

# **London Borough of Barking and Dagenham**

Localised Council Tax Support

Final report

September 2023

## Contents

Executive Summary .....	3
Council objectives .....	3
How do the proposed changes meet council objectives? .....	3
Introducing flat rate non-dependant deductions.....	4
Households with an increase in deduction of £5 per week or more .....	5
Total annual cost of options.....	5
Methodology .....	7
Caseload breakdown.....	1
Current scheme retained into 2024/25.....	2
Modelled scheme – key characteristics .....	4
Modelled scheme in 2023/24 – comparison .....	5
Cost and average CTS <i>Modelled scheme compared to current scheme in 2023/24</i> ...	5
Household breakdown by income bands.....	6
Household impact .....	6
Households losing out.....	8
Households with lower awards, by economic status and household type. ....	8
Households losing all support, by economic status and household type.....	9
Modelled scheme in 2024/25 – comparison .....	10
Cost and average CTS <i>Model 2 compared to current scheme and current scheme in 2024/25</i> .....	10
Household breakdown by income bands.....	11
Household impact .....	12
Households losing out.....	14
Households with lower awards, by economic status and household type. ....	14
Households losing all support, by economic status and household type.....	14

## 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.

### **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 changes meet council objectives?**

The CTS scheme model presented in this report is an income banded scheme, which divides residents into bands based on their overall household income and applies 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.

The scheme also allows 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).

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.

### **Introducing flat rate non-dependant deductions**

Introducing flat rate non-dependant deductions of £7.50 per week reduces total annual scheme costs by £117,500 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 £7.50 per week. Existing exemptions remain for households in receipt of disability benefits.

There are 2,807 working-age households in the caseload that have at least one non-dependant. Of these, 1,570 are exempt from non-dependant deductions as they receive a disability benefit or because the non-dependant is a full-time student. Of the remaining 1,237 households, 890 have higher deductions and 347 have lower deductions after introducing flat rate non-dependant deductions of £7.50 per week.

The average increase in deductions is £5.60 per week, whilst the average decrease in deductions is £5.49 per week. These changes in overall CTS awards are taken into account in the reports on impact of each model.

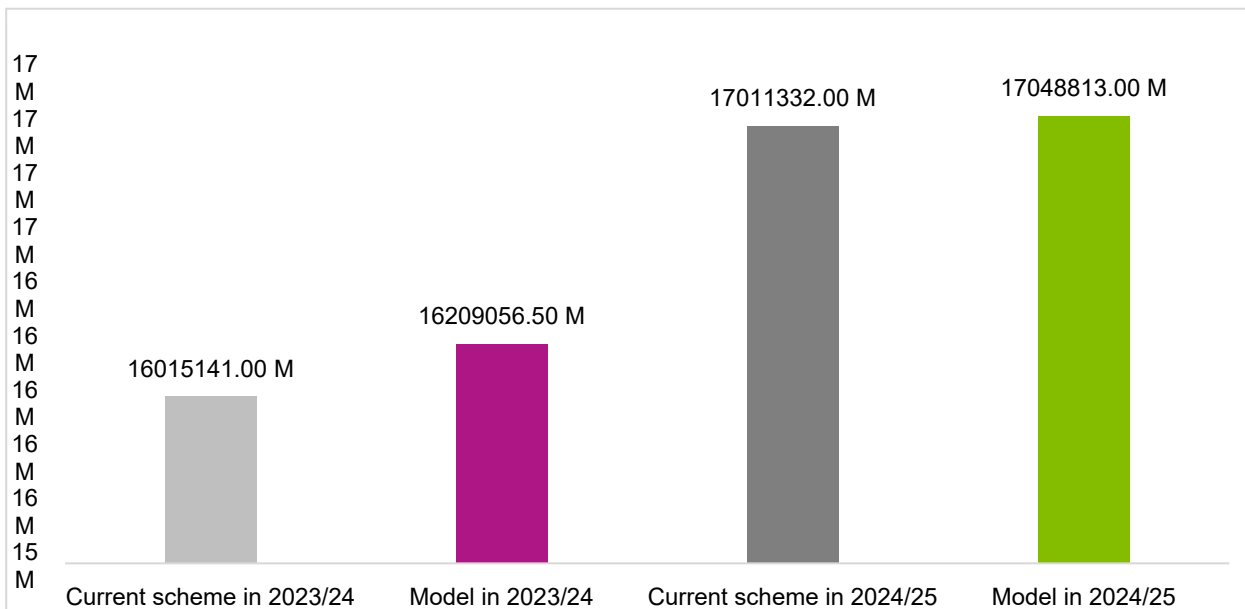
<b>Weekly non-dependant deduction</b>	<b>Number of working age households</b>
£7.50	985
£15	216
£22.50	34
£30	2

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

Household type	Number of working age households
Couple with children	46
Couple without children	38
Lone parent	171
Single	194

Economic status	Number of working age households
Employed	75
On out of work benefits	352
Self-employed	22

### Total annual cost of options



Cost of current scheme, current scheme retained into 2024/25, model in 2023/24 and model in 2024/25.

### Average weekly award under options

## Comparison of council tax support (£/week)

	Current scheme in 2023/24	Model in 2023/24	Current scheme in 2024/25	Model in 2024/25
All working age	£19.13	£19.48	£20.19	£20.25
Legacy benefits	£19.47	£19.65	£20.50	£20.32
Universal Credit	£18.89	£19.35	£19.97	£20.21

### CT Band

A	£15.45	£15.68	£16.26	£16.42
B	£17.49	£17.78	£18.45	£18.58
C	£19.87	£20.28	£20.98	£21.04
D	£22.25	£22.48	£23.54	£23.37
EFGH	£28.57	£29.22	£30.14	£30.18

### Tenure type

Council tenant	£19.70	£19.83	£20.74	£20.75
Private tenant	£17.52	£18.79	£18.55	£19.28
No HB	£21.39	£21.17	£22.54	£22.20
Supported housing	£18.84	£18.35	£19.81	£19.03
HA tenant	£20.24	£20.46	£21.38	£21.40
Temporary accommodation	£17.56	£15.41	£18.55	£15.70
Tenure Unknown	£17.14	£17.73	£18.11	£18.56

### Household type

Single	£18.82	£18.91	£19.81	£19.86
Lone Parent	£18.47	£18.54	£19.46	£19.27
Couple no children	£23.44	£23.52	£24.73	£24.59
Couple with children	£19.74	£21.48	£21.04	£21.89

<b>Economic status</b>				
Employed	£11.48	£14.03	£12.41	£13.72
Out-of-work benefits	£20.81	£20.71	£21.88	£21.77
Self-employed	£18.31	£18.14	£19.62	£18.17
<b>Barriers to work</b>				
DLA or Similar	£21.42	£21.04	£22.52	£22.03
ESA or similar	£21.00	£21.26	£22.08	£22.33
LP child under 5	£18.72	£18.75	£19.71	£19.55
Carer	£22.35	£21.63	£23.54	£22.66

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 May 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 May 2023. Current scheme and modelled costs and forecasts represent the caseload as of this month and do not take account of any potential changes in the caseload.

Caseload breakdown

Age range	CTS claimants (main claimant)	Claims with disability (i.e. PIP/DLA/ESA)	Carers (receiving carers allowance)	Claims by household type			
				All claimants	Total	Single (no children)	Couple (no children)
16-24	187	21	16	53	7	88	39
25-34	1,888	479	304	349	20	531	988
35-44	2,959	912	569	501	37	610	1,811
45-54	2,861	1,383	549	1,085	188	578	1,010
55-65	2,897	2,082	453	2,037	464	245	151
66+	4,496	1,559	255	3,624	811	39	22

Age band	Barking & Dagenham population 2021	% of total	Council Tax Support claimants (incl. partners and children)	% of total
0-9	35,536	16.25%	5,819	2.66%
10-19	33,328	15.24%	7,082	3.24%
20-29	28,435	13.00%	952	0.44%
30-39	36,691	16.77%	3,365	1.54%
40-49	31,986	14.62%	3,774	1.73%
50-59	25,140	11.49%	3,372	1.54%
60-69	14,536	6.65%	3,017	1.38%
70-79	8,027	3.67%	2,529	1.16%
80+	5,071	2.32%	1,541	0.70%



## Current scheme retained into 2024/25

Maintaining the current scheme into 2024/25 would increase costs from £16.02m to £17.01m, an increase of £996k or 6.22%. This increase is driven by a projected increase in Council Tax liability by 4.99% and benefit rates by 7.5%.

<b>Annual CTR in current scheme retained into 2024/25, compared to current scheme</b>			
<b>Group</b>	<b>£/annum</b>	<b>Change (£/annum)</b>	<b>Change (%)</b>
<b>All working age</b>	£11,334,081	£593,830	5.53%
<b>Pension age</b>	£5,677,251	£402,362	7.63%
<b>Total</b>	<b>£17,011,332</b>	<b>£996,191</b>	<b>6.22%</b>

*Maintaining current system into 2024/25: annual cost*

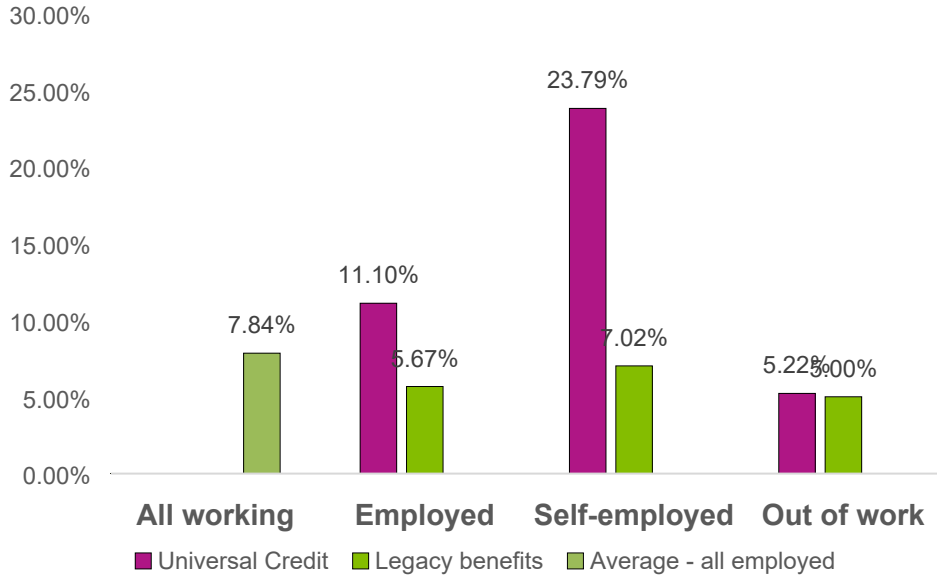
Costs would increase by 5.53% for working-age households and 7.63% for pension-age households.

Households on Universal Credit will see their awards increase by £1.08 per week on average. Working age households on legacy benefits would see their awards increase by £1.03 per week.

<b>Average weekly CTR awarded in current scheme retained into 2024/25, compared to current scheme</b>			
<b>Group</b>	<b>Up-rated current scheme (£/week)</b>	<b>Change (£/week)</b>	<b>Change (%)</b>
<b>All working age</b>	£20.19	£1.06	5.53%
<b>UC</b>	£19.97	£1.08	5.70%
<b>Legacy benefits</b>	£20.50	£1.03	5.29%
<b>Pension age</b>	£24.31	£1.72	7.63%
<b>Total</b>	<b>£21.40</b>	<b>£1.25</b>	<b>6.22%</b>

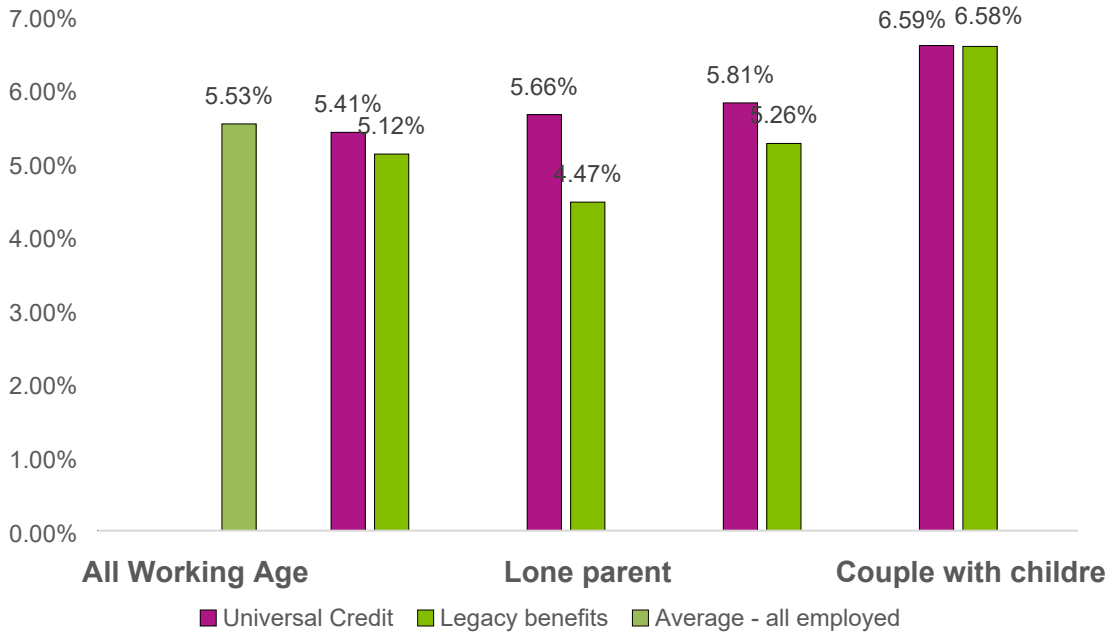
*Maintaining current system into 2024/25: weekly support levels*

## % 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.

## Modelled scheme – key characteristics

The modelled scheme 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 / UC limited capability for work element
- UC child disability element
- Child benefit

Flat rate non-dependent deductions are introduced at £7.50 per week.

The capital limit is reduced from £10,000 to £6000.

Income Thresholds (£, weekly)							
Band	Discount	Single	Couple	Single, 1 child	Single, 2+ children	Couple, 1 child	Couple, 2+ children
1	85%	0-96	0-164	0-184	0-284	0-252	0-352
2	70%	96-140	164-208	184-228	284-338	252-296	352-406
3	55%	140-168	208-238	228-262	338-382	296-334	406-456
4	40%	168-188	238-260	262-296	382-426	334-370	456-506
5	25%	188-208	260-282	296-320	426-460	370-396	506-542
6	15%	208-240	282-316	320-376	460-506	396-452	542-605

## Modelled scheme in 2023/24 – comparison

### Cost and average CTS

#### Modelled scheme compared to current scheme in 2023/24

	Modelled scheme cost	Comparison to cost of current scheme in 2023/24	
Group	£/annum	Change (£/annum)	Change (%)
All working age	£10,934,167	£193,916	1.81%
UC	£6,354,158	£151,299	2.44%
Legacy benefits	£4,580,009	£42,617	0.94%
Pension age	£5,274,890	£0	0.00%
<b>Total</b>	<b>£16,209,057</b>	<b>£193,916</b>	<b>1.21%</b>

Table 1: Modelled scheme in 2023/24, Total cost of model (£/annum)

The modelled scheme in 2023/24 is £194k more than the current scheme. Average Council Tax Support for working age households under the modelled scheme increases by 1.81% compared to the current scheme (Table 1). Costs for UC households increase by 2.44%, whilst costs for households on legacy benefits increase by 0.94%.

Average support for households on legacy benefits is £0.30 per week more than for households on UC in the modelled scheme, compared to £0.58 per week more in the current scheme.

	Average household support	Comparison to cost of current scheme	
Group	£/week	Change (£/week)	Change (%)
All working age	£19.48	£0.35	1.81%
UC	£19.35	£0.46	2.44%
Legacy benefits	£19.65	£0.18	0.94%
Pension age	£22.59	£0.00	0.00%
<b>Total</b>	<b>£20.39</b>	<b>£0.24</b>	<b>1.21%</b>

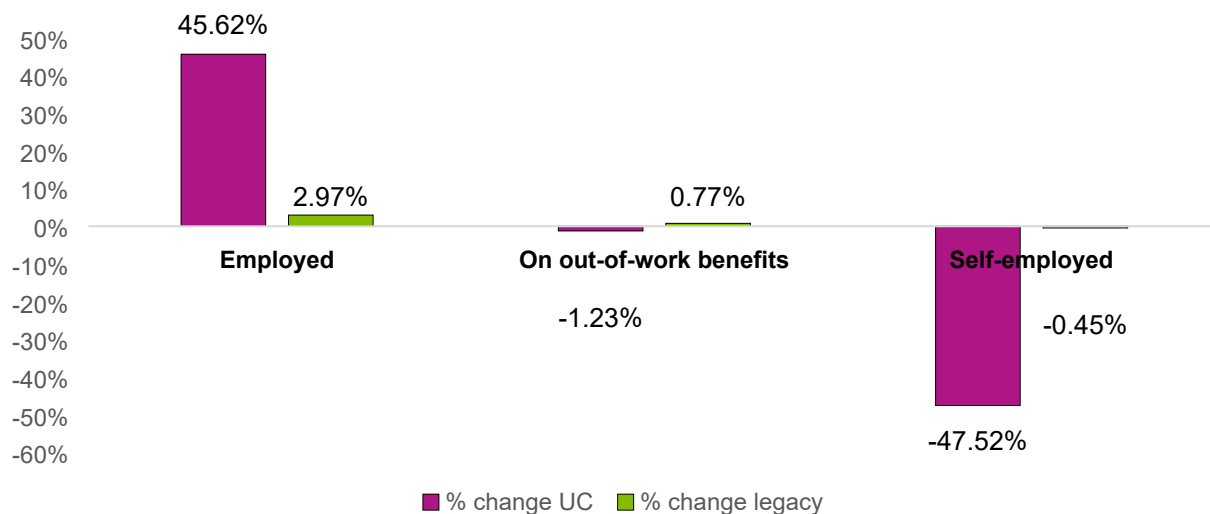
Table 2: Modelled scheme in 2023/24, average weekly council tax support (£/week)

## Household breakdown by income bands

Band	No. households	% households	Average weekly CTS – Modelled scheme in 2023/24	Average weekly CTS – Current scheme in 2023/24
1	8,883	82.8	£21.13	£21.01
2	394	3.7	£18.53	£12.90
3	567	5.3	£15.29	£9.42
4	466	4.3	£10.93	£8.76
5	139	1.3	£6.73	£9.44
6	139	1.3	£4.14	£10.74
Losing support	141	1.3	£0	£13.89
<b>Total</b>	<b>10,729</b>			

## Household impact

### Percentage change in weekly CTR compared to current scheme retained into 2023/24, by economic status



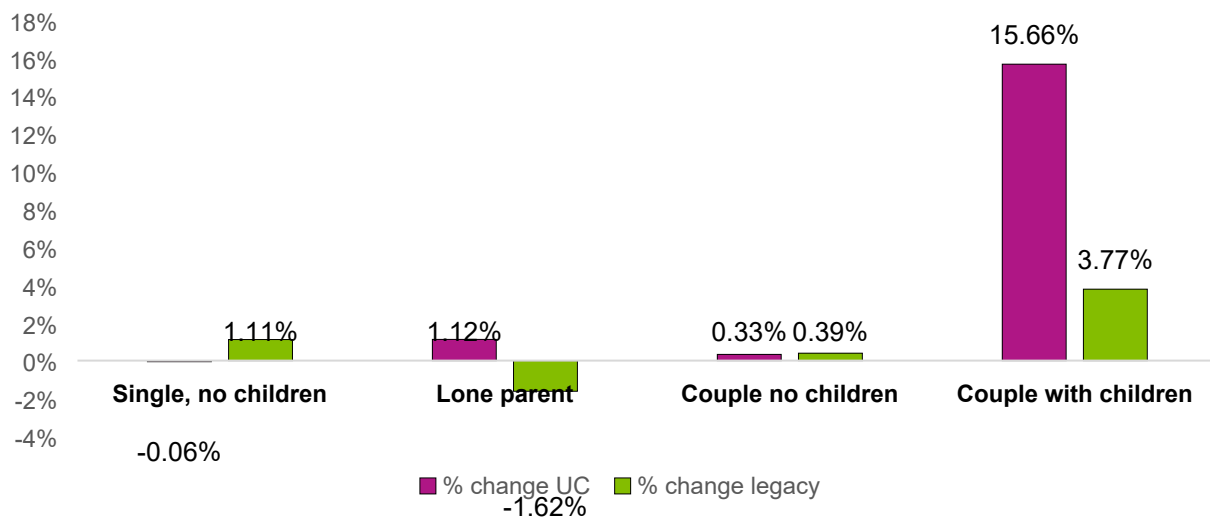
### Modelled scheme in 2023/24: change in average CTS award, by economic status

Employed households on UC gain more than those on legacy. 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 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.

There are only 5 households on UC identified as self-employed in the dataset, so the large average drop in support for these households is skewed by the small sample size. This small sample may be because it is not always possible to determine if UC households are self-employed in the data used for this analysis.

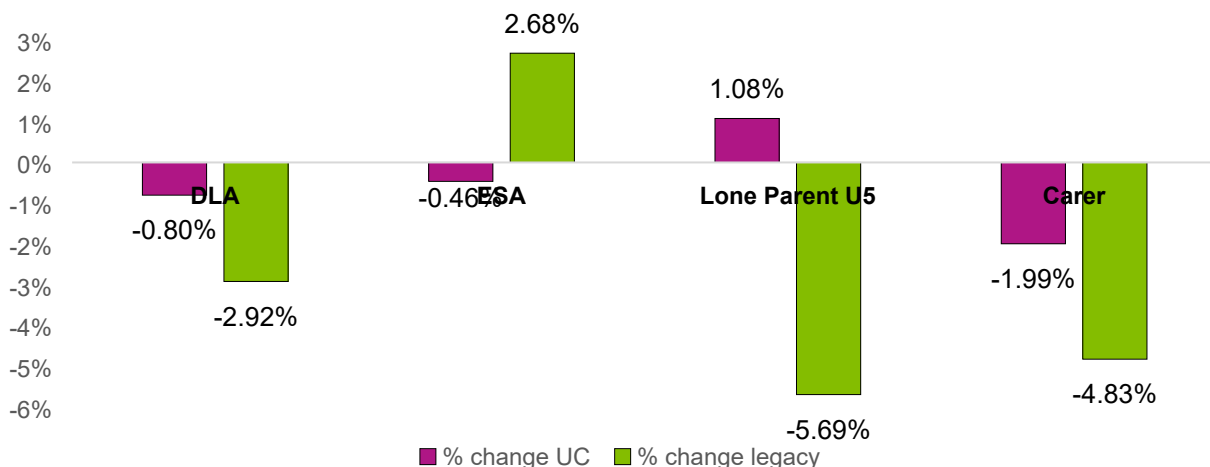
### Percentage change in weekly CTR compared to current scheme in 2023/24, by household type



Modelled scheme: change in average CTS award, by household type

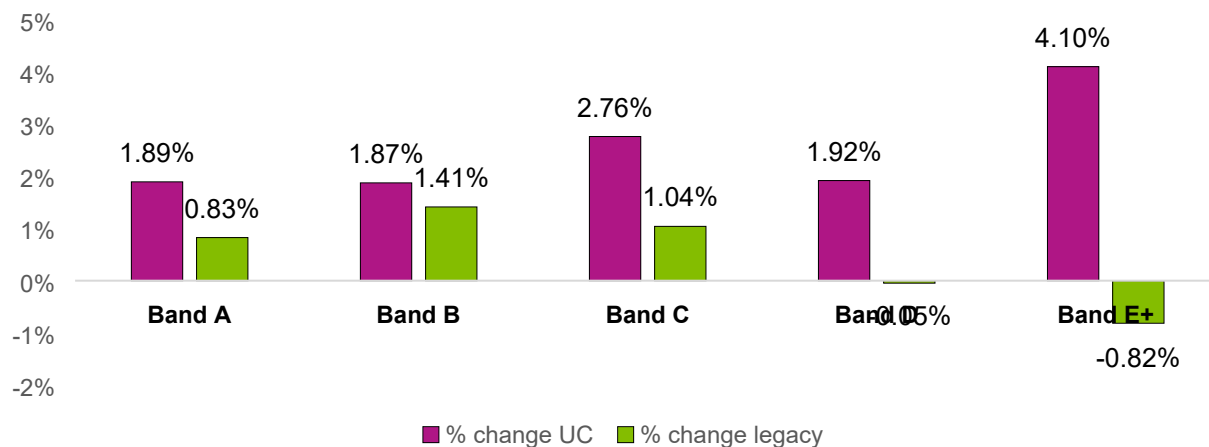
Couples with children on UC gain more as they are more likely to be employed.

### Percentage change in weekly CTR compared to current scheme retained into 2023/24, by barriers to work



Modelled scheme: change in average CTS award, by barriers to work.

## Percentage change in weekly CTR compared to current scheme in 2023/24, by council tax band



Modelled scheme: change in average CTS award, by council tax band.

### Households losing out

1,367 households have lower awards in this model than the current scheme in 2023/24 (with a tolerance of 10p per week), with an average weekly loss of £6.65, whilst 1,740 households have higher awards (with a tolerance of 10p per week), with an average weekly increase of £7.37.

Households lose out due to falling into income bands that give a lower award than the earnings taper in the current scheme, or due to having higher non-dependant deductions under the flat-rate rules. 749 households lose out due to having higher non-dependant deductions than in the current scheme.

141 households lose all support. 51 of these lose all support due to having savings over £6000.

### Households with lower awards, by economic status and household type.

Economic status	Number of households	Average weekly decline in support
Employed	468	£6.79
Out of work	758	£6.40

Self-employed	141	£7.53
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Household type	Number of households	Average weekly decline in support
Couple with children	292	£7.04
Couple without children	96	£8.42
Lone parent	545	£6.86
Single	434	£5.72

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

Economic status	Number of households	Average weekly decline in support
Employed	82	£10.02
Out of work	47	£19.49
Self-employed	12	£18.36

Household type	Number of households	Average weekly decline in support
Couple with children	27	£15.39
Couple without children	15	£13.15
Lone parent	61	£12.69
Single	38	£15.03



## Modelled scheme in 2024/25 – comparison

### Cost and average CTS

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

	Modelled scheme cost in 2024/25	Comparison to cost of current scheme in 2023/24		Comparison to current scheme retained into 2024/25	
Group	£/annum	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working age	£11,371,562	£631,311	5.88%	£37,481	0.33%
UC	£6,635,703	£432,843	6.98%	£79,211	1.21%
Legacy benefits	£4,735,860	£198,468	4.37%	-£41,730	-0.87%
Pension age	£5,677,251	£402,362	7.63%	£0	0.00%
<b>Total</b>	<b>£17,048,813</b>	<b>£1,033,672</b>	<b>6.45%</b>	<b>£37,481</b>	<b>0.22%</b>

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

Costs for the modelled scheme in 2024/25 are £37.5k more than the current scheme in 2024/25. There is a smaller increase in 2024/25 than 2023/24 as wages and benefit income have been uprated by projected inflation, whilst the income thresholds have not.

Average Council Tax Support for working age households under the model increases by 0.33% compared to the current scheme maintained into 2024/25 (Table 1). Costs for UC households increase by 1.21%, whilst costs for households on legacy benefits decrease by 0.87%.

	Average household support	Comparison to cost of current scheme		Comparison to current scheme retained into 2024/25	
Group	£/week	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working age	£20.25	£1.12	5.88%	£0.07	0.33%
UC	£20.21	£1.32	6.98%	£0.24	1.21%
Legacy benefits	£20.32	£0.85	4.37%	-£0.18	-0.87%

Pension age	£24.31	£1.72	7.63%	£0.00	0.00%
<b>Total</b>	<b>£21.45</b>	<b>£1.30</b>	<b>6.45%</b>	<b>£0.05</b>	<b>0.22%</b>

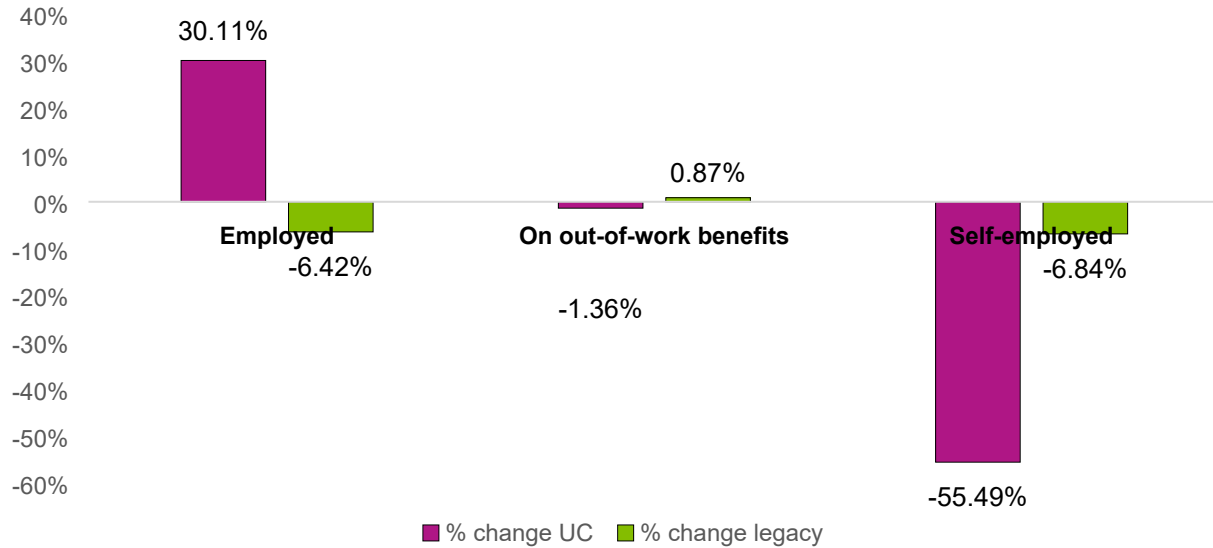
Table 2: Model 2, average weekly council tax support (£/week)

### Household breakdown by income bands

Band	No. households	% households	Average weekly CTS – modelled scheme in 2024/25	Average weekly CTS – Current scheme in 2024/25
1	8,829	82.3	£22.22	£22.10
2	301	2.8	£19.17	£15.60
3	556	5.2	£16.15	£11.03
4	489	4.6	£11.42	£9.68
5	213	2.0	£7.24	£10.22
6	150	1.4	£4.39	£11.89
Losing support	169	1.6	£0	£14.55
<b>Total</b>	<b>10,729</b>			

## Household impact

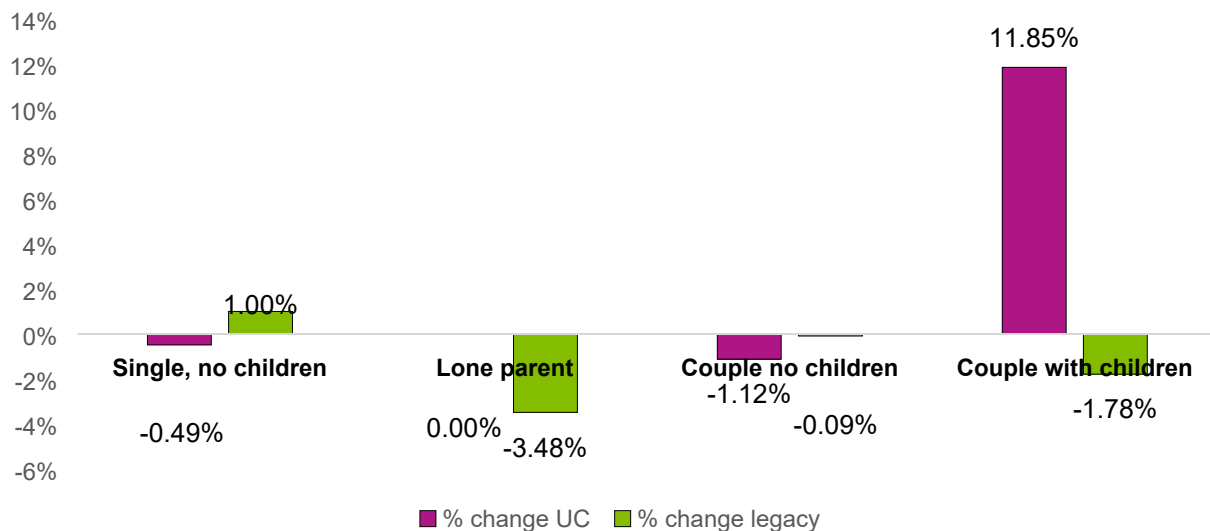
### Percentage change in weekly CTR compared to current scheme retained into 2024/25, by economic status



Modelled scheme: change in average CTS award, by economic status

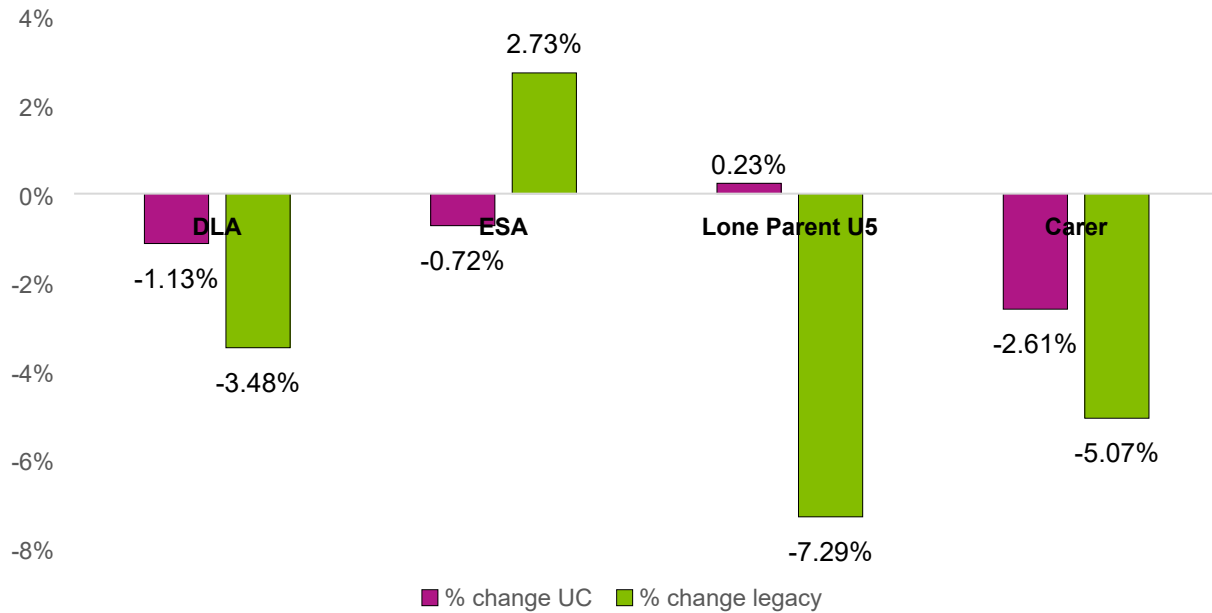
There are only 5 households on UC identified as self-employed in the dataset, so the large average drop in support for these households is skewed by the small sample size. This small sample may be because it is not always possible to determine if UC households are self-employed in the data used for this analysis.

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



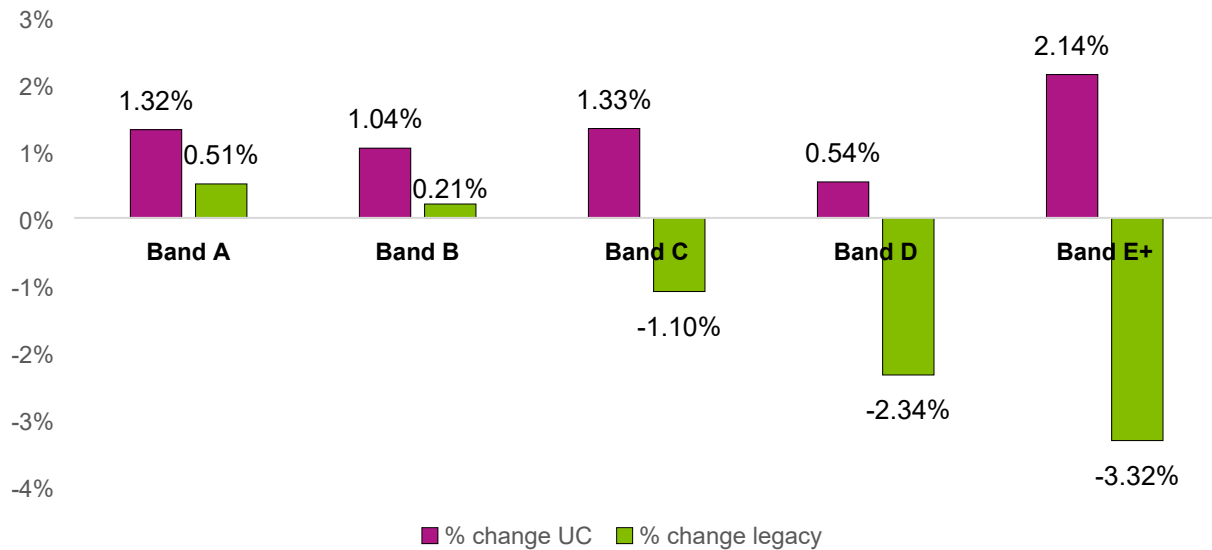
Modelled scheme: change in average CTS award, by household type

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



Modelled scheme: change in average CTS award, by barriers to work

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



Modelled scheme: change in average CTS award, by council tax band

### Households losing out

1,501 households have lower awards in this model than the current scheme in 2024/25 (with a tolerance of 10p per week), with an average weekly loss of £6.99, whilst 1,597 households have higher awards (with a tolerance of 10p per week), with an average weekly increase of £7.03.

Households lose out due to falling into income bands that give a lower award than the earnings taper in the current scheme, or due to having higher non-dependant deductions under the flat-rate rules. 749 households lose out due to having higher non-dependant deductions than in the current scheme.

169 households lose all support. 51 of these lose support due to having savings over £6000.

### Households with lower awards, by economic status and household type.

<b>Economic status</b>	<b>Number of households</b>	<b>Average weekly decline in support</b>
Employed	557	£7.18
Out of work	770	£6.62
Self-employed	174	£8.06

<b>Household type</b>	<b>Number of households</b>	<b>Average weekly decline in support</b>
Couple with children	341	£8.07
Couple without children	105	£8.57
Lone parent	609	£6.92
Single	446	£5.90

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

<b>Economic status</b>	<b>Number of households</b>	<b>Average weekly decline in support</b>
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Employed	105	£11.28
Out of work	49	£20.20
Self-employed	15	£18.97

<b>Household type</b>	<b>Number of households</b>	<b>Average weekly decline in support</b>
Couple with children	39	£15.03
Couple without children	15	£14.43
Lone parent	72	£13.79
Single	43	£15.41

## Contact details

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