arrears amongst those receiving the maximum discount.

Introducing flat rate non-dependant deductions

Introducing flat rate non-dependant deductions of £5 per week reduces total annual scheme costs by £239,000 per year. It also reduces administration costs by simplifying award calculations and requiring less information from the resident. This aligns the scheme to maximise the administration of Universal Credit claims, as no information on non-dependant income is present in the UCDS.

The current practice of means-testing all non-dependants is inefficient. However, households with non-dependants on a passported benefit or with a low-income will lose out, as they will either see a deduction for the first time or their deduction will increase from the current rate of £4.20 to £5 per week. Existing exemptions remain for households in receipt of disability benefits.

There are 2,715 households in the caseload that have at least one non-dependant. Of these, 684 are exempt from non-dependant deductions as they receive a disability benefit. Of the remaining 2,031 households, 1,705 households will have higher deductions after introducing flat rate deductions of £5 per week and 324 will have lower deductions.

The average increase in deductions is £5.32 per week, whilst the average decrease in deductions is £6.55 per week. These changes in overall CTS awards are taken into account in the reports on impact of each model.

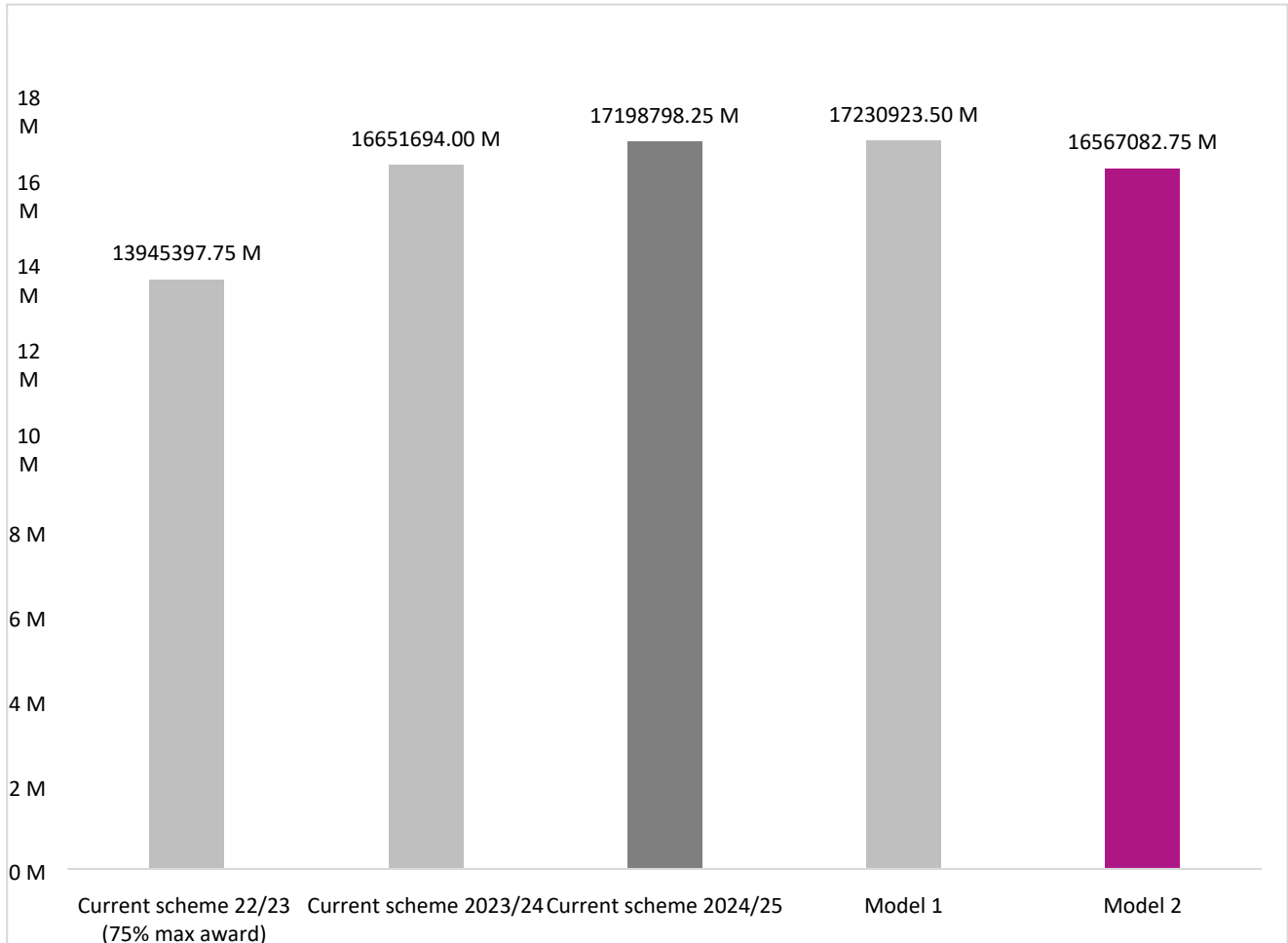
Weekly non-dependant deduction	Number of households
£5	1457
£10	452
£15	103
£20	16
£25	3

Households with an increase in deduction of £5 per week or more

Household type	Number of households
Couple with children	64
Couple without children	71
Lone parent	88
Single	186

Economic status	Number of households
Employed	47
out of work benefits	341
Self-employed	21

Total annual cost of options



Cost of current scheme, current scheme retained into 2024/25 and two models.

Average weekly award under options

Comparison of council tax support (£/week)				
	Current scheme in 2022/23	Current scheme in 2024/25	Model 1	Model 2
All working age	£16.49	£20.88	£20.94	£19.71
Legacy benefits	£17.29	£22.21	£21.06	£20.00
Universal Credit	£15.88	£20.32	£20.89	£19.59
CT Band				
A	£13.14	£16.46	£16.94	£16.73
B	£15.13	£19.00	£19.36	£18.63
C	£17.16	£21.80	£21.76	£20.26
D	£19.47	£24.68	£24.10	£22.15
EFGH	£23.64	£30.85	£30.44	£27.27
Tenure type				
Council tenant	£16.95	£21.35	£21.07	£20.50
Private tenant	£15.10	£19.42	£20.35	£17.80
No HB	£18.01	£22.53	£22.15	£21.35
Supported housing	£16.71	£21.13	£20.08	£19.44
HA tenant	£17.24	£21.81	£21.88	£20.88
Temporary accommodation	£15.86	£19.98	£17.66	£16.57
Tenure Unknown	£14.74	£18.60	£19.60	£18.94
Household type				
Single	£16.19	£20.39	£20.19	£19.97
Lone Parent	£15.90	£20.10	£20.29	£19.00
Couple no children	£20.28	£25.71	£25.08	£24.14
Couple with children	£17.07	£21.97	£22.65	£18.88

Economic status				
Employed	£10.05	£13.46	£15.74	£9.92
Out-of-work benefits	£17.67	£22.16	£21.91	£21.65
Self-employed	£15.62	£22.15	£20.36	£16.20
Barriers to work				
DLA or Similar	£17.90	£22.34	£23.19	£22.82
ESA or similar	£18.03	£22.54	£22.10	£21.75
LP child under 5	£15.87	£19.83	£20.13	£19.30
Carer	£18.91	£23.86	£23.39	£22.49

Average award under current scheme, current scheme retained, and two models, £/week.

Methodology

Modelling was carried out by running Barking and Dagenham's Council Tax Support and Housing Benefit administration data from the month of January 2023 through Policy in Practice's policy microsimulation engine, which models the full application of the national and local benefit system at a household level. The engine was carefully calibrated in advance to match the outputs of Barking and Dagenham's current CTS scheme.

The engine was then recoded to apply the changes relevant to each model, as well as annual uprating and inflation adjustments to provide accurate forecasts for 2024/25. Modelling was carried out using actual CTS caseload data from January 2021. Current scheme and modelled costs and forecasts represent the caseload as of this month.

Caseload breakdown

Age range	CTS claimants (main claimant)	Claims with disability (i.e. disability uplift criteria PIP/DLA/LCW)	Carers (receiving carers allowance)	Claims by household type			
				All claimants	Total	Single	Couple
16-24	195	29	12	182	13	96	46
25-34	1,824	570	303	1,571	253	480	1,018
35-44	2,808	1,052	532	2,124	684	570	1,688
45-54	2,691	1,250	540	1,937	754	515	858
55-65	2,857	1,547	428	2,236	621	228	125
66+	4,508	1,496	199	3,653	855	45	21

Age band	Barking & Dagenham population 2021	% of total	Council Tax Support claimants (incl. partners and children)	% of total
0-9	35,536	16.25%	5,719	2.61%
10-19	33,328	15.24%	6,362	2.91%
20-29	28,435	13.00%	955	0.44%
30-39	36,691	16.77%	3,234	1.48%
40-49	31,986	14.62%	3,523	1.61%
50-59	25,140	11.49%	3,219	1.47%
60-69	14,536	6.65%	3,024	1.38%
70-79	8,027	3.67%	2,534	1.16%
80+	5,071	2.32%	1,569	0.72%

Current scheme retained into 2024/25

Maintaining the current scheme into 2024/25 would increase costs from £13.95m to £17.20m, an increase of £3.25m or 23.33%. The increase is due to the maximum award

changing from 75% to 85% of CT liability from 2022/23, and due to benefit uprating of 10.1% for 2023/24 and 5.4% for 2024/25 (based on projected CPI inflation figures) and increases in CT liability. The 2024/25 scheme was modelled with a 4.99% increase in council tax liability in 2023/24 and 2024/25.

Annual CTR in current scheme retained into 2024/25, compared to current scheme			
Group	£/annum	Change (£/annum)	Change (%)
All working age	£11,250,647	£2,399,527	27.11%
Pension age	£5,948,152	£853,874	16.76%
Total	£17,198,798	£3,253,401	23.33%

Maintaining current system into 2024/25: annual cost

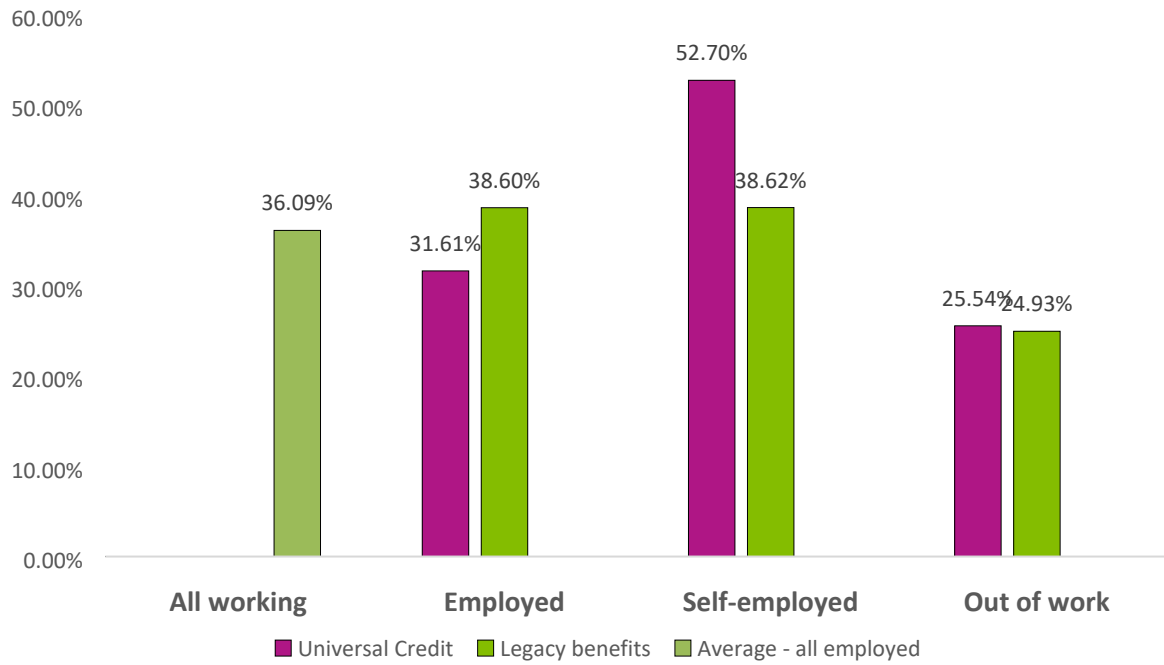
Costs would increase by 27.11% for working-age households and 16.76% for pension-age households.

Households on Universal Credit will see their awards increase by £4.27 per week on average. Working age households on legacy benefits would see their awards increase by £4.88 per week.

Average weekly CTR awarded in current scheme retained into 2024/25, compared to current scheme			
Group	Uprated current scheme (£/week)	Change (£/week)	Change (%)
All working age	£20.88	£4.45	27.11%
<i>UC</i>	£20.32	£4.27	26.63%
<i>Legacy benefits</i>	£22.21	£4.88	28.14%
Pension age	£25.29	£3.63	16.76%
Total	£22.22	£4.20	23.33%

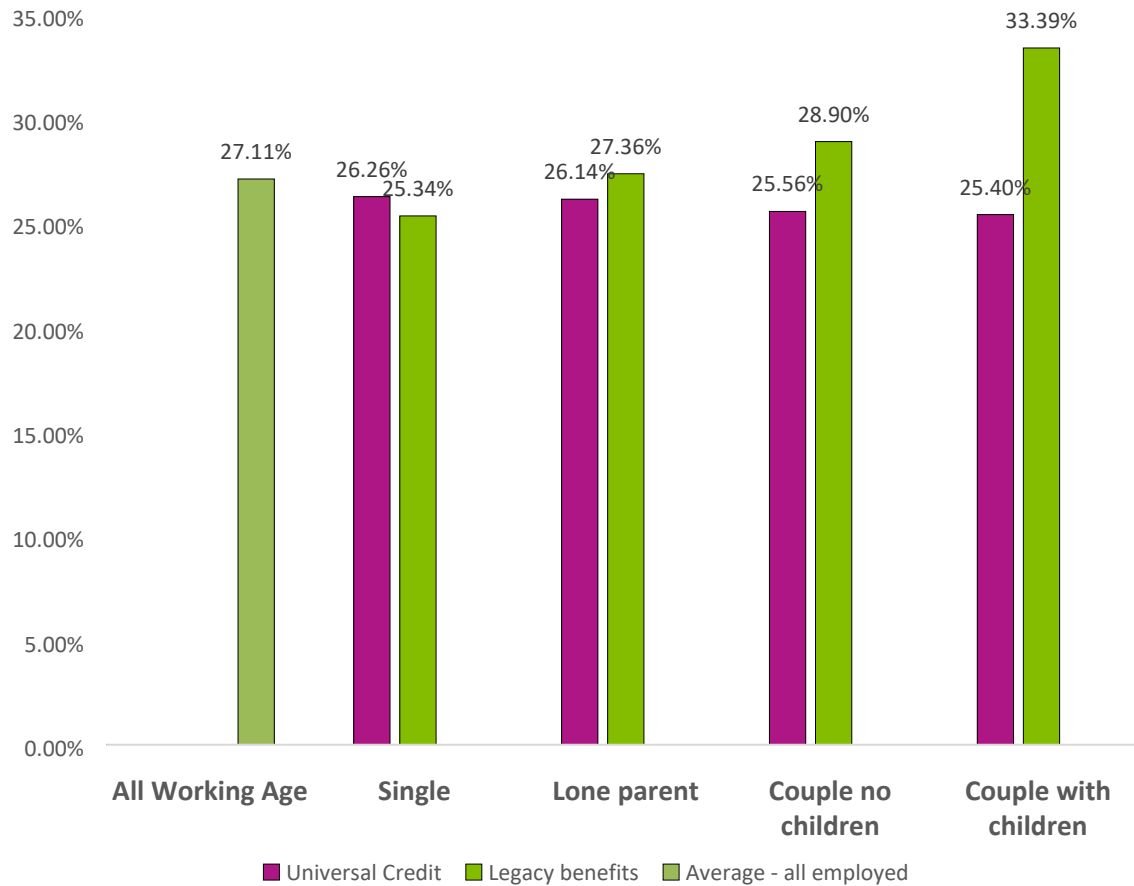
Maintaining current system into 2024/25: weekly support levels

% Change in Council Tax Support, by economic status - current scheme in 2024/25



Maintaining current system into 2024/25: % change by economic status

% Change in Council Tax Support, by household type - current scheme in 2024/25



Maintaining current system into 2024/25: % change by household type.

Model 1– key characteristics

Model 1 is a banded scheme, taking into account all income, with the following elements disregarded:

- Housing benefit / UC housing element
- Childcare support
- Personal Independence Payment / Disability Living Allowance

Higher rates of discount are given to households on legacy benefits in receipt of PIP/DLA and households on UC who get the LCW/LCWRA element.

Flat rate non-dependent deductions are introduced at £5 per week.

Model 1			Income Thresholds (£, weekly)			
Band	Discount	Disability discount	Single	Couple	1 child addition	2+ children addition
1	85%	90%	0-80	0-160	130	230
2	75%	80%	80-125	160-190	130	230
3	65%	70%	125-165	190-230	130	230
4	55%	60%	165-205	230-265	130	230
5	35%	40%	205-250	265-290	130	230
6	25%	30%	250-325	290-365	130	230

Band	No. households	% households	Average weekly CTS – Model 1	Average weekly CTS – Current scheme in 2024/25
1	8,481	81.86	£22.40	£22.35
2	272	2.63	£20.23	£19.32
3	493	4.76	£17.87	£14.24
4	552	5.33	£16.22	£12.58
5	157	1.52	£10.44	£14.32
6	256	2.47	£7.96	£12.49
Losing support	149	1.44	£0	£14.52
Total	10,360			

Model 1 – comparison

Cost and average CTS

Model 1 compared to current scheme and current scheme in 2024/25

Group	Model 1 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2024/25	
	£/annum	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working age	£11,282,772	£2,431,652	27.47%	£32,125	0.36%
UC	£7,878,492	£3,045,203	63.00%	£217,384	2.84%
Legacy benefits	£3,404,281	-£613,551	-15.27%	-£185,258	-5.16%
Pension age	£5,948,152	£853,874	16.76%	£0	0.00%
Total	£17,230,924	£3,285,526	23.56%	£32,125	0.19%

Table 1: Model 1, Total cost of model (£/annum)

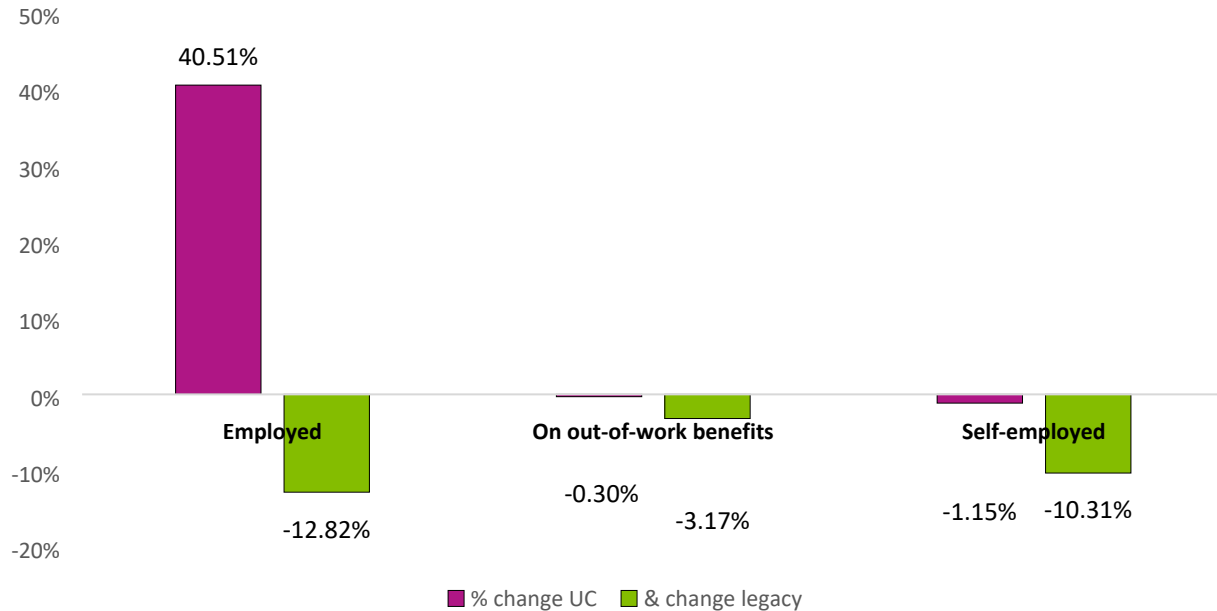
Model 1 increases total scheme costs by £32k in comparison to costs if the current scheme were to be retained into 2024/25. Average Council Tax Support for working age households under Model 1 increases by 0.36% compared to the current scheme maintained into 2024/25 (Table 1). Costs for UC households increase by 2.84%, whilst costs for households on legacy benefits decrease by 5.16%.

The increase in costs is driven by the increase in the maximum amount of support from 85% to 90% of CT liability and an equalisation in support for employed households on UC and legacy benefits.

Group	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2024/25	
	£/week	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working age	£20.94	£4.51	27.47%	£0.06	0.29%
UC	£20.89	£4.85	30.23%	£0.58	2.84%
Legacy benefits	£21.06	£3.73	21.53%	-£1.15	-5.16%
Pension age	£25.29	£3.63	16.76%	£0.00	0.00%
Total	£22.26	£4.25	23.56%	£0.04	0.19%

Table 2: Model 1, average weekly council tax support (£/week)

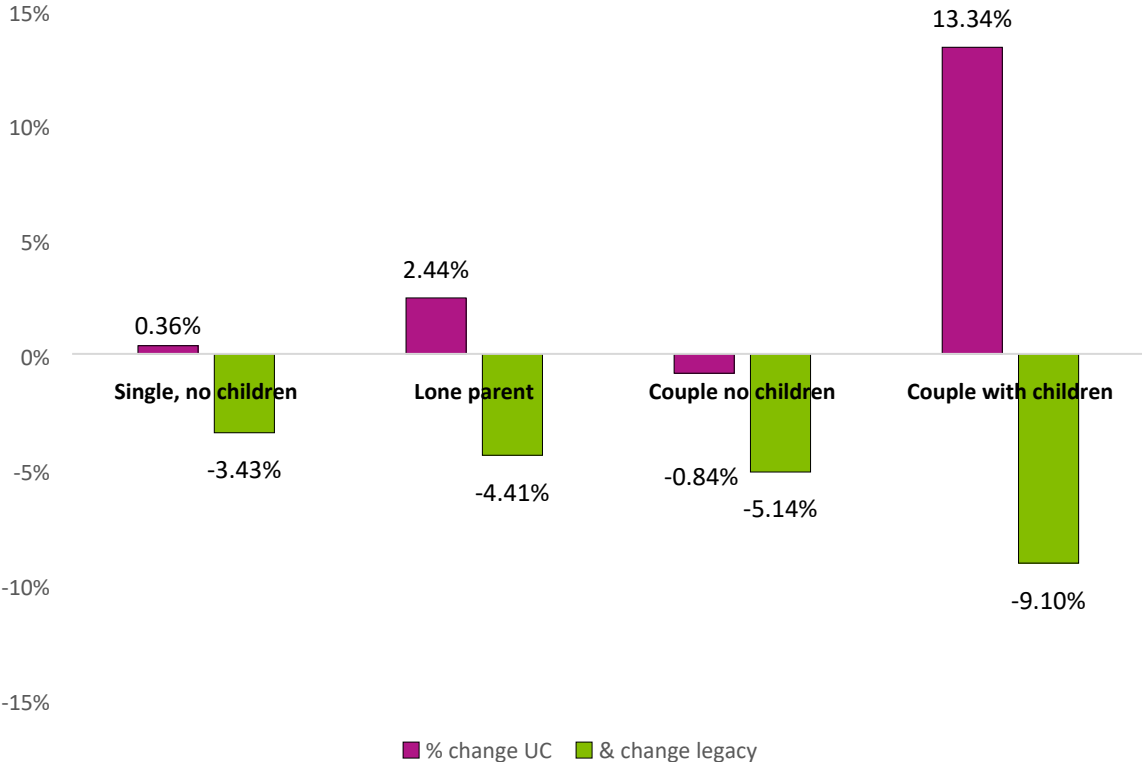
Percentage change in weekly CTR compared to current scheme retained into 2024/25, by economic status



Model 1: change in average CTS award, by economic status

Employed households on legacy benefits lose out slightly whilst those on UC gain. This is because the average award for employed households on UC in the current scheme in 2024/25 is lower than that for legacy claimants. This means that awards in the current scheme in 2024/25 for employed households who are migrated from legacy to UC may drop. These awards are evened out in the model, meaning UC households gain more compared to the current scheme in 2024/25.

Percentage change in weekly CTR compared to current scheme retained into 2024/25, by household type



Model 1: change in average CTS award, by household type

Couples with children on UC gain more as they are more likely to be employed.

Percentage change in weekly CTR compared to current scheme retained into 2024/25, by barriers to work



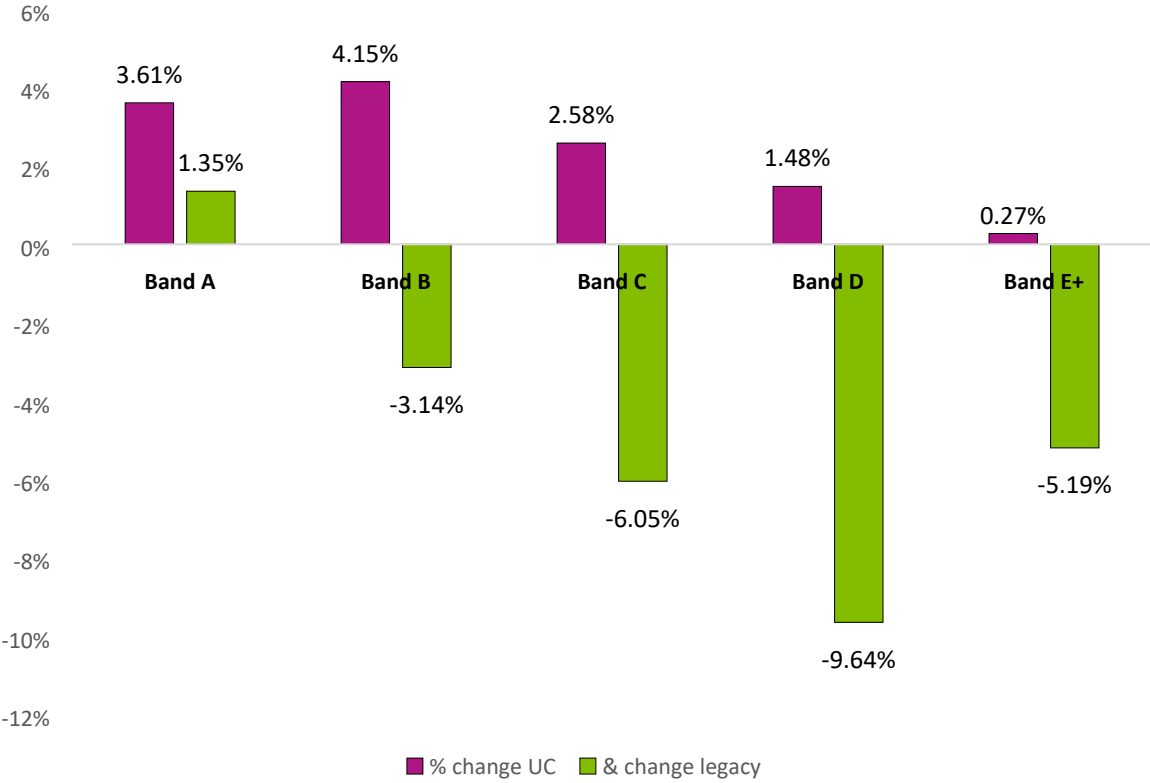
Model 1: change in average CTS award, by barriers to work.

Percentage change in weekly CTR compared to current scheme retained into 2024/25, by tenure type



Model 1: change in average CTS award, by tenure type.

Percentage change in weekly CTR compared to current scheme retained into 2024/25, by council tax band



Model 1: change in average CTS award, by council tax band.

Households losing out

584 households will lose more than £5 per week in support in this model, whilst 149 households will lose all support. This is 611 households in total, as 122 of the households losing more than £5 per week lose all support.

Of these households that are employed, the majority lose out due to falling into income bands that give an award than the earnings taper in the current scheme, as well as due to the introduction of flat rate non-dependant deductions. Of those out of work, the majority is due to the introduction of flat rate non-dependant deductions.

99 out of 3,334 households on PIP/DLA lose more than £5 per week, which is 3.0%. 56 of these households are employed or self employed. 79 out of 1,594 lone parents with a

child under 5 lose more than £5 per week, 67 of which are either employed or self-employed.

Households losing more than £5 per week or losing all support, by economic status and household type.

Economic status	Number of households
Employed	225
Out of work	328
Self-employed	58

Household type	Number of households
Couple with children	181
Couple without children	77
Lone parent	195
Single	158

Households losing all support, by economic status and household type.

Economic status	Number of households
Employed	109
Out of work	19
Self-employed	21

Household type	Number of households
Couple with children	73
Couple without children	4
Lone parent	63
Single	9

Model 2– key characteristics

Model 2 is a banded scheme, taking into account all income, with the following elements disregarded:

- Housing benefit / UC housing element
- Childcare support
- Personal Independence Payment / Disability Living Allowance

Higher rates of discount are given to households on legacy benefits in receipt of PIP/DLA and households on UC who get the LCW/LCWRA element.

Flat rate non-dependant deductions are introduced at £5 per week.

The band discounts are 5% higher than in Model 1. The income thresholds for single people in band 1 are slightly wider, whilst the income thresholds from band 2 onwards are lower. Both changes combined create a slight redistribution in support from employed to out of work households compared to Model 1.

Model 2			Income Thresholds (£, weekly)			
Band	Discount	Disability discount	Single	Couple	1 child addition	2+ children addition
1	85%	90%	0-90	0-150	100	180
2	75%	80%	90-115	150-175	100	180
3	65%	70%	115-135	175-195	100	180
4	55%	60%	135-160	195-220	100	180
5	35%	40%	160-200	220-260	100	180
6	25%	30%	200-240	260-300	100	180
7	0%	0%	240+	300+	100	180

Band	No. households	% households	Average weekly CTS – Model 2	Average weekly CTS – Current scheme in 2024/25
1	8,425	81.32	£22.38	£22.33
2	147	1.42	£19.70	£20.04
3	142	1.37	£17.85	£19.87

4	176	1.70	£14.96	£16.25
5	429	4.14	£10.04	£15.87
6	438	4.23	£7.46	£10.54
Losing support	603	5.82	£0	£13.56
Total	10,360			

Model 2 – comparison

Cost and average CTS

Model 2 compared to current scheme and current scheme in 2024/25

Group	Model 2 cost	Comparison to cost of current scheme		Comparison to current scheme retained into 2024/25	
	£/annum	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working age	£10,618,931	£1,767,811	19.97%	-£631,716	-5.61%
UC	£7,386,984	£2,553,695	52.84%	-£274,125	-3.58%
Legacy benefits	£3,231,948	-£785,884	-19.56%	-£357,591	-9.96%
Pension age	£5,948,152	£853,874	16.76%	£0	0.00%
Total	£16,567,083	£2,621,685	18.80%	-£631,716	-3.67%

Table 1: Model 2, Total cost of model (£/annum)

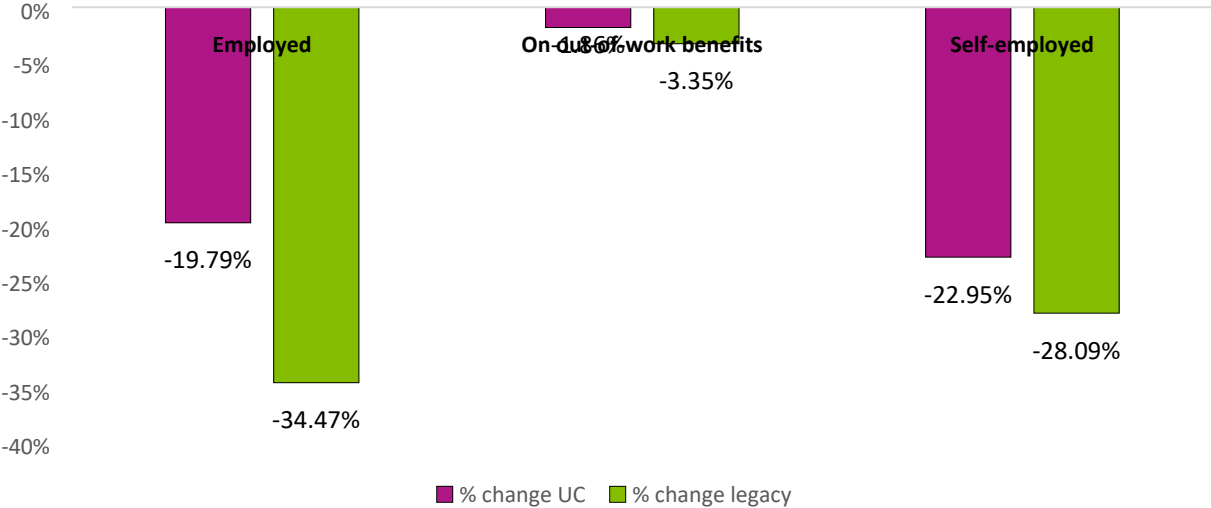
Model 2 decreases total scheme costs by £631.7k in comparison to costs if the current scheme were to be retained into 2024/25. Average Council Tax Support for working age households under Model 2 decreases by 5.61% compared to the current scheme maintained into 2024/25 (Table 1). Costs for UC households decrease by 3.58%, whilst costs for households on legacy benefits decrease by 9.96%. The average awards for UC and legacy claimants are evened out, although legacy awards are still slightly higher on average.

The decrease in costs is driven by the narrower income bands compared to Model 1. Households in band 1 have similar awards, whilst households in bands 2-6 lose support compared to the current scheme in 24/25 and compared to Model 1.

Group	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2024/25	
	£/week	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working age	£19.71	£3.28	19.97%	-£1.17	-5.61%
<i>UC</i>	£19.59	£3.55	22.10%	-£0.73	-3.58%
<i>Legacy benefits</i>	£20.00	£2.67	15.38%	-£2.21	-9.96%
Pension age	£25.29	£3.63	16.76%	£0.00	0.00%
Total	£21.41	£3.39	18.80%	-£0.82	-3.67%

Table 2: Model 2, average weekly council tax support (£/week)

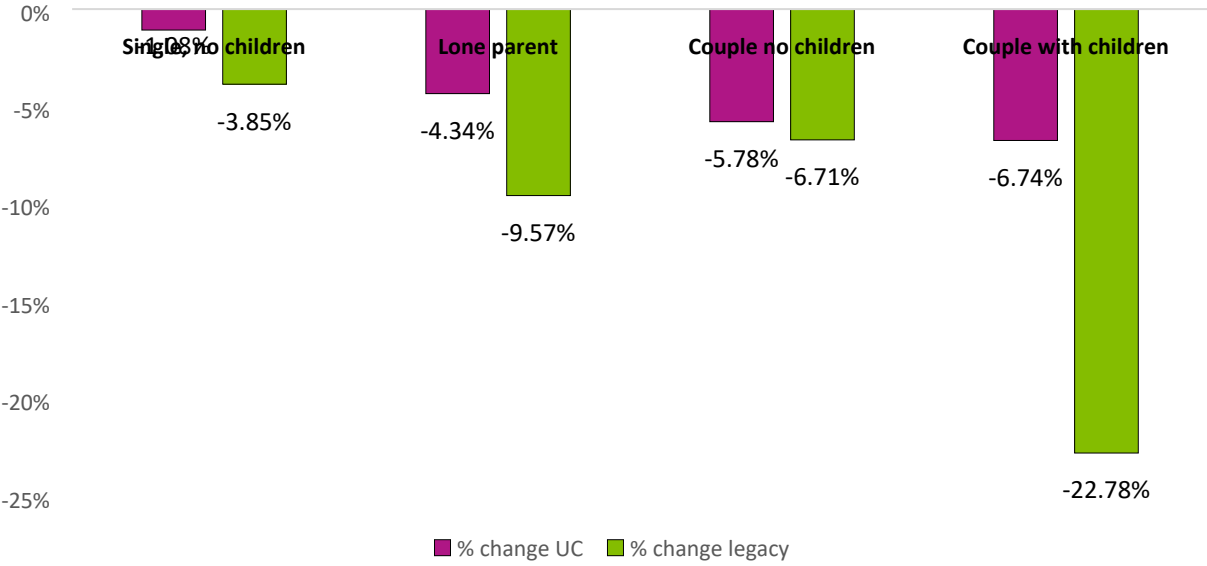
Percentage change in weekly CTR compared to current scheme retained into 2024/25, by economic status



Model 2: change in average CTS award, by economic status

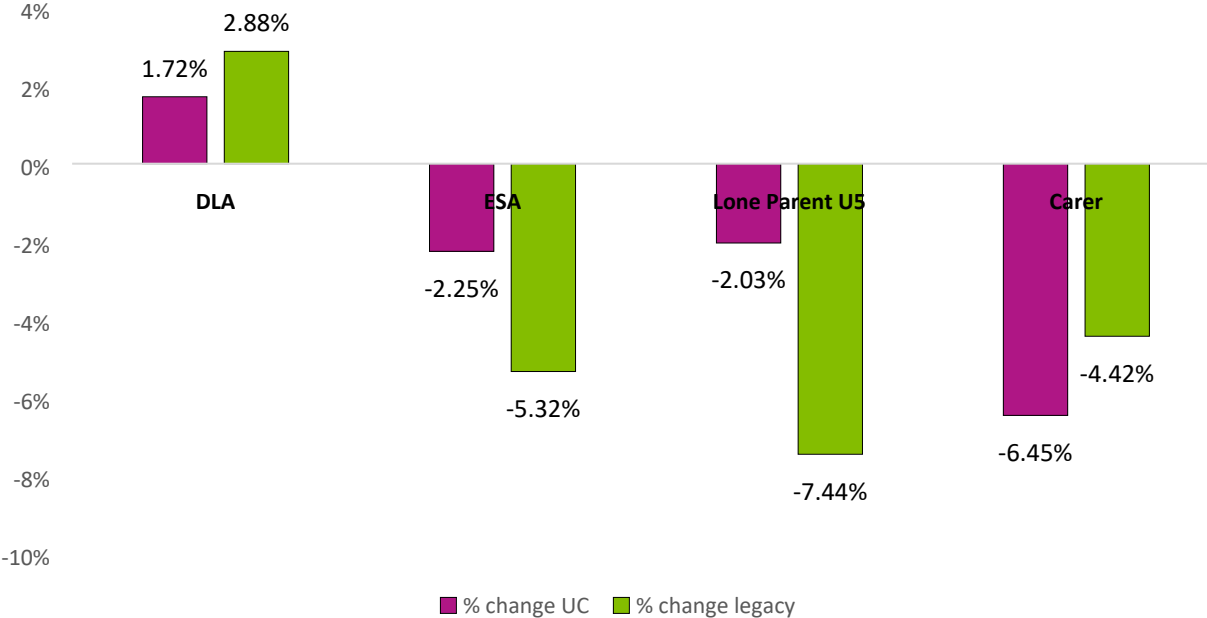
Employed households lose the most in this model due to the narrower income bands.

Percentage change in weekly CTR compared to current scheme retained into 2024/25, by household type



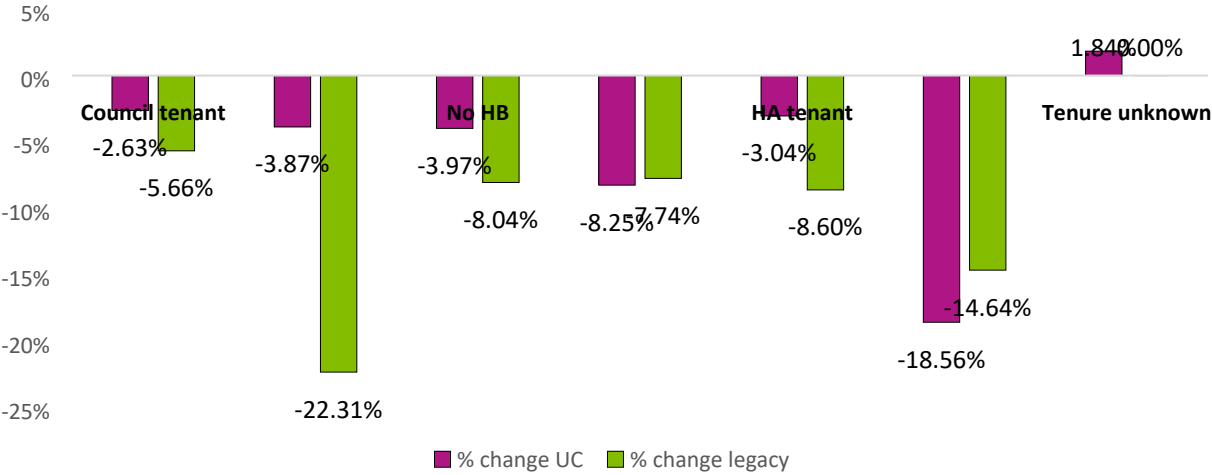
Model 2: change in average CTS award, by household type

Percentage change in weekly CTR compared to current scheme retained into 2024/25, by barriers to work



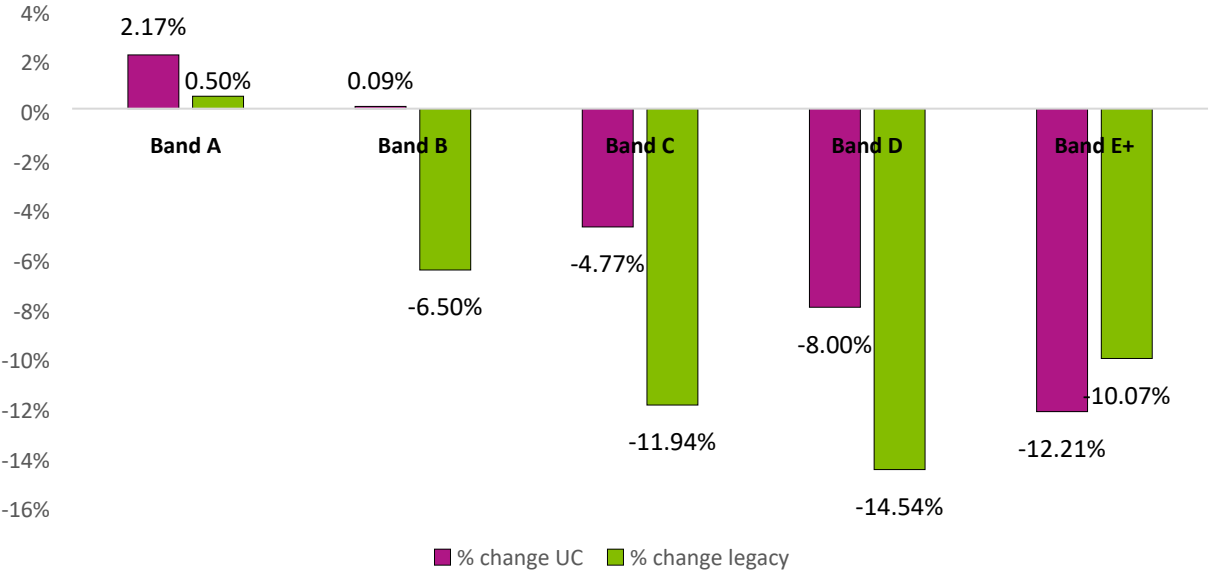
Model 2: change in average CTS award, by barriers to work

Percentage change in weekly CTR compared to current scheme retained into 2024/25, by tenure type



Model 2: change in average CTS award, by tenure type

Percentage change in weekly CTR compared to current scheme retained into 2024/25, by council tax band



Model 2: change in average CTS award, by council tax band

Households losing out

1,035 households will lose more than £5 per week in support in this model, whilst 603 households will lose all support. This is 1,133 households in total, as 505 of the households losing more than £5 per week lose all support.

Of these households that are employed, the majority lose out due to falling into income bands that give an award lower than the earnings taper in the current scheme, and due to the introduction of flat rate non-dependant deductions. More employed households lose out than in Model 2 as the income threshold in the highest band is lower. Of those out of work, the majority lose out due to the introduction of flat rate non-dependant deductions.

190 out of 3,334 households on PIP/DLA lose more than £5 per week, which is 5.7%. 106 of these households are employed or self-employed. 159 out of 1,673 lone parents with a child under 5 lose more than £5 per week, 137 of which are either employed or self-employed.

Households losing more than £5 per week or losing all support, by economic status and household type

Economic status	Number of households
Employed	556
Out of work	451
Self-employed	126

Household type	Number of households
Couple with children	413
Couple without children	99
Lone parent	399
Single	222

Households losing all support, by economic status and household type

Economic status	Number of households
Employed	447
Out of work	69
Self-employed	87

Household type	Number of households
Couple with children	317
Couple without children	19
Lone parent	238
Single	29

Contact details

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