



LONDON BOROUGH OF BARNET

COUNCIL TAX REDUCTION SCHEME MODELLING



AUGUST 2018
POLICY IN PRACTICE

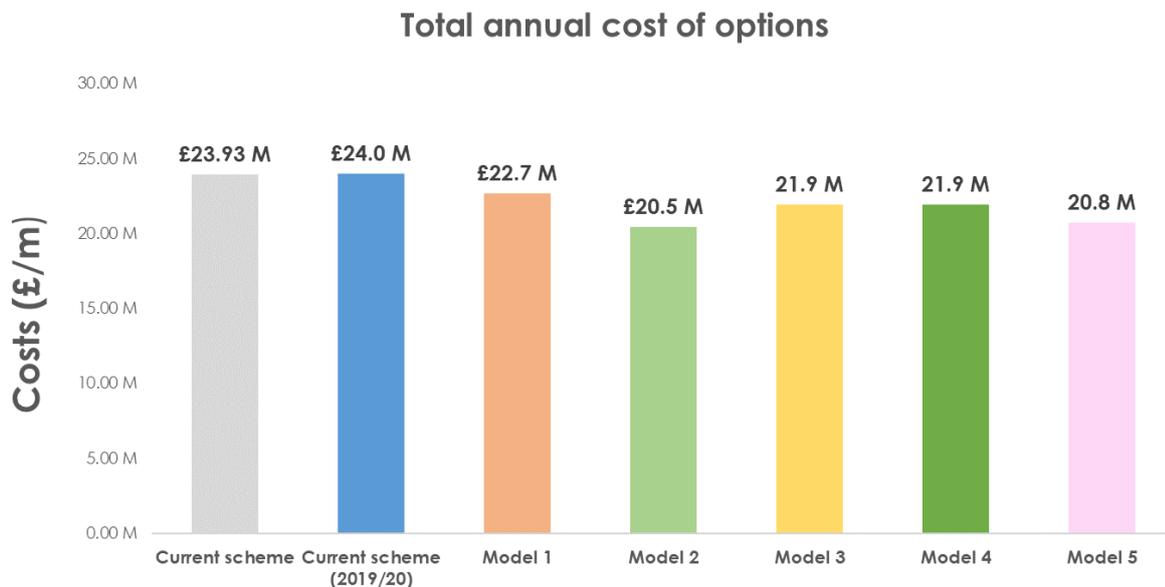
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EXECUTIVE SUMMARY

This report presents the findings of the modelling of five proposed CTRS schemes for 2019/2020 on behalf of the London Borough of Barnet. The first two models were presented in an interim report. The financial and social impact of these models were used to define the third and fourth model. Following this, the council requested a further model (model 5) in order to examine the impact of additional cost savings. The findings from these models are included in this final report for the council.

Figure 1, below, shows the annual cost of the current scheme, the current scheme updated to 2019/2020 and the five proposed models.



Model 1 is based on the current default Council Tax Support scheme but with additional features to achieve cost savings and to simplify administration. The additional amendments are:

- The maximum rate of Council Tax Reduction available to working age claimant is reduced from 80% to 75% of Council Tax liability.
- A Minimum Income Floor, based on the regulations introduced under Universal Credit, is introduced in the Council Tax Reduction assessment for all self-employed claimants.

This model will enable the council to examine whether sufficient savings can be made by two amendments to the current scheme to contain scheme costs.

Model 2 introduces further changes in addition to the amendments proposed in the previous model:

- The taper rate increases from 20% to 30%.
- In line with Universal Credit regulations, non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w.
- The capital limit is lowered from £16,000 to £6,000.
- A minimum award is set at £5 p/w.

This model will allow the council to examine the social and financial implications of further amendments aimed at reducing scheme cost and introducing administrative simplicity.

Model 3 examines the social and financial impact of applying an income-banded scheme. The income bands and related discounts have been designed to reduce total annual costs by £2m, compared to the current scheme in 2018/19. Households' income is assessed exclusively on the basis of their earnings.

In addition, non-dependant deductions are simplified with the introduction of two flat-rates of £5p/w and £11 p/w, the Minimum Income Floor is applied to all self-employed earnings, and the capital limit is reduced to £6,000. Under this model there is no minimum award.

Model 4 introduces an income-banded scheme similar to model 3, with the aim of reducing total scheme costs by £2m. However, instead of discounting proportions of claimants' liabilities, this scheme introduces fixed amount discounts.

As with model 3, non-dependant deductions are simplified with the introduction of two flat-rates of £5p/w and £11 p/w, the Minimum Income Floor is applied to all self-employed earnings and the capital limit is reduced to £6,000, and there is no minimum award.

Model 5 is the same as model 3 but designed to achieve £3.2m/annum cost savings.

Key Findings

Model 1 would cost £22.7m/annum by 2019/20. This is £1.2m less than current scheme costs and £1.3m less compared to retaining the current scheme into 2019/20. Due to a reduction in claim numbers, savings will be made in administration costs compared to retention of the current scheme, but administration costs are likely to rise as more households move to Universal Credit.

Reducing the maximum rate of support from 80% to 75% of Council Tax liability means that all working age claimants will see their council tax support fall.

A total of 1,064 households would no longer receive support. Nearly all claimants in this group (80%) are self-employed and so affected by the introduction of the Minimum Income

Floor. Claimants on Universal Credit are more likely to see their council tax support fall to zero. This is due to a higher level of income being retained and so subject to the taper. Many employed households losing support would retain higher income under Universal Credit and this would offset the loss of Council Tax Support.

Claimants in receipt of out-of-work benefits will face more contained losses in council tax support, with their entitlements falling by an average of £1.08 p/w.

Model 2 would reduce total scheme costs further to £20.5m, £3.5m less than retaining the current scheme into 2019/2020. The number of claims will drop by over 5,000 leading to a reduction in administration costs compared to retention of the current scheme. However, as with model 1, the increased re-assessment of claims under Universal Credit means that costs will rise as more households move to Universal Credit.

Compared to Model 1, families with non-dependants and households in employment are the two groups most heavily impacted by the changes introduced under this scheme. The former sees their average weekly council tax support fall by £4.81 p/w (or 29%), due to higher non-dependant deductions. The latter face a 38% drop in support (£-3.62 p/w) as the result of a 10% increase in the taper rate.

A total of 5,356 households, more than five times as many as in Model 1, would lose their support all together. 1,600 are claimants affected by the introduction of a minimum council tax support award of £5 p/w. A further 254 cases are households reporting capital above £6000. Families with children are the household type most likely to lose their support under this scheme.

Model 3 would reduce costs by £2.0m compared to current costs (2019/20) and £2.1m compared to retaining the current scheme into 2019/20. This model is also likely to result in significant administrative savings.

380 households lose all support, 4,810 households lose more than £5/week and 1,043 households gain more than £5/week. Working households are most likely to both gain and lose support as this model re-distributes support from higher earning households and the self-employed to lower earning households. As households with children are more likely to be in work, families will be affected by this re-distribution of support, both gaining and losing support.

This model has a re-distributive effect from households in higher CT bands towards those in lower CT bands.

This model moves support from those in receipt of legacy benefits to households in receipt of Universal Credit who would lose support if the current scheme was retained. The effect is to create more equitable support levels between households receiving the two types of benefit support.

Model 4 would reduce costs by £2.0m compared to current costs (2019/20) and £2.1m compared to retaining the current scheme into 2019/20. As with model 3, this model is likely to result in significant administrative savings.

472 households lose all support, 5,597 households lose more than £5/week and 5,019 households gain more than £5/week. This model is more redistributive than model 3 with households both gaining and losing higher amounts. As with model 3, working households are most likely to both gain and lose support but both gains and losses will be higher.

As with model 3, this model has a redistributive effect from households in higher CT bands towards those in lower CT bands. This effect is greater under this model as the discount is not related to the CT charge, this means that families and larger households may lose significant levels of support.

This model moves support from those in legacy benefits to households in receipt of Universal Credit who would lose support if the current scheme was retained. The effect is greater than in model 3 with the result that the average support for households in receipt of Universal Credit is higher than for those in receipt of legacy benefits.

Model 5 would reduce costs by £3.2m compared to current costs (2019/20) and compared to retaining the current scheme into 2019/20. This model is also likely to result in significant administrative savings.

380 households lose all support, 6,700 households lose more than £5/week and 692 households gain more than £5/week. The majority of those losing support are working households. As households with children are more likely to be in work, this model does not support families.

Out of work households lose approximately 13% support. This model does not support the most vulnerable households.

The majority of working households will lose support. 73% of self-employed households and 43% of employed households lose more than £5/week. A few low-earning households will gain support. However, any increase in support is likely to be slight (around 3%). This model does not therefore support work incentives.

This model moves support from those in receipt of legacy benefits to households in receipt of Universal Credit. The effect is to create more equitable support levels between households receiving the two types of benefit support.

Comparison of models 1 and 2

	Model 1: Amendments to current scheme	Model 2: Amendments to the current scheme with cost savings
Cost	£22.6m This is £1.2m less than current scheme costs and £1.3m less than retaining the current scheme into 2019/20	£20.4m This is £3.4m less than current scheme costs and £3.5m less than retaining the current scheme into 2019/20
Administration	The lower number of households eligible to support might reduce administration costs by £178,603, if the current scheme was retained in 2019/20. However, the scheme does not introduce any measures to mitigate the rise in admin costs expected in maintaining a means-tested scheme alongside UC. The overall impact on administration costs is likely to make administration more expensive, this will increase as more households move to Universal Credit.	The lower number of households eligible to support might reduce administration costs by £899,058, if the current scheme was retained in 2019/20. However, the scheme does not introduce any measure to mitigate the rise in admin costs expected in maintaining a means-tested scheme alongside UC. The overall impact on administration costs is likely to be similar to current levels.
Claim numbers	1,064 households lose all support 2,506 households lose more than £5/week 84 households gain more than £5/week	5,356 households lose all support. 5,844 households will lose more than £5/week 17 households gain more than £5/week
Social & Political impacts	All working age claimants would see their entitlements fall under this scheme. Some groups lose significantly more support than average. <ul style="list-style-type: none"> Private tenants and couples with children Households living in band D properties (11.6%) Self-employed households (34.3%). 	All working age claimants would see their entitlements fall under this scheme. Universal Credit claimants will face the highest losses. The groups most affected are: <ul style="list-style-type: none"> Claimants living in higher band properties (39.6%). Couples with children (48.9%) Self-employed households (83.0%)

Comparison of models 3, 4 and 5

	Model 3: Income banded scheme with % discounts	Model 4: Income banded scheme with fixed-amount discounts	Model 5: Income banded scheme with £3.2m saving
Cost	£21.9m This is £2.0m less than current scheme costs and £2.1m less than retaining the current scheme into 2019/20	£21.9m This is £2.0m less than current scheme costs and £2.1m less than retaining the current scheme into 2019/20	£20.8m This is £3.2m less than current scheme costs and less than retaining the current scheme into 2019/20
Administration	This model is likely to result in significant administrative savings due to: <ul style="list-style-type: none"> • A reduction in the number of re-assessments • The introduction of flat-rate non-dependant deductions • Using the Universal Credit award notice to decide the level of earnings Savings are likely to be higher than models 1 and 2 and will increase as more households move to Universal Credit.	As with model 3, this model is likely to result in significant administrative savings due to: <ul style="list-style-type: none"> • A reduction in the number of re-assessments • The introduction of flat-rate non-dependant deductions • Using the Universal Credit award notice to decide the level of earnings Savings are likely to be higher than model 1 and 2 and will increase as more households move to Universal Credit.	This model is likely to have similar administrative savings as model 3.
Claim numbers	380 households lose all support. These are primarily couples with children and working households. 4,810 households lose more than £5/week 1,043 households gain more than £5/week	472 households lose all support. These are primarily couples with children and working households. 5,597 households lose more than £5/week 5,019 households gain more than £5/week	380 households will lose support altogether. These are primarily couples with children and working households. 6,700 households lose more than £5/week 692 households gain more than £5/week

	Model 3	Model 4	Model 5
Social & Political impacts	<p>This model re-distributes support from workers, larger households, and those in receipt of legacy benefits to smaller lower-earning working households in receipt of Universal Credit. Re-distribution is at a lower level than model 4.</p> <p>Out of work households are relatively protected by this model.</p> <p>In general, households in receipt of Universal Credit gain support and those in receipt of legacy benefit lose support.</p> <p>Some low-earning households will gain support but generally workers lose support. This model provides work incentives or incentives to progress in work.</p> <p>Some groups in receipt of legacy benefits lose significantly more support than average.</p> <ul style="list-style-type: none"> Couples with children lose 32.6% Self-employed lose 56% 	<p>This model shows similar redistributive patterns as model 3 but by greater amounts. So groups gaining or losing support will gain or lose significant amounts.</p> <p>This model re-distributes support from workers, larger households, and those in receipt of legacy benefits to smaller lower-earning working households in receipt of Universal Credit.</p> <p>This model has a negative impact on larger households so disproportionately affects families.</p> <p>Out of work households are relatively protected under this scheme but not as much as model 3.</p> <p>Households in receipt of Universal Credit gain support and those in receipt of legacy benefit lose support.</p> <p>Some low-earning households will gain support but generally workers lose support. This model provides work incentives or incentives to progress in work. Some households lose significant support under this model:</p> <ul style="list-style-type: none"> Households in CT bands above E lose over 55% Owner occupiers lose over 25% Couples without children lose over 60% Couples with children in receipt of legacy benefits lose 46% Self-employed in receipt of legacy benefits lose 57% 	<p>The majority of employed households will face lower support under this model. A few low-earning households will gain support. However, any increase in support is likely to be slight (around 3%).</p> <p>Households in receipt of legacy benefits lose more compared to retention of the current scheme than those in receipt of Universal Credit, creating more equitable support between the two.</p> <p>Out of work households lose approximately 13% support. This model does not support the most vulnerable households.</p> <p>This model has a negative impact on larger households so disproportionately affects families.</p> <p>The majority of working households will lose support. 73% of self-employed households and 43% of employed households lose more than £5/week. This model does not therefore support work incentives.</p> <p>Some households in receipt of legacy benefits are particularly affected:</p> <ul style="list-style-type: none"> Couples with children lose 41% Couples without children lose 39% Tenants lose 29% Self-employed lose 63% Employed lose 33% Households in higher CT bands lose over 32%

1.0 INTRODUCTION

1.1 Background and Objectives

The London Borough of Barnet is considering replacing its current Local Council Tax Reduction Scheme (LCTRS) in 2019/20. The Council has four primary objectives:

- To bring the LCTRS in line with Housing Benefit and default CTR regulations.
- To reduce overall scheme costs by £2m.
- To move towards a LCTRS that mirrors Universal Credit regulations (UC).
- To mitigate against expected increases in administration costs under UC.

Policy in Practice has been commissioned to provide an analysis of four proposed council tax support schemes. Four models are examined introducing a set of changes to the current scheme in place in Barnet and reducing the total cost of support available to working-age claimants.

For all models, there is an assumed migration of 40% of eligible working-age households to Universal Credit by 2019/20. The new models are applied to both those households in receipt of Universal Credit and those remaining in receipt of legacy benefits. Results for both groups are disaggregated to show the separate impact.

The initial modelling and the resulting social impact analysis can inform the decision by the council on future options for council tax support.

1.2 Current scheme

The current scheme (2017/18) is based on the previous, centrally-defined, Council Tax Benefit scheme. This is a complex means-tested scheme with certain types of income compared to a needs allowance which is itself calculated by reference to household circumstances. This scheme must be retained by all councils in respect of pensioner households (the “prescribed” scheme), whereas the scheme for working-age households can be modified ever since the localisation of council tax support in 2012/2013.

For working-age households, Barnet Council has maintained the 2013 scheme and has updated it in line with default regulations, with the exception of the family premium which has been retained.

Cost of current scheme			
Age group	Number of households	council tax support (£/annum)	council tax support (£/week)
All working age	19,146	£14,832,579	£14.90
Pension age	8,230	£9,093,746	£21.25
Total	27,376	£23,926,325	£16.81

Current council tax support cost and level of support

1.3 Proposed Models

The models described in this report are:

Model 1: 75% maximum support and Minimum Income Floor

This option is based on the current default Council Tax Reduction scheme but with additional features to achieve cost savings. The additional amendments are:

- The maximum rate of Council Tax Reduction available to working age claimant is reduced from 80% to 75% of Council Tax liability.
- A Minimum Income Floor, based on the regulations introduced under Universal Credit, is introduced in the council tax support assessment of all earnings from self-employment.

This model will enable the council to examine whether sufficient savings can be made by two amendments to the current scheme to contain costs.

Model 2: 30% taper rate and higher non-dependant deductions

This model introduces further changes in addition to the amendments proposed in the previous model:

- The taper rate increases from 20% to 30%.
- In line with Universal Credit regulations, non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w.
- The capital limit is lowered from £16,000 to £6,000.
- A minimum award is set at £5 p/w.

This model will allow the council to examine the social and financial implications of further amendments aimed at reducing scheme cost and introducing administrative simplicity.

Model 3: Income banded scheme with % discounts of CT liability

This model introduces an income banded scheme, with the aim of reducing total annual costs by £2m compared to current costs (2018/19). Households' income is assessed exclusively on the basis of their earnings. The following amendments have been introduced:

- The Minimum Income Floor applies to all self-employed claimants, both on Universal Credit and on legacy benefits.
- The capital limit is lowered from £16,000 to £6,000
- Non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w
- No minimum award is applied.

This model will allow the council to examine the social and financial implications of simplifying the administration of the scheme, while significantly reducing costs.

Model 4: Income banded scheme with fixed-amount discounts across all CT bands

Similar to model 3, this option introduces an income banded scheme, with the aim of reducing total annual costs by £2m compared to current costs (2018/19). Instead of discounting proportions of claimants' liabilities, this model introduces fixed amount discounts. Further amendments to the current scheme include

- The Minimum Income Floor applies to all self-employed claimants, both on Universal Credit and on legacy benefits.
- The capital limit is lowered from £16,000 to £6,000
- Non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w
- No minimum award is applied.

For all four models, CT liability, tax allowances and the minimum wage are increased to 2019/20 levels. CT liability is increased by 3% in 2018/19 and a further 3% in 2019/20.

For each model, this report provides an analysis of the political and social implications, and the impact on specific groups within the population.

A simplified summary is provided for each model and a comparison between options is provided in the Executive Summary.

1.4 Methodology & Approach

Modelling is at household level. Household data on current claimants has been supplied to Policy in Practice in the form of the CTR extract with personal data excluded. Policy in Practice converts this data to a format that can be used by their software, The Universal Benefits and Budgeting Calculator (UBBC). The calculation engine enables global changes in benefit formulations, and modelled changes to be applied to each household within the dataset. These are then summed up to arrive at the aggregate cost and impacts of each scheme.

To enable comparison of modelled schemes against the current scheme in subsequent years, an agreed annual increase in council tax has been included. The rate of council tax increase used is 3% for 2018/19 and 3% for 2019/2020.

An agreed level of migration to Universal Credit is also included. Modelling will include a migration of 40% of claimants to Universal Credit by 2019/20. This migration level has been agreed with the council.

For each model, comparison of impact is made against the projection of the current scheme in 2019/20 (the "uprated current scheme"). The uprated current scheme takes account of changes in the National Living Wage, tax allowances, Council Tax increases and 40% UC migration.

2.0 MAINTAINING CURRENT SYSTEM INTO 2019/20

Age group	Number of households
All working age	19,146
Pension age	8,230
Total	27,376

Currently, 27,376 households receive Council Tax Reduction in Barnet. Of these, 19,146 are working-age households and 8,230 are pension-age households.

Maintaining the current scheme into 2019/20 would increase scheme cost slightly from £23.93m in 2017/18 to £23.99m in 2019/20. This is an increase in cost of £66,389 or 0.3%.

Annual CTR in current-uprated scheme ,by age group		Annual CTR in current-uprated scheme, compared to current scheme	
Group	Uprated current scheme (£/annum)	Change (£/annum)	Change (%)
All working age	£14,297,491	-£535,089	-3.6%
Pension age	£9,695,223	£601,477	6.6%
Total	£23,992,714	£66,389	0.3%

Maintaining current system into 2019/20: Annual cost

Costs would increase 6.6% for pension age households while would drop by -3.6% for working age claimants. Even though CT charges will rise by 3% in 2018/19 and by the same amount in 2019/20, support for working age households actually falls.

This is the result of the combined effect of three separate factors. Firstly, the increase in the national minimum wage and personal tax allowance from 2017/18 to 2019/20 will increase incomes and therefore will reduce the level of CT support.

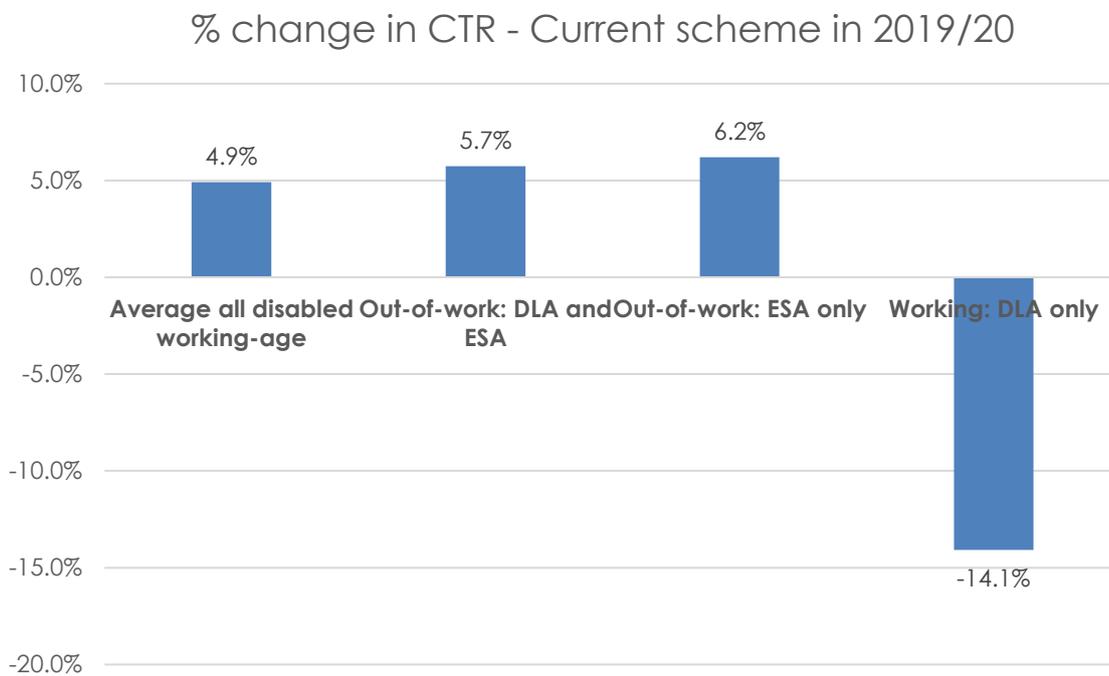
Secondly, it is expected that CT support will reduce under Universal Credit for the majority of earners. This is because households in work retain a greater percentage of earned income before benefits are affected. This higher income results in a slightly reduced CT support.

Thirdly, self-employed earners will be assessed under Universal Credit on a notional income (the Minimum Income Floor). For the vast majority, this will result in significant reductions in CT support. This last factor in particular is likely to have a significant impact in Barnet, where the proportion of self-employed households accounts for 15% of all working age households claiming council tax support, a figure much higher than in the majority of other local authorities across the country.

The analysis shows that, despite the planned rise in council tax liability of 3% year-on-year, the Council would be able to maintain a cost neutral scheme by retaining the current scheme of support in 2019/20.

Social and Political Impact of maintaining the current scheme into 2019/20

If the current scheme was maintained into 2019/20, on average, working-age households would see support drop by 3.6%. This average fall in support masks the differing impacts on earners and non-earners, and for those in receipt of Universal Credit or those remaining in receipt of legacy benefits. Under both benefit systems, out-of-work households would see increases in support that are roughly proportional to Council Tax rises. However, both employed and self-employed households in receipt of Universal Credit, will see significant reductions in support.



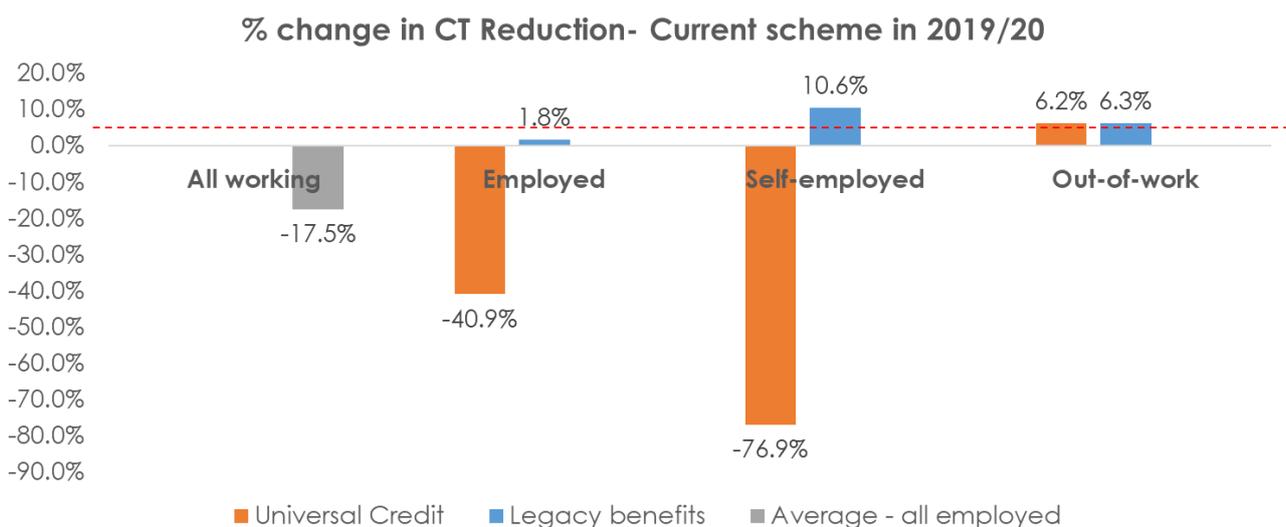
Graph 1: % Change in support from 2017/18 to 2018/19 by disability benefit and economic status

- Households in receipt of disability benefits, and working**, will face reduced income under both Universal Credit and through CT support. This is because there are no disability premiums in Universal Credit. Non-working disabled households in receipt of Universal Credit will be protected, as they will still retain maximum support. Those in receipt of DLA who are working would face a drop in support of 14.1%. The graph above illustrates the differing impact of retaining the current system for those in receipt of DLA and working, compared to those in receipt of disability benefits and not working.
- Households in employment** see support increase by 1.8%, whilst the increase in CT is approximately 6.1%. For households in employment there will effectively be a reduction in support from 2017/18 to 2019/20. This is due to increased income through rises in the

National Living Wage and income tax thresholds. For this group, generally, loss in CT support is balanced by higher earned income.

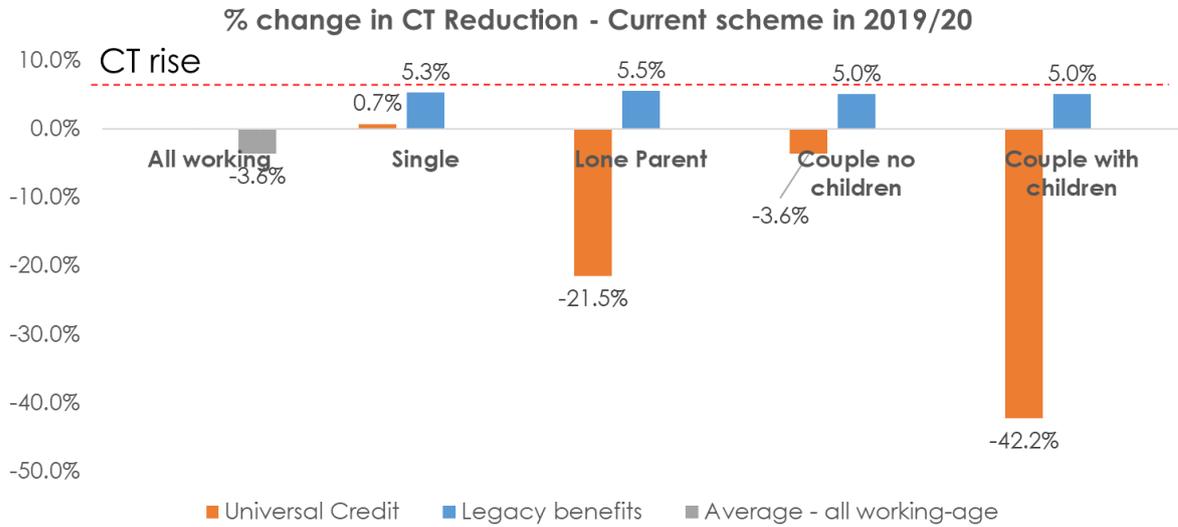
- Households in employment in receipt of Universal Credit** will face a significant drop (-40.9%) in their council tax support in 2019/20, with the average weekly amount of support falling from £12.49 to £7.39. This reflects a combination of factors; increased income through rises in the National Living Wage and income tax thresholds; the retention of a higher proportion of earnings under Universal Credit; and the abolition of the earnings disregard. Although this group will see lower Council Tax Support, this may be balanced by higher income and higher benefits entitlements under Universal Credit for a large proportion of this group.
- Self-employed households** will face reduced income under both Universal Credit and CT Support. Under Universal Credit, the Minimum Income Floor is used in the assessment of income. This is generally significantly higher than self-employed actual income. Self-employed households moving to Universal Credit would, on average, lose 76.9% of their support by 2019/20 compared to current support levels. Average weekly support would reduce from £14.98/week to £3.46/week. In comparison, self-employed households in receipt of legacy benefits will see support rise in line with Council Tax charges.

The graph below shows the differing change in support, by economic status and benefit type, if the current scheme was retained to 2019/20.



Graph 2: % Change in support from 2017/18 to 2018/19 by economic status and benefit system

- Households with children** are more likely to be in work, therefore, the reduction in support to working households, particularly those that migrate to Universal Credit, would have an impact on families. This is illustrated in the graph below.



Graph 3: % Change in support from 2017/18 to 2018/19 by household composition and benefit system

However, as many of those in employment will have higher incomes through both increased wages and retention of income under Universal Credit, it will be families in which the earner is self-employed, or in receipt of disability benefits, who will be most heavily impacted.

3.0 MODEL 1: 75% MAXIMUM SUPPORT AND MINIMUM INCOME FLOOR

Model 1

This option is based on the current default Council Tax Reduction scheme but with additional features to achieve cost savings. The additional amendments are:

- The maximum rate of Council Tax Reduction available to working age claimants is reduced from 80% to 75% of Council Tax liability.
- A Minimum Income Floor, based on the regulations introduced under Universal Credit, is introduced in the assessment of all earnings from self-employment.
- All other regulations are updated in line with the default regulation.

This model has the following additional characteristics:

- 40% of households are modelled as if they are in receipt of Universal Credit by 2019/20. These are randomly selected.
- Capital limit is retained at £16,000.
- Income tax allowances and the minimum wage are increased to 2019/20 levels.
- CT liability is increased by 3% in 2018/19 and a further 3% in 2019/20.

This model will enable the council to examine whether sufficient savings can be made by small amendments to the current scheme to contain scheme costs.

3.1 Cost

The table below shows the number of working-age households affected by each change and the estimated savings generated. The reduction of maximum council tax support from 80% to 75% affects all 19,146 working age households, reducing costs by circa £890,000 compared to retaining the current scheme in 2019/20. The introduction of the Minimum Income Floor to the assessment of all earnings from self-employment affects 1,821 self-employed households on legacy benefits, bringing down total costs by approximately £430,000.

Change made	No. households affected	Estimated savings
Maximum support reduced to 75%	19,146	£890,000.00
Minimum Income Floor	1,821	£430,000.00

Model 1: households affected by scheme amendments

Annual Cost

Group	Option 1 cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
	(£/annum)	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working-age	£12,979,005	-£1,853,574	-12.5%	-£1,318,486	-9.2%
UC	£4,605,809	N/A	N/A	-£305,857	-6.2%
Non-UC	£8,373,197	N/A	N/A	-£1,012,629	-10.8%
Pension age	£9,695,223	£601,477	6.6%	£0	0.0%
Total	£22,674,228	-£1,252,097	-5.2%	-£1,318,486	-5.5%

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

This model costs £1.25m less than the cost of support in 2017/18 and £1.31m less than if the current scheme was retained into 2019/20.

As this model is not applied to pension-age households, these households will not see a change in support compared to retaining the current system into 2019/20. Almost half (£524,334) of the total savings will come from self-employed households on legacy benefits. The remainder is obtained through an even reduction in support among all other working age claimants resulting from the drop in maximum support from 80% to 75% of Council Tax liability.

Weekly council tax support

Group	All households still in receipt	Average household CTR	Comparison to current scheme cost		Comparison to uprated current scheme cost	
	CTR (£/week)	Change (£/week)	Change (%)	Change (£/week)	Change (%)	
All working-age	£13.04	-£1.86	-12.5%	-£1.32	-9.2%	
UC	£11.56	N/A	N/A	-£0.77	-6.2%	
Non-UC	£14.02	N/A	N/A	-£1.70	-10.8%	
Pension age	£22.65	£1.41	6.6%	£0.00	0.0%	
Total	£15.93	-£0.88	-5.2%	-£0.93	-5.5%	

Model 1: Average weekly council tax support £/week

Under this model, households that migrate to Universal Credit will lose £0.77/week compared to retaining the current scheme into 2019/20 with support levels maintained at similar levels to currently. Households still in receipt of legacy benefits in 2019/20 will see support reduce by just £1.70/week compared to application of the current scheme in 2019/20, a 10.8% fall.

Claim numbers

1,064 households will lose all support. All but 3 of these are households in employment or self-employment.

It should be noted that areas in which the roll-out of Universal Credit is more advanced, councils are experiencing a drop in CT claims of about 10%. This is because of the claim process not highlighting the need to make an additional claim for CT support. The DWP is intending to rectify this and so this reduction in claims may be short-term. The Council may wish to keep this under review.

Administration cost

The impact of a model on administration costs needs to consider the number of cases, the number of expected re-assessments and the likely complexity of assessment.

The reduction in claim numbers under this model might lower administration costs. The analysis estimates a drop in administration costs of £178,603 (-3.9%) compared to the current scheme if this was retained in 2019/20.

Under Universal Credit, claims will require re-assessment significantly more often. This is due to the assessment of Universal Credit on actual income in a calendar month rather than weekly averaging as under legacy benefits. Data analysis undertaken by Policy in Practice indicates that the number of re-assessments in response to changes in circumstances is likely to double. Barnet Council could reduce administration further by introducing mitigating measures to limit re-assessments. Such as the introduction of "de minimis" rules, set benefit periods, or averaging of Universal Credit income.

In light of these considerations, it is possible that the increasing costs involved in administering a means-tested council tax support scheme alongside Universal Credit can offset any savings generated by the drop in the total number of claims.

3.2 Impact analysis

The impact of this model will result in 1,064 households losing support altogether by 2019/20.

All but 3 households no longer receiving support are in work and self-employed households are significantly more likely to lose support than households in receipt of legacy benefits. 79.0% of those losing support are self-employed claimants. This is the result of the introduction of the Minimum Income Floor to the assessment of self-employed income to both Universal Credit and legacy benefits claimants. All working households, whether in receipt of legacy benefits or Universal Credit, will be affected by reduction in maximum support to 75%.

Households losing all support, compared to current scheme, by economic status			
Economic status	Universal Credit	Legacy benefits	All households
Employed	185	35	220
Self-employed	398	443	841
Out-of-work benefits	3	0	3
Total	586	478	1,064

Households losing all support, compared to current scheme, by household composition			
Economic status	Universal Credit	Legacy benefits	All households
Single person	113	187	300
Lone parent	261	157	418
Couple no children	6	18	24
Couple with children	206	116	322
Total	586	478	1,064

Model 1: Households losing all support compared to current support by benefit type

2,506 households will lose more than £5/week compared to current support levels.

57.1% of households losing more than £5/week are self-employed, and over 77% of those losing more than £5/week are in receipt of Universal Credit. Only 8 households in receipt of out-of-work will face reductions in support of more than £5/week.

As households with children are more likely to be in employment or self-employment, and lone parents more likely to be in part-time employment, households with children are also more likely to lose support altogether or lose more than £5/week compared to current levels.

Households losing more than £5/week, by economic status				
Economic status	Universal Credit		Legacy benefits	
	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Employed	1104	47.0%	6	0.2%
Self-employed	884	82.2%	604	34.1%
Out-of-work benefits	8	0.2%	0	0.0%
Total	1996	26.1%	610	5.3%

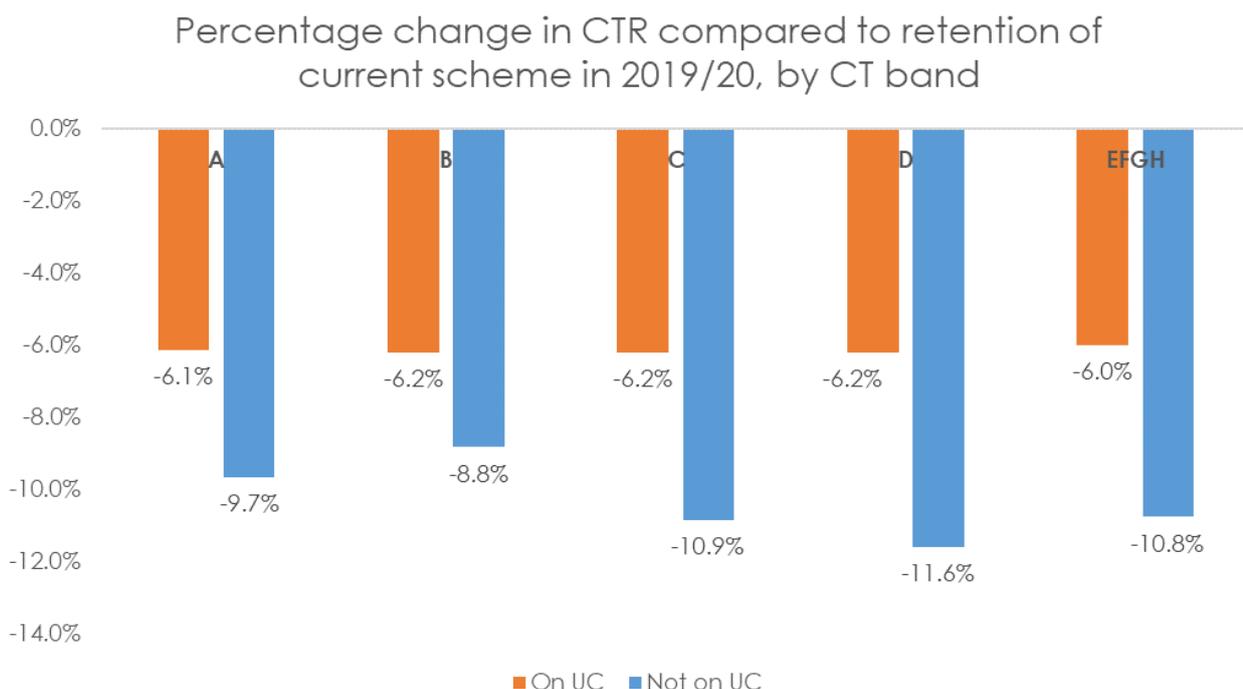
Model 1: Households losing more than £5/week by benefit type and economic status

Households losing more than £5/week, by household composition				
Household type	Universal Credit		Legacy benefits	
	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Single	209	6.4%	162	3.6%
Lone Parent	644	29.5%	195	5.7%
Couple no children	79	18.9%	24	4.3%
Couple with children	1064	60.0%	229	7.6%
Total	1996	26.1%	610	5.3%

Model 1: Households losing more than £5/week by household composition

Full impact analysis data is available in the supplementary report. The key impacts are given below.

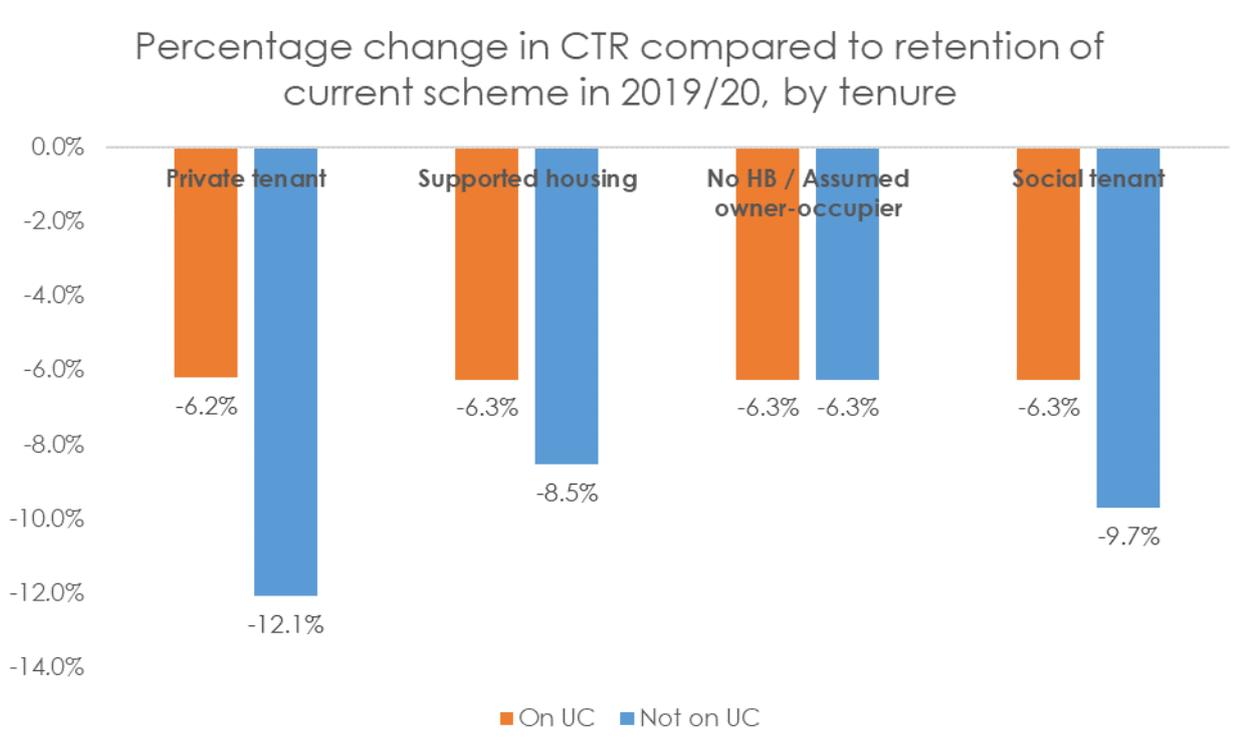
Impact analysis – Council Tax band



Model 1: Percentage change in support compared to retention of the current scheme into 2019/20, by CT band.

Households in higher bands lose greater percentage of support than lower CT bands when support is compared to retaining the current scheme into 2019/20, though losses are evenly spread. This reflects the greater likelihood of families, and therefore employment in larger properties.

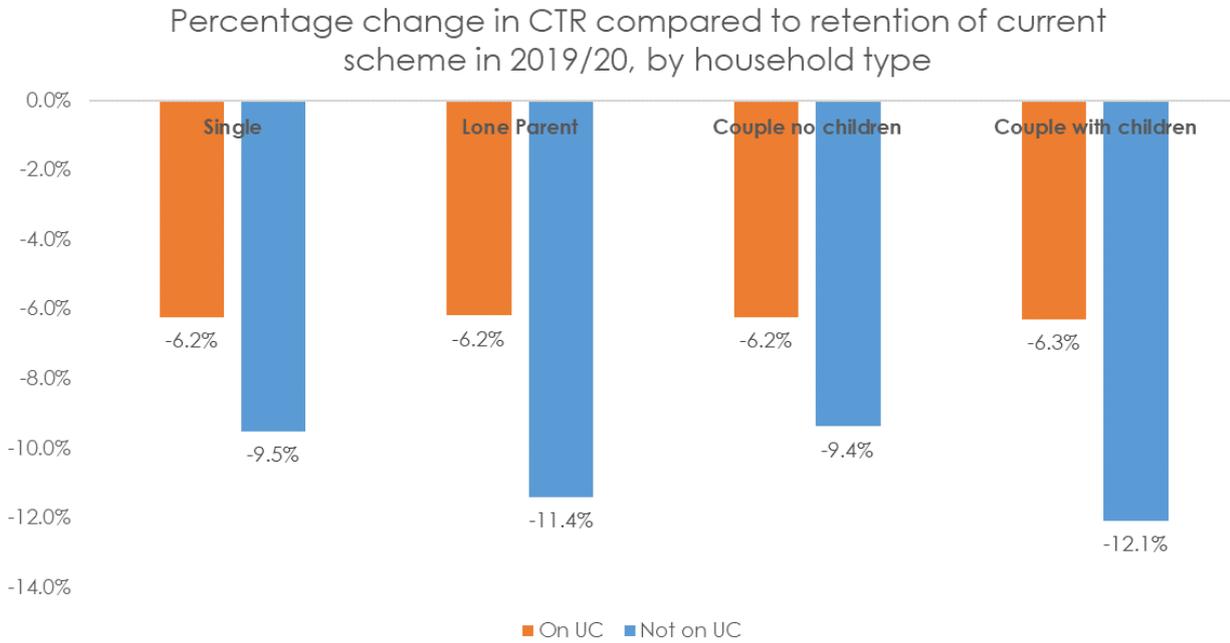
Impact analysis – Tenure



Model 1: Percentage change in support compared to retention of the current scheme into 2019/20, by tenure.

Owner occupiers are the tenure type facing, on average, the smallest loss in their support under this model, limited to 6.2%. In contrast private and social tenants claiming legacy benefits and will see substantial reductions in support of 12.1% and 9.7% respectively. This is due to the higher likelihood of self-employment for these groups.

Impact analysis – Household composition

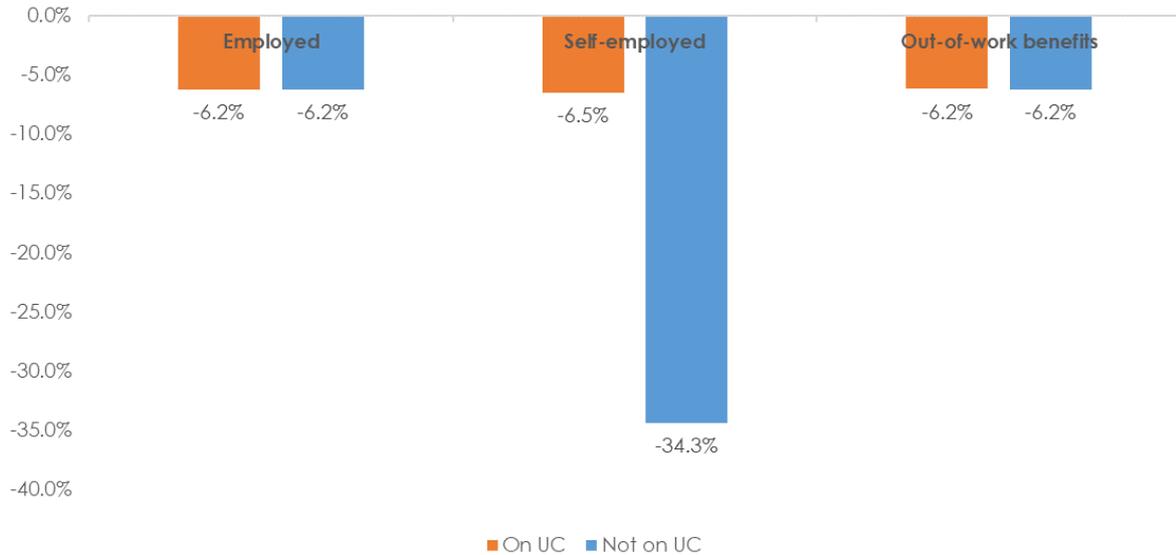


Model 1: Percentage change in support compared to retention of the current scheme into 2019/20, by household composition.

For households in receipt of legacy benefits, support reduces as household size increases. Couples with children under the Tax Credits system lose a significant level of support (-12.1%). Once again, this trend is most likely the result of a higher likelihood of families with children to be in work, and particularly in self-employment.

Impact analysis – Economic status

Percentage change in CTR compared to retention of current scheme in 2019/20, by employment status



Model 1: Percentage change in support compared to retention of the current scheme into 2019/20, by economic status.

Self-employed households on legacy benefits are the single demographic group most heavily impacted by this scheme. This is due to the application of the Minimum Income Floor to the assessment of their earnings. In Barnet, the 85.1% of all self-employed households report earnings below the Minimum Income Floor. With close to 15% of all working age households engaged in self-employed activities, the introduction of this measure will have a significant impact in determining level of support among residents.

All other groups see similar reduction in council tax support as the result of the drop by five percentage point in the level of maximum support.

3.3 Summary

	Advantages	Disadvantages
Cost	<p>£22.67m</p> <p>This model will save £1.3m compared to retaining the current system into 2019/20.</p> <p>Expected admin costs savings of £178,603 due to lower caseload.</p>	<p>No measure in place to mitigate the anticipated higher administrative costs involved in managing a means-tested scheme under Universal Credit.</p>
Claim numbers		1,064 households lose support.
Political & Social Impact	<p>The model affects those in higher CT bands more than those in lower CT bands. Those in higher bands may have more options to offset any loss.</p> <p>Out-of-work households are relatively protected by this model. Many of these will not have the option to work due to caring responsibilities or illness. This model introduces only limited monetary losses for this group.</p>	<p>2,506 households will lose more than £5/week. These are nearly all working households. As households with children are more likely to be working, this will affect families.</p> <p>Nearly half of all savings generated under this scheme result from reducing the amount of support available to self-employed households on low-income. This group will, on average, see their council tax support reduce by 34.3%.</p>

Model 1: summary

4.0 MODEL 2: 30% TAPER AND HIGHER NON-DEPENDANT DEDUCTIONS

Model 2:

Similarly to Model 1, this option is based on the current default Council Tax Reduction scheme. In addition to the amendments proposed under Model 1, this scheme introduces a series of further changes:

- The taper rate increases from 20% to 30%.
- In line with Universal Credit regulations, non-dependant deductions are simplified with the introduction of two flat rates. For non-dependants currently facing no deduction, a deduction of £5p/w will be introduced. For all other cases, a deduction of £11 p/w will be applied.
- The capital limit is lowered from £16,000 to £6,000.
- A minimum award is set at £5 p/w.

This model will allow the council to examine the social and financial implications of further amendments aimed at reducing scheme cost and introducing administrative simplicity. This model has the following additional characteristics:

- 40% of households are modelled as if they are in receipt of Universal Credit by 2019/20. These are randomly selected.
- CT liability, tax allowances and the minimum wage are increased to 2019/20 levels.
- CT liability is increased by 3% in 2018/19 and a further 3% in 2019/20.

This model will allow the council to examine the social and financial implications of the introduction of a set of changes affecting working age households in work and families with non-dependants.

4.1 Cost

The table on page 24 shows a breakdown of the number of working-age households affected by each change and the estimated savings generated. The reduction in the taper of ten percentage point affects 7,019 working-age households, reducing costs by an estimated £1.3m compared to retaining the current scheme in 2019/20. The introduction of two flat non-dependant deduction rates will affect 2,952 households, for a total of approximately £590,000. The other two amendments introduced under the scheme will be of less impact, both in terms of numbers of households affected and savings generated. The number of households losing support as the result of the introduction of a £5 p/w minimum payment will be 1,622, saving the council a total of £210,000 circa. The lowering

of the capital limit to £6,000 instead, will only affect 254 working age-households for an estimated total savings in the area of £120,000.

Change made	No. households affected	Estimated savings
Taper rate change to 30%	7,019	£1,300,000
Changes to non-deps deductions	2,952	£590,000
£5 minimum payment	1,622	£210,000
£6,000 capital limit	254	£120,000

Model 2: households affected by scheme amendments

Annual Cost

Group	option 2 cost (£/annum)	Comparison to current scheme cost		Comparison to uprated current scheme cost	
		Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working-age	£10,760,887	-£4,071,693	-27.5%	-£3,536,604	-24.7%
Pension age	£9,695,223	£601,477	6.6%	£0	0.0%
Total	£20,456,110	-£3,470,216	-14.5%	-£3,536,604	-14.7%

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

Under this model, costs would reduce by £3.54m compared to retaining the current scheme into 2019/20, for a total cost of £20.46m.

Weekly council tax support

Average support for working-age households will reduce by £4.09/week (-27.5%) compared to current scheme costs and will be 24.7% (£3.55) less than if the current scheme was retained into 2019/20.

All households still in receipt	Average household CTR	Comparison to current scheme cost		Comparison to uprated current scheme cost	
		Change (£/week)	Change (%)	Change (£/week)	Change (%)
Group	CTR (£/week)				
All working-age	£10.81	-£4.09	-27.5%	-£3.55	-24.7%
UC	£8.98	N/A	N/A	-£3.35	-27.1%
Non-UC	£12.03	N/A	N/A	-£3.69	-23.5%
Pension age	£22.65	£1.41	6.6%	£0.00	0.0%
Total	£14.37	-£2.44	-14.5%	-£2.48	-14.7%

Model 2: Average weekly council tax support £/week

Claim numbers

5,356 households are likely to lose support altogether under this scheme. 1,600 are claimants affected by the introduction of a minimum council tax support award of £5 p/w. A further 254 cases are households reporting capital above £6000. Families with children are the household type most likely to lose their support under this scheme. Households in work and families with children are overwhelmingly more likely to lose support altogether.

Administration cost

The substantial reduction in total caseload achieved by introducing a minimum award of £5p/w will reduce administrative costs by £899,058 (-28,0%) compared to retaining the current scheme into 2019/20. Similarly, the simplification of non-dependant deductions can reduce the overall complexity of the scheme so help achieve administrative gains. However, no measure among the changes introduced under this model mitigates the anticipated increase in administrative cost due to case re-assessments that will occur with any means-tested council tax support scheme under Universal Credit.

4.2 Impact analysis

Under this model, 5,356 households would no longer be eligible for support. The majority of these are working couples with children. Households claiming Universal Credit are more likely to see their council tax support fall to zero. This is likely to be the result of the higher retention of earnings for households claiming Universal Credit. Their entitlements are therefore more heavily affected by changes in the taper rate and more likely to be below £5/week. They are therefore disproportionately affected by the introduction of a minimum award threshold.

Households losing all support, compared to current support, by economic status			
Economic status	Universal Credit	Legacy benefits	All households
Employed	1,476	1,850	3,326
Self-employed	847	1,015	1,862
Out-of-work benefits	98	70	168
Total	2,421	2,935	5,356

Households losing all support, compared to current support, by household composition			
Economic status	Universal Credit	Legacy benefits	All households
Single person	676	597	1,273
Lone parent	820	1,032	1,852
Couple no children	93	103	196
Couple with children	832	1,203	2,035
Total	2,421	2,935	5,356

Model 2: Households losing all support

5,844 households would lose more than £5/week. Over half of those losing more than £5/week are households in receipt of Universal Credit in 2019/20.

Couples with children and lone parents are the group most likely to lose support and are also one of the groups most likely to lose more than £5/week. The reasons for the impact on these households is set out above.

For single-person households this loss in support will reflect the introduction of higher non-dependant deductions. 44.6% of all working age households with non-dependants are single claimants with no children.

Households losing more than £5/week, by economic status				
Economic status	Universal Credit		Legacy benefits	
	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Employed	1,779	75.7%	1,491	40.1%
Self-employed	984	91.5%	861	48.6%
Out-of-work benefits	308	7.3%	421	7.0%
Total	3,071	40.1%	2,773	24.1%

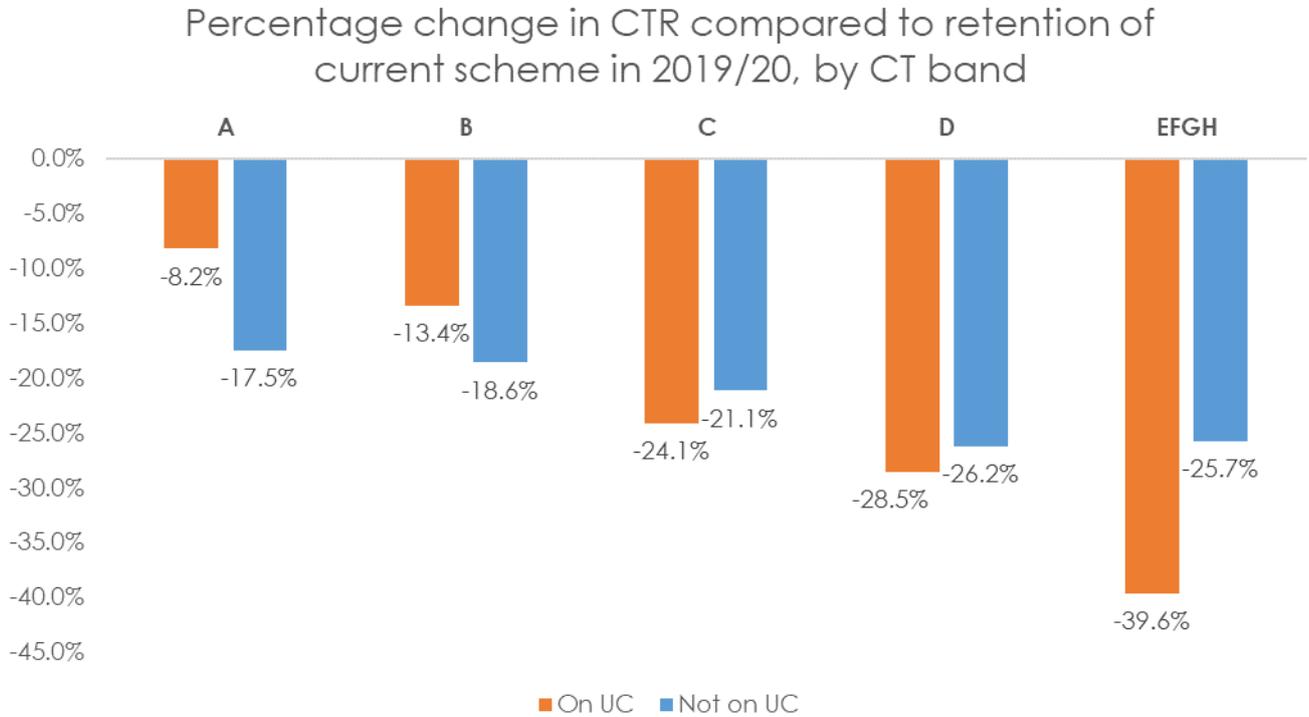
Model 1: Households losing more than £5/week by benefit type and economic status

Households losing more than £5/week, by household composition				
Household type	Universal Credit		Legacy benefits	
	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Single	685	20.9%	737	16.4%
Lone Parent	956	43.7%	742	21.7%
Couple no children	185	44.4%	151	27.1%
Couple with children	1,245	70.2%	1,143	38.0%
Total	3,071	40.1%	2,773	24.1%

Model 2: Households losing more than £5/week by household composition

Full impact analysis data is available in the supplementary report. The key impacts are given below.

Impact analysis – Council Tax band

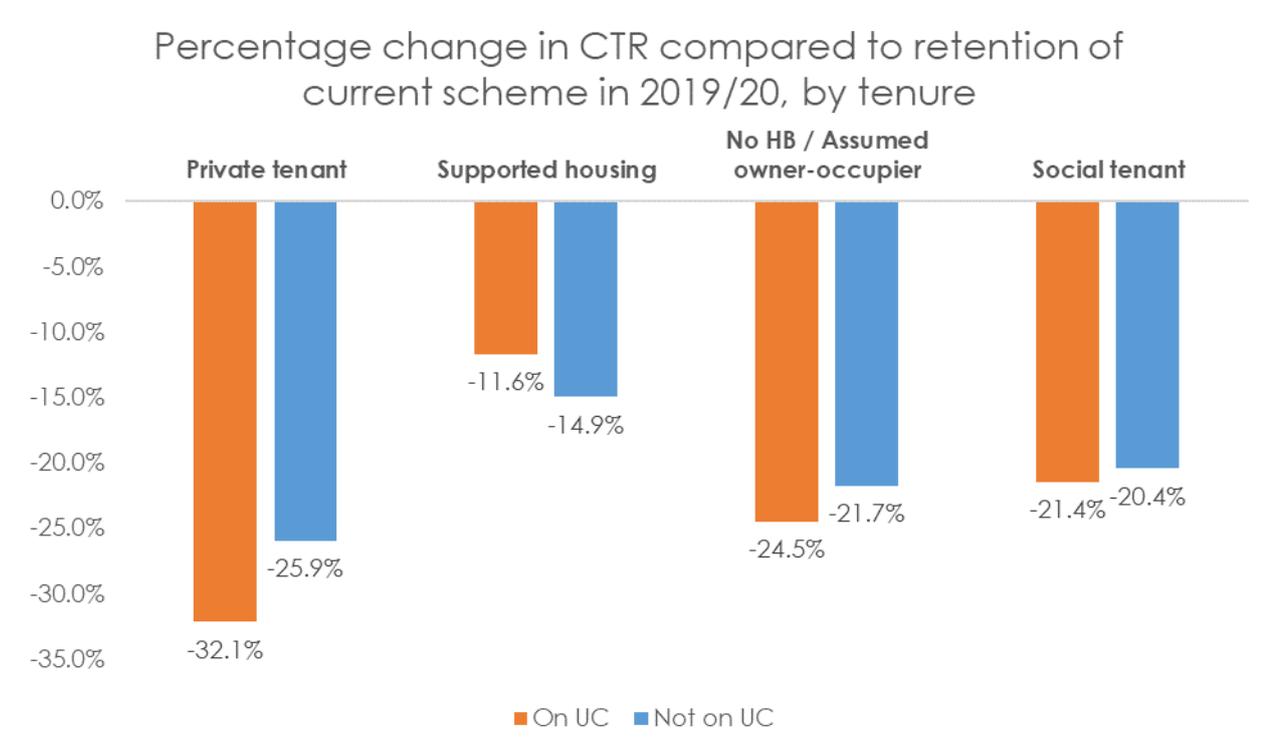


Model 2: Percentage change in council tax support, by band

The graph above shows how, on average, claimants living in larger properties see larger drop in the level of support received, both under the legacy benefit system and Universal Credit.

The changes introduced in this model have greater impact on larger households who are more likely to occupy higher band properties. Families with children are more likely to be in work, and thus face a reduction in council tax support as the taper rate is increased from 20% to 30%. Similarly, we expect households with non-dependants, facing higher deductions under this scheme, to live in larger properties.

Impact analysis – Tenure

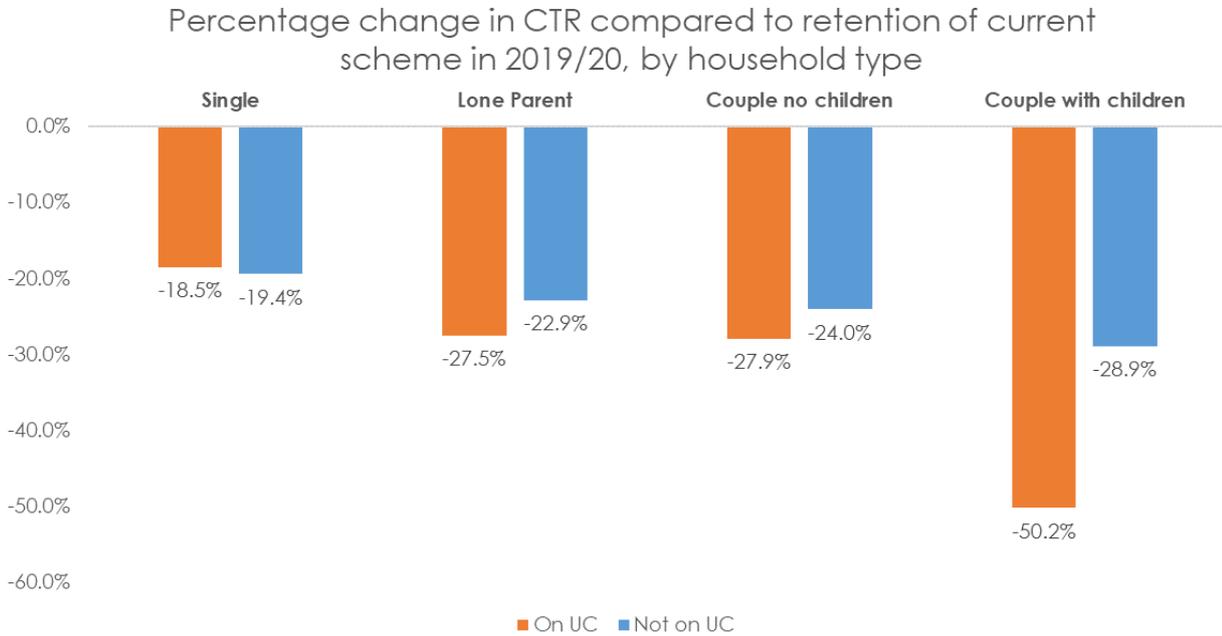


Model 2: Percentage change in council tax support received, by tenure

All tenure types face lower level of support for both households claiming legacy benefits and Universal Credit claimants.

Private tenants and owner-occupiers are the two tenure types most heavily impacted. This is the result of the greater likelihood of these two groups being made up by families in work, or by households with non-dependants.

Impact analysis – Household composition

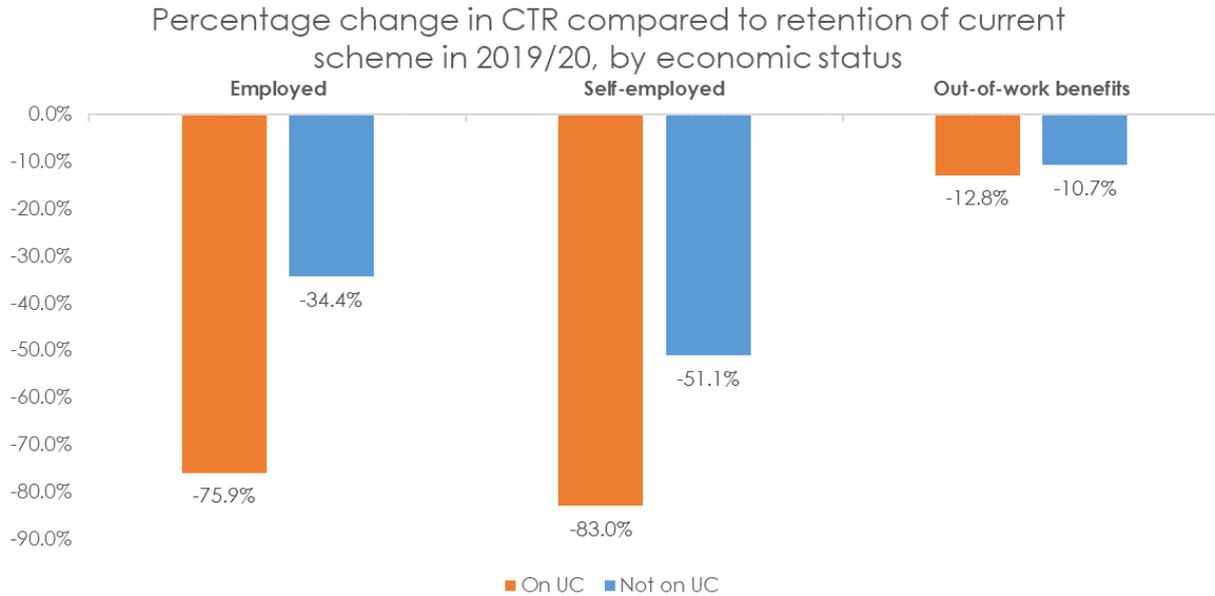


Model 2: Percentage change in council tax support received, by household composition

Claimants in receipt of legacy benefits show similar level of reductions in their council tax support across different household types.

For Universal Credit claimants, households made up of couples with children are the group facing the most significant loss in support under this model. This group bears the brunt of the cumulative impact of the changes introduced by this scheme. Our model estimates that in 2019/20, couples with children will make up the 42.2% of all employed households under Universal Credit. In addition, couples with children make up the 41% of all families with capital above £6,000 and 32.3% of all claimants who would lose support as the result of the introduction of a minimum award of £5 p/w.

Impact analysis – Economic status



Model 2: Percentage change in council tax support received, by economic status

This model has a much greater impact on working households than those in receipt of out-of-work benefits. This is because households who are not in work are not affected by the ten-percentage point increase in the taper rate. The only out-of-work households that will face a loss in support under this model are claimants with non-dependants (20.2%).

Households in work, both on legacy benefits and on Universal Credit will see a significant reduction in the support available, as the result of the higher taper rate. Universal Credit claimants in work will be particularly affected by this change, with self-employed households losing as much as 83% of their council tax support compared to their entitlements if the current scheme was retained in 2019/20. For these households, the Minimum Income Floor sets a higher notional income subject to an increased taper rate, meaning that more support is withdrawn in the means-testing process.

4.3 Summary

	Advantages	Disadvantages
Cost	<p>£20.46m</p> <p>Reduction in costs of £3.54m compared to retaining the current scheme into 2019/20.</p> <p>Lower caseload means admin costs can be reduced by £899,058.</p>	<p>No measure in place to mitigate the higher expected administrative costs of maintaining a means-tested scheme under Universal Credit.</p>
Claim numbers		<p>5,356 households will lose support altogether.</p>
Political & Social Impact	<p>Out of work households are relatively protected under this scheme.</p> <p>The majority of savings are obtained by reducing support to in-work households who are more likely to compensate for this loss through their earnings.</p>	<p>The increase in taper rate might lower incentives of families to progress further into work.</p> <p>Self-employed households claiming Universal Credit will face the highest losses under this scheme. The Council should consider how this cohort will already be suffering significant reductions in their income as Universal Credit rolls out in the borough.</p>

Model 2: Summary

5.0 MODEL 3: INCOME BANDED SCHEME WITH % DISCOUNTS

Model 3:

This model introduces an income banded scheme, with the aim of reducing total annual council tax support costs by £2m compared to current scheme costs (2018/19). Households' income is assessed exclusively on the basis of their earnings. The following amendments have been introduced:

- The Minimum Income Floor applies to all self-employed claimants, both on Universal Credit and on legacy benefits.
- The capital limit is lowered from £16,000 to £6,000
- Non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w
- No minimum award is applied.
- 40% of households are modelled as if they are in receipt of Universal Credit by 2019/20. These are randomly selected.
- CT liability, tax allowances and the minimum wage are increased to 2019/20 levels.
- CT liability is increased by 3% in 2018/19 and a further 3% in 2019/20.

This model will allow the council to examine the social and financial implications of simplifying the administration of the scheme, while significantly reducing costs.

The table below provide a breakdown of the income bands and the associated level of discounts, as well as of the number of households in each band.

Band	Discount off CT liability	Earnings threshold (monthly)	No. households
1	76%	No earnings	10,241
2	60%	<£500	795
3	52%	£500.01-£800	3,395
4	42%	£800.01-£1100	1,629
5	32%	£1100.01-£1400	2,506
6	22%	£1400.01-£1700	262
7	12%	£1700.01-£2000	127

Model 3: income-banded scheme bands, discounts, and number of households

5.1 Cost

Annual Cost

Group	option 3 cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
	(£/annum)	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working-age	£12,236,189	-£2,596,390	-17.5%	-£2,061,302	-14.4%
Pension age	£9,695,223	£601,477	6.6%	£0	0.0%
Total	£21,931,412	-£1,994,913	-8.3%	-£2,061,302	-8.6%

Model 3: Total cost of model (£/annum)

In 2019/20 this model would cost £21.9m.

Costs would reduce by £2.0m compared to current scheme costs and £2.1m compared to retention of the current scheme into 2019/20.

Weekly council tax support

Average support for working-age households will reduce by £2.61/week (17.5%) compared to current scheme costs and will be 14.4% (£2.07) less than if the current scheme was retained into 2019/20.

All households still in receipt	Average household CTR	Comparison to current scheme cost		Comparison to uprated current scheme cost	
		Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working-age	£12.29	-£2.61	-17.5%	-£2.07	-14.4%
UC	£12.22	-£2.68	-18.0%	-£0.11	-0.9%
Non-UC	£12.34	-£2.56	-17.2%	-£3.38	-21.5%
Pension age	£22.65	£1.41	6.6%	£0.00	0.0%
Total	£15.41	-£1.40	-8.3%	-£1.45	-8.6%

Model 3: Average weekly council tax support £/week

Households in receipt of Universal Credit receive slightly lower support than those in receipt of legacy benefits (£12.22/week compared to £12.34/week). However, this model provides about the same level of support for households in receipt of Universal Credit as if the current scheme was retained, whereas for households remaining on legacy benefits support falls by 21.5% compared to retaining the current scheme.

The model therefore goes some way to offsetting losses in support as households move to universal Credit.

Claim numbers

380 households are likely to lose support altogether under this scheme. The majority of these are due to the introduction of flat-rate non-dependant deductions.

Administration cost

The reduction in caseload alone will reduce administrative costs by approximately £64,000 (2.0%) compared to retaining the current scheme into 2019/20. Further significant administrative savings are likely to be made through:

- A reduction in the number of re-assessments in response to changes in income under Universal Credit. Under an income-banded scheme re-assessment will only be required if the change in earnings results in the claim moving into a different income band.
- The introduction of flat-rate non-dependant deductions which prevent the need for the assessment of non-dependant income and capital.
- Using the Universal Credit award notice to decide the level of earnings, thereby ending the need for a separate local authority assessment.

5.2 Impact analysis

Overall, this model has a re-distributive effect from legacy benefits to households in receipt of Universal Credit bringing weekly support to similar levels for recipients of both benefit systems.

This model re-distributes from higher earning households and the self-employed to lower earning households. As households with children are most likely to be in work, these households are more likely to both gain and to lose support.

Losing all support

Under this model, 380 households would no longer be eligible for support. The majority of these are working couples without children.

Households losing all support, compared to current support, by economic status			
Economic status	Universal Credit	Legacy benefits	All households
Employed	92	48	140
Self-employed	89	66	155
Out-of-work benefits	49	36	85
Total	230	150	380

Model 3: Households losing support by economic status

Households losing all support, compared to current support, by household composition			
Economic status	Universal Credit	Legacy benefits	All households
Single person	52	34	86
Lone parent	29	11	40
Couple no children	10	15	25
Couple with children	139	90	229
Total	230	150	380

Model 3: Households losing all support by household composition

Households losing more than £5/week

4,810 households would lose more than £5/week. 62% of those losing more than £5/week are households in receipt of legacy benefits.

The groups most likely to lose more than £5/week are working couples (with or without children). 67% of self-employed lose more than £5/week due to the introduction of the minimum income floor. 48% of couples with children lose more than £5/week due to the greater likelihood of higher levels of earned income in these households.

Households losing more than £5/week, by economic status				
Economic status	Universal Credit		Legacy benefits	
	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Employed	712	30.3%	1,230	33.0%
Self-employed	707	65.8%	1,180	66.6%
Out-of-work benefits	408	9.6%	573	9.6%
Total	1827	23.8%	2,983	26.0%

Model 3: Households losing more than £5/week by economic status

Households losing more than £5/week, by household composition				
Household type	Universal Credit		Legacy benefits	
	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Single	452	13.8%	626	13.9%
Lone Parent	430	19.7%	696	20.3%
Couple no children	167	40.0%	217	38.9%
Couple with children	778	43.9%	1,444	48.1%
Total	1827	23.8%	2,983	26.0%

Model 3: Households losing more than £5/week by household composition

Although 4,810 households will lose more than £5/week, 59% of these (2824 households) lose less than £10 per week. However, 19% (904 households) lose more than £15/week.

Number of households losing support		
Loss £/week	Universal Credit	Legacy
£5-£10	1044	1784
£10-15	435	643
£15-20	213	356
>£20	135	200
Total losing more than £5/week	1827	2983

Model 3: breakdown of households losing support

Households gaining £5/week

1,043 households gain more than £5/week. These are primarily low-earning employed households.

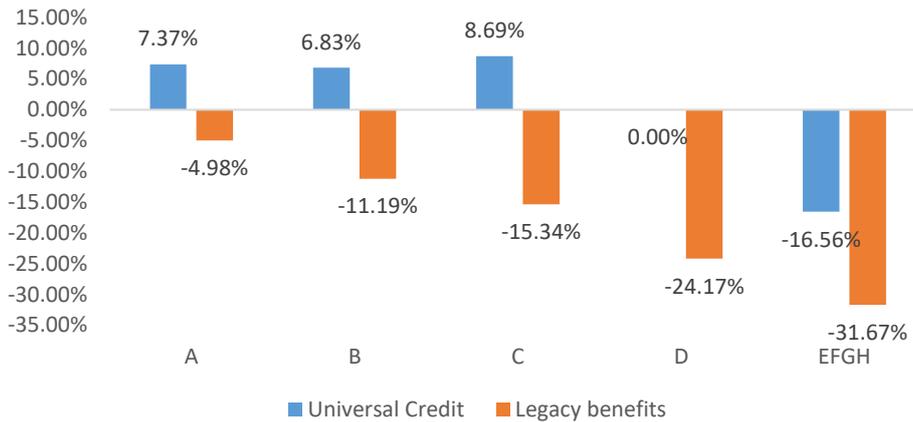
83% of these (870 households) gain less than £10/week and only 3.6% of these (38 households) gain more than £15/week.

Number of households gaining support		
	Universal Credit	Legacy
£5-10	353	517
£10-15	57	72
£15-20	12	12
>£20	4	10
Total gaining more than £5/week	432	611

Model 3: breakdown of households gaining support

Impact analysis – Council Tax band

Percentage change in CTR compared to retention of the current scheme in 2019/20, by CT band

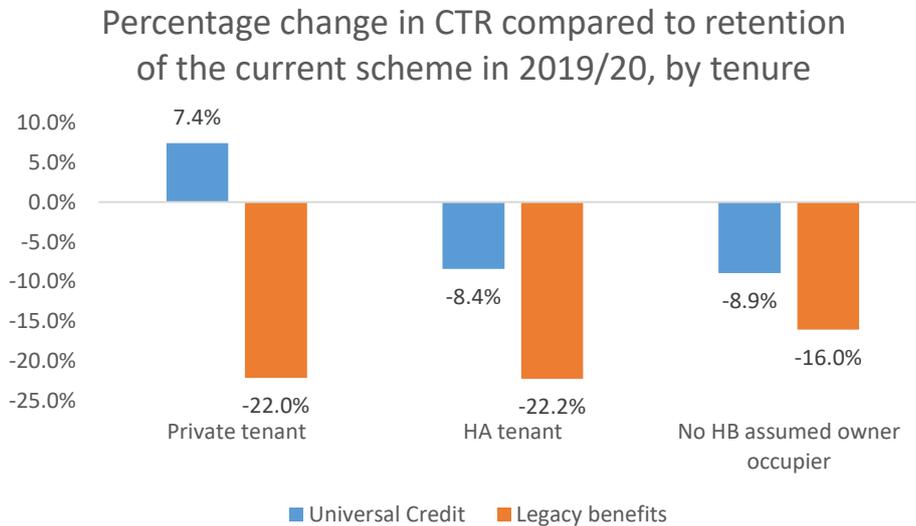


Model 3: Percentage change in council tax support, by band

This model has a re-distributive effect from households in higher CT bands to those in lower CT bands. On average, claimants living in larger properties see greater reductions in the level of support received, both under the legacy benefit system and Universal Credit.

The changes introduced in this model have greater impact on larger households who are more likely to occupy higher band properties. Families with children are more likely to be in work and so have lower levels of support when assessment is based exclusively on earnings, rather than need. In addition, larger households are also more likely to be affected by the introduction on flat-rate non-dependant deductions.

Impact analysis – Tenure



Model 3: Percentage change in council tax support received, by tenure

All tenure types on legacy benefits face lower level of support, with private and social tenants both losing about 22% in support in comparison to retention of the current scheme in 2019/20.

Private tenants in receipt of Universal Credit are the only group to receive increased support under this model compared to retention of the current scheme into 2019/20. However, this is due to comparison with the relative loss of support for this group if the current scheme is retained. The average support for households in receipt of Universal Credit (£11.71/week), is actually lower than that for those in receipt of legacy benefits (£11.89/week).

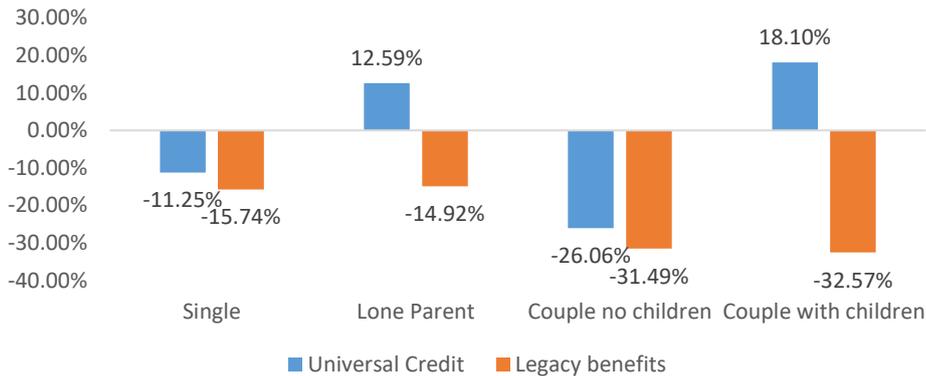
Weekly support is fairly evenly spread across tenures with support for all tenures receiving between £11.71/week and £14.11/week.

Weekly CTR £/week			
Tenure type	Universal Credit	Legacy benefits	All households
Private tenant	£11.71	£11.89	£11.82
Social tenant	£12.69	£12.72	£12.71
No HB / Assumed owner-occupier	£13.95	£14.11	£13.20

Model 3: weekly CTR by tenure

Impact analysis – Household composition

Percentage change in CTR compared to retention of the current scheme in 2019/20, by household composition



Model 3: Percentage change in council tax support received, by household composition

All household types in receipt of legacy benefits will see their support fall under this scheme compared to retention of the current scheme into 2019/20. However households with children in receipt of Universal Credit will see an increase in support.

Couples with children in receipt of Universal Credit will see an 18% increase in support but similar households in receipt of legacy benefits will see support reduce by 33%. This differential impact reflects the losses for households with children as they move to Universal Credit if the current scheme is retained. In comparison, they therefore gain more under this model.

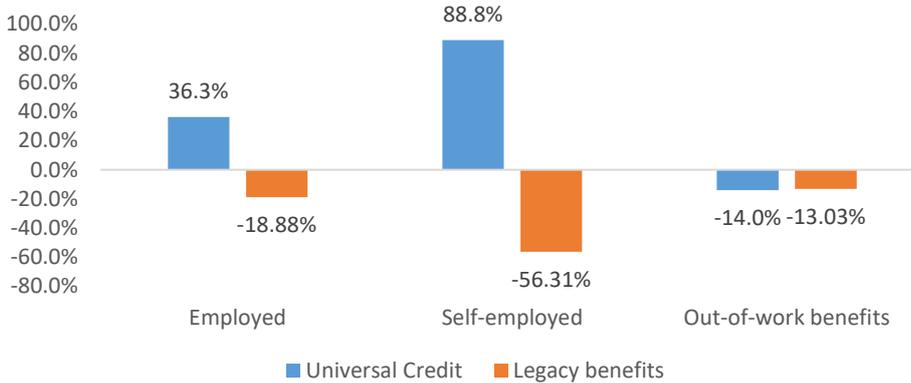
Even though there is a difference in the change in support between legacy benefits and Universal Credit, actual weekly awards are similar for households in receipt of legacy benefits and Universal Credit. For example, couples with children in receipt of Universal Credit receive an average of £11.71/week but those in receipt of legacy benefits receive £12.16/week.

Household type	Weekly CTR £/week		
	Universal Credit	Legacy benefits	All households
Single	£12.34	£12.25	£12.29
Lone Parent	£12.30	£12.48	£12.41
Couple no children	£13.00	£13.12	£13.07
Couple with children	£11.71	£12.16	£12.00

Model 3: weekly CTR by household type

Impact analysis – Economic status

Comparison of change in support compared to retention of the current scheme 2019/20, by economic status



Model 3: Percentage change in council tax support received, by economic status

This model has a much greater impact on working households in receipt of legacy benefits than on those claiming Universal Credit. This is because, for the latter, significant drops in support would already occur if the current scheme was retained into 2019/20.

The self-employed in receipt of Universal Credit gain significantly (88%) under this model compared to if the current scheme was retained into 2019/20. This is a result of the minimum income floor already being applied to the current scheme in 2019/20. In comparison, self-employed in receipt of legacy benefits lose support (56%) as the minimum income floor is introduced under this model for this group.

Income-banded schemes tend to support lower-earners, but higher-earners are likely to lose support.

Weekly CTR £/week			
Economic status	Universal Credit	Legacy benefits	All households
Employed	£10.06	£10.31	£10.22
Self-employed	£6.54	£7.24	£6.97
Out-of-work benefits	£14.90	£15.07	£15.00

Model 3: weekly CTR by economic status

Although households in receipt of legacy benefits lose more than those in receipt of Universal Credit compared to retention of the current scheme, they still retain higher average support. Weekly support for those in receipt of Universal Credit is just marginally lower than that for households in receipt of legacy benefits, for all types of economic status.

5.3 Summary

	Advantages	Disadvantages
Cost	<p>£21.9m</p> <p>Reduction in costs of £2.0m compared to current costs (2019/20) and £2.1m compared to retaining the current scheme into 2019/20.</p> <p>This model is likely to result in significant administrative savings due to:</p> <ul style="list-style-type: none"> • A reduction in the number of re-assessments • The introduction of flat-rate non-dependant deductions • Using the Universal Credit award notice to decide the level of earnings 	
Claim numbers	1,043 households gain more than £5/week	<p>380 households will lose support altogether.</p> <p>4,810 households lose more than £5/week</p>
Political & Social Impact	<p>Out of work households are relatively protected under this scheme. The majority of savings are obtained by reducing support to in-work households.</p> <p>Some low-earning households will gain support. This model supports low-earning work incentives.</p> <p>This model has a re-distributive affect from households in receipt of legacy benefits to those in receipt of Universal Credit creating more equitable support between the two. Some households in receipt of Universal Credit that would lose support if the current scheme was retained gain significant support under this model:</p> <ul style="list-style-type: none"> • Couples with children gain 18% • Self-employed gain 88% 	<p>Higher-earning households will lose support. This model does not therefore support progression into work.</p> <p>Households in receipt of legacy benefits and those in higher council tax bands lose support compared to retention of the current scheme.</p> <p>Some households in receipt of legacy benefits are particularly affected:</p> <ul style="list-style-type: none"> • Couples with children lose 33% • Self-employed lose 56% • Households in higher CT bands lose 32%

Model 3: Summary

6.0 MODEL 4: INCOME BANDED SCHEME WITH FLAT-RATE DISCOUNTS

Model 4:

This model is similar to model 3, it is an income banded scheme, with the aim of reducing total annual council tax support costs by £2m. It differs from model 3 in that instead of discounting proportions of claimants' liabilities, this model introduces fixed amount discounts. This model has similar scheme characteristics as model 3:

- The Minimum Income Floor applies to all self-employed claimants, both on Universal Credit and on legacy benefits.
- The capital limit is lowered from £16,000 to £6,000
- Non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w
- No minimum award is applied.
- 40% of households are modelled as if they are in receipt of Universal Credit by 2019/20. These are randomly selected.
- CT liability, tax allowances and the minimum wage are increased to 2019/20 levels.
- CT liability is increased by 3% in 2018/19 and a further 3% in 2019/20.

This model will allow the council to compare the distributive impact of using flat-rate discounts rather than discounts based on percentage of liability.

The table below provide a breakdown of the income bands and the associated level of discounts, as well as of the number of households in each band.

Band	Discount off CT liability	Earnings threshold (monthly)	No. households
1	£18.5	No earnings	10,241
2	£16	<£500	795
3	£14	£500.01-£800	3,395
4	£12	£800.01-£1100	1,629
5	£9	£1100.01-£1400	2,506
6	£6	£1400.01-£1700	262
7	£4	£1700.01-£2000	127

Model 4: income-banded scheme bands, discounts, and number of households

6.1 Cost

Annual Cost

Group	option 3 cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
	(£/annum)	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working-age	£12,242,464	-£2,590,115	-17.5%	-£2,055,027	-14.4%
Pension age	£9,695,223	£601,477	6.6%	£0	0.0%
Total	£21,937,687	-£1,988,638	-8.3%	-£2,055,027	-8.6%

Model 4: Total cost of model (£/annum)

In 2019/20 this model would cost £21.9m.

Costs would reduce by £2.0m compared to current scheme costs and £2.1m compared to retention of the current scheme into 2019/20.

Weekly council tax support

Average support for working-age households will reduce by £2.60/week (17.5%) compared to current scheme costs and will be 14.4% (£2.06) less than if the current scheme was retained into 2019/20.

All households still in receipt	Average household CTR	Comparison to current scheme cost		Comparison to uprated current scheme cost	
		Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working-age	£12.30	-£2.60	-17.5%	-£2.06	-14.4%
UC	£12.37	-£2.53	-17.0%	£0.04	0.3%
Non-UC	£12.25	-£2.65	-17.8%	-£3.47	-22.1%
Pension age	£22.65	£1.41	6.6%	£0.00	0.0%
Total	£15.41	-£1.40	-8.3%	-£1.44	-8.6%

Model 3: Average weekly council tax support £/week

Households in receipt of Universal Credit receive slightly higher support than those in receipt of legacy benefits (£12.37/week compared to £12.25/week). However, this model provides about the same level of support for households in receipt of Universal Credit as if the current scheme was retained, whereas for households remaining on legacy benefits support falls by 22.1% compared to retaining the current scheme.

The model therefore goes some way to offsetting losses in support as households move to universal Credit.

Claim numbers

472 households are likely to lose support altogether under this scheme. As with model 3, the majority of these are due to the introduction of flat-rate non-dependant deductions. The introduction of flat-rate discounts results in an additional 92 households losing support under this model compared to model 3.

Administration cost

The reduction in caseload alone will reduce administrative costs by approximately £79,000 (2.5%) compared to retaining the current scheme into 2019/20. This model is likely to provide significant administrative savings in the same manner as model 3.

5.2 Impact analysis

This model is more redistributive than model 3 with greater numbers losing support, losing more than £5/week, and gaining more than £5/week.

This model has similar re-distributive patterns as model 3 with support moving from households in receipt of legacy benefits to households in receipt of Universal Credit bringing weekly support to similar levels for recipients of both benefit systems.

As with model 3, this model re-distributes from higher earning households and the self-employed to lower earning households. As households with children are most likely to be in work, these households are more likely to both gain and to lose support.

Although the patterns of re-distribution are the same as in model 3, the proportion of all cohorts gaining or losing is higher due to the greater redistributive effects of this model. In other words, all patterns of redistribution are magnified compared to model 3.

Losing all support

Under this model, 472 households would no longer be eligible for support. The majority of these are working couples without children. The households that would lose support under this model, but retain support under model 3, are all employed households.

Households losing all support, compared to current support, by economic status			
Economic status	Universal Credit	Legacy benefits	All households
Employed	144	74	218
Self-employed	97	72	169
Out-of-work benefits	49	36	85
Total	290	182	472

Households losing all support, compared to current support, by household composition			
Economic status	Universal Credit	Legacy benefits	All households
Single person	80	47	80
Lone parent	45	18	45
Couple no children	12	21	12
Couple with children	153	96	153
Total	290	182	290

Model 4: Households losing support by economic status

Households losing more than £5/week

5,597 households would lose more than £5/week. This is 787 more households losing this amount than in model 3. As with model 3, the majority are in receipt of legacy benefits.

As with model 3, the groups most likely to lose more than £5/week are working couples (with or without children). However, under this model a higher proportion of households in receipt of out-of-work benefits lose more than £5/week (21% compared to 10% under model 3). This is due to a flat rate discount being lower than a percentage reduction for those in properties in CT band C and above.

Households losing more than £5/week, by economic status				
Economic status	Universal Credit		Legacy benefits	
	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Employed	684	29.1%	1,197	32.2%
Self-employed	606	56.4%	1,012	57.1%
Out-of-work benefits	853	20.1%	1,245	20.8%
Total	2143	28.0%	3,454	30.1%

Model 4: Households losing more than £5/week by economic status

Households losing more than £5/week, by household composition				
Household type	Universal Credit		Legacy benefits	
	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Single	649	19.8%	848	18.9%
Lone Parent	423	19.4%	680	19.9%
Couple no children	206	49.4%	283	50.7%
Couple with children	865	48.8%	1,643	54.7%
Total	2143	28.0%	3,454	30.1%

Model 4: Households losing more than £5/week by household composition

Not only do more households lose more than £5/week under this model than model 3 but the levels of loss are higher. Only 32% lose less than £10/week (compared to 59% in model 3) and 47% lose more than £15/week (compared to just 19% under model 3).

More households lose support and lose greater amounts under this model than model 3.

Number of households losing support		
Loss £/week	Universal Credit	Legacy
£5-£10	653	1162
£10-15	461	685
£15-20	453	697
>£20	576	910
Total losing more than £5/week	2143	3454

Model 4: breakdown of households losing support

Households gaining £5/week

5,019 households gain more than £5/week under this model. 3,976 more households gain more than £5/week than under model 3. As with model 3, those gaining support are primarily low-earning employed households.

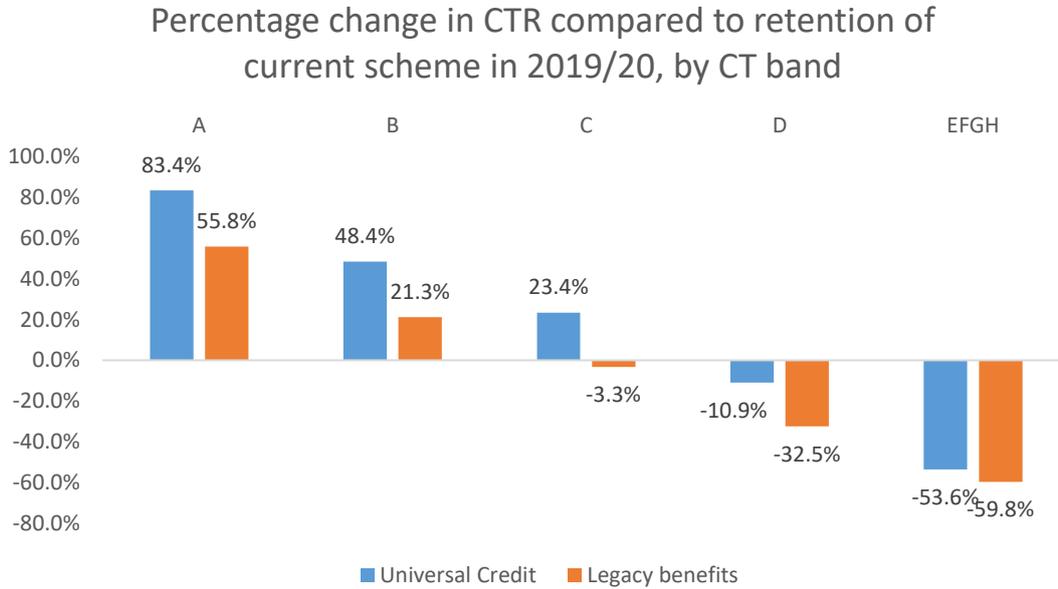
87% of households gaining support gain less than £10/week. This is a slightly higher proportion than model 3. Only 1% gain more than £15/week (compared to 19% under model 3).

More households gain support than under model 3 but are more likely to gain slightly smaller amounts.

Number of households gaining support		
	Universal Credit	Legacy
£5-10	1831	2556
£10-15	250	320
£15-20	25	37
>£20	0	0
Total gaining more than £5/week	2106	2913

Model 4: breakdown of households gaining support

Impact analysis – Council Tax band



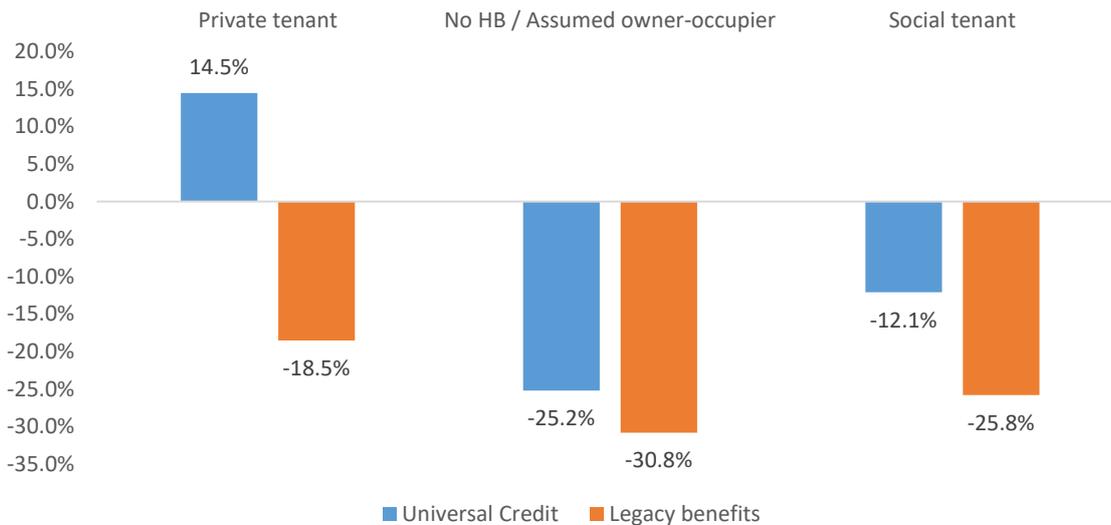
Model 4: Percentage change in council tax support, by band

This model shows the same pattern of redistribution as model 3 with support moving from higher CT bands to lower CT bands. However, gains and losses of support are greater. For example, under this model those in band E and above lose over 50% support compared to 31% under model 3. Those in lower CT bands have changes in support of less than 8% under model 3 but gain over 50% support in this model.

Flat-rate discounts create a greater distributive effect across CT bands meaning those in lower CT bands gain significant levels of support and those in higher CT bands lose significant levels of support.

Impact analysis – Tenure

Percentage change in CTR compared to retention of current scheme in 2019/20, by tenure



Model 4: Percentage change in council tax support received, by tenure

This model shows similar re-distributive patterns to model 3 but with greater losses and gains in support. All tenure types on legacy benefits face lower level of support and private tenants in receipt of Universal Credit gain support.

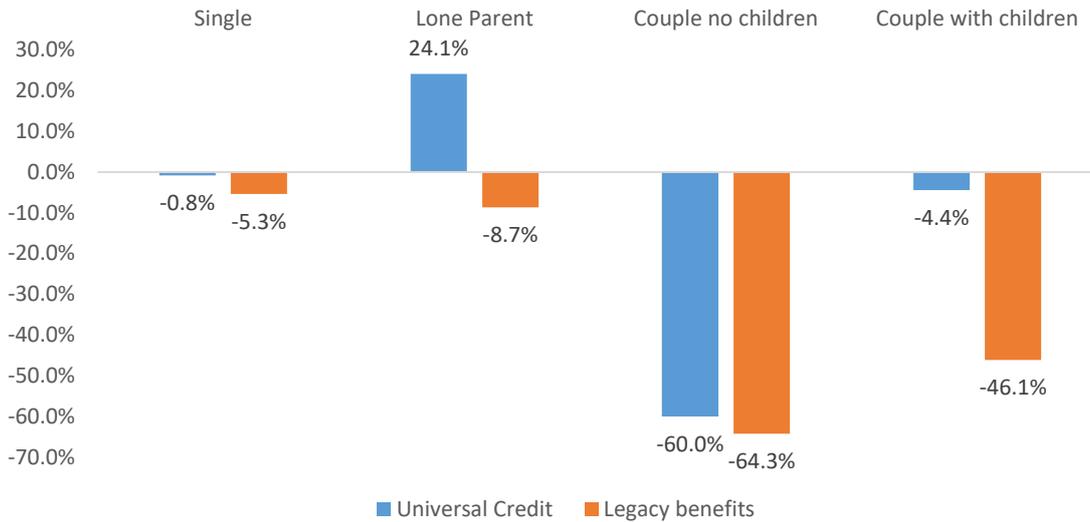
Weekly support is slightly less evenly spread compared to model 3. The application of a flat-rate discount affects owner occupiers more than tenants. This is due to the discount being less than would have been received as a proportion of CT liability for larger CT banded properties. Owner occupiers receive £11.56/week under this model compared to £13.20/week under model 3.

Weekly CTR £/week			
Tenure type	Universal Credit	Legacy benefits	All households
Private tenant	£12.37	£12.57	£12.45
Social tenant	£12.13	£12.19	£12.15
No HB / Assumed owner-occupier	£11.71	£11.35	£11.56

Model 4: weekly CTR by tenure

Impact analysis – Household composition

Percentage change in CTR compared to retention of current scheme in 2019/20, by household type



Model 4: Percentage change in council tax support received, by household composition

As with all other breakdowns by groupings, the impacts of this model are more exaggerated than model 3 although the pattern of redistribution is the same. Couples with or without children lose significantly more under this model compared to model 3. Couples without children lose over 60% of support under this model but around 30% support under model 3. This is a reflection of a flat-rate discount having a greater impact on larger households in higher CT bands than support based on CT liability.

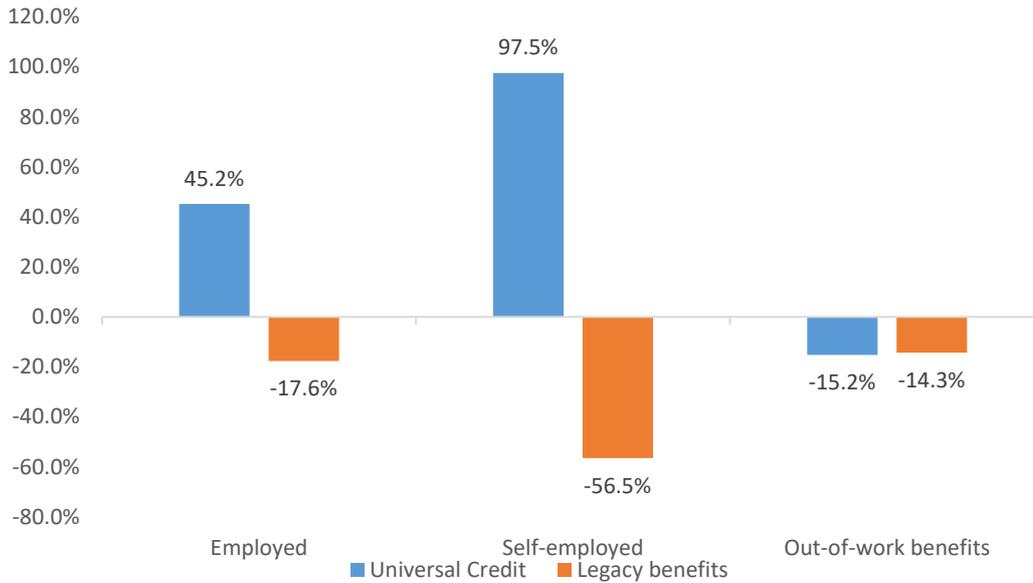
Couples with children see support reduced an average of £9.63/week under this model (compared to £12.00/week under model 3) and couples without children see support reduce to £6.92/week (compared to £13.07/week under model 3). Smaller households see increases in support compared to model 3 with both single-person households and lone-parents gaining over £1.00/week.

Weekly CTR £/week			
Household type	Universal Credit	Legacy benefits	All households
Single	£13.79	£13.76	£13.77
Lone Parent	£13.55	£13.39	£13.45
Couple no children	£7.03	£6.84	£6.92
Couple with children	£9.48	£9.72	£9.63

Model 4: weekly CTR by household type

Impact analysis – Economic status

Percentage change in CTR compared to retention of current scheme in 2019/20, by economic status



Model 4: Percentage change in council tax support received, by economic status

As with model 3, this model has a much greater impact on working households in receipt of legacy benefits than on those claiming Universal Credit.

This model shows similar redistributive effects as model 3 with support to workers in receipt of Universal Credit but away from workers in receipt of legacy benefits. There is also a slight re-distributive effect from those in receipt of out-of-work benefits to working households as flat-rate discounts will cause loss of support to those in receipt of out-of-work benefits in higher CT bands.

Weekly CTR £/week			
Economic status	Universal Credit	Legacy benefits	All households
Employed	£10.62	£10.54	£10.57
Self-employed	£6.79	£7.24	£7.07
Out-of-work benefits	£14.79	£14.77	£14.78

Model 4: weekly CTR by economic status

6.3 Summary

	Advantages	Disadvantages
Cost	<p>£21.9m</p> <p>Reduction in costs of £2.0m compared to current costs (2019/20) and £2.1m compared to retaining the current scheme into 2019/20.</p> <p>This model is likely to result in significant administrative savings due to:</p> <ul style="list-style-type: none"> • A reduction in the number of re-assessments • The introduction of flat-rate non-dependant deductions • Using the Universal Credit award notice to decide the level of earnings 	
Claim numbers	5,019 households gain more than £5/week	<p>472 households will lose support altogether.</p> <p>5,597 households lose more than £5/week</p>
Political & Social Impact	<p>Out of work households are relatively protected under this scheme. The majority of savings are obtained by reducing support to in-work households.</p> <p>Some low-earning households will gain support. This model supports low-earning work incentives.</p> <p>This model has a re-distributive affect from households in receipt of legacy benefits to those in receipt of Universal Credit creating more equitable support between the two. Some households in receipt of Universal Credit that would lose support if the current scheme was retained gain significant support under this model:</p> <ul style="list-style-type: none"> • Lone parents gain 24.1% • Self-employed gain 95.9% 	<p>Higher-earning households will lose support. This model does not therefore support progression into work.</p> <p>Households in receipt of legacy benefits and those in higher council tax bands lose support compared to retention of the current scheme.</p> <p>Some households in receipt of legacy benefits are particularly affected:</p> <ul style="list-style-type: none"> • Couples with children lose 46.1% • Self-employed lose 56.3% • Households in higher CT bands lose 53.2%

Model 3: Summary

7.0 MODEL 5: INCOME BANDED SCHEME £3.2M SAVINGS

Model 5: Income-banded model with £3.2M/annum savings

This model is the same as model 3 (income-banded with £2M/annum savings) but has been designed to make £3.2M/annum in savings.

The model characteristics are the same as model 3:

- Households' income is assessed exclusively on the basis of their earnings.
- The Minimum Income Floor applies to all self-employed claimants, both on Universal Credit and on legacy benefits.
- The capital limit is lowered from £16,000 to £6,000
- Non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w
- No minimum award is applied.
- 40% of households are modelled as if they are in receipt of Universal Credit by 2019/20. These are randomly selected.
- CT liability, tax allowances and the minimum wage are increased to 2019/20 levels.
- CT liability is increased by 3% in 2018/19 and a further 3% in 2019/20.

Discount levels have been adjusted from model 3 to meet the savings objectives. The additional cost has been spread as evenly as possible between income-bands.

The table below provide a breakdown of the income bands and the associated level of discounts, as well as of the number of households in each band.

Band	Discount off CT liability	Earnings threshold (monthly)	No. households
1	72.00%	No earnings	10,241
2	52.00%	<£500	795
3	44.00%	£500.01-£800	3,395
4	36.00%	£800.01-£1100	1,629
5	28.00%	£1100.01-£1400	2,506
6	20.00%	£1400.01-£1700	262
7	12.00%	£1700.01-£2000	127

Model 5: income-banded scheme bands, discounts, and number of households

7.1 Cost

Annual Cost

	option 3 cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	(£/annum)	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working-age	£11,056,849	-£3,775,730	-25.5%	-£3,240,642	-22.7%
Pension age	£9,695,223	£601,477	6.6%	£0	0.0%
Total	£20,752,072	-£3,174,253	-13.3%	-£3,240,642	-13.5%

Model 5: Total cost of model (£/annum)

In 2019/20 this model would cost £20.8m.

Costs would reduce by £3.2m compared to current scheme costs and in comparison to retention of the current scheme into 2019/20.

Weekly council tax support

Average support for working-age households will reduce by £3.79/week (25.5% reduction) compared to current scheme costs and will be 22.7% (£3.25) less than if the current scheme was retained into 2019/20.

All households still in receipt	Average household CTR	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	CTR (£/week)	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working-age	£11.11	-£3.79	-25.5%	-£3.25	-22.7%
UC	£11.06	-£3.84	-25.8%	-£1.27	-10.3%
Non-UC	£11.14	-£3.76	-25.2%	-£4.58	-29.1%
Pension age	£22.65	£1.41	6.6%	£0.00	0.0%
Total	£14.58	-£2.23	-13.3%	-£2.28	-13.5%

Model 5: Average weekly council tax support £/week

Households in receipt of Universal Credit receive slightly lower support than those in receipt of legacy benefits (£11.06/week compared to £11.14/week). However, households in receipt of Universal Credit lose less support compared to retention of the current scheme into 2019/20 (10.3%) than those in receipt of legacy benefits (29.1% reduction).

Claim numbers

380 households are likely to lose support altogether under this scheme. The majority of these are due to the introduction of flat-rate non-dependant deductions.

Administration cost

As the number losing support is the same as model 3, this model is likely to generate similar levels of administrative cost savings.

7.2 Impact analysis

As this model is designed to save £3.2m/annum against current scheme costs the majority of households will lose support under this model. A small proportion of low earners may maintain current support levels or gain slightly under this model.

Households in receipt of legacy benefits will lose more support compared to retention of the current scheme than households that have migrated to Universal Credit.

Higher earning households and the self-employed will lose more support than lower-earning households.

Losing all support

The same number of households lose support under this model as model 3 (380 households). This is due to only a slight reduction in discount for the lowest bands groups. Spreading the extra cost savings across discounts therefore protects further households from losing all support. As with model 3, the majority of these are working couples without children.

Households losing more than £5/week

6,700 households would lose more than £5/week, this is 35% of those currently receiving support. 61% of those losing more than £5/week are households in receipt of legacy benefits.

The groups most likely to lose more than £5/week are working couples (with or without children). 73% of self-employed lose more than £5/week due to the introduction of the minimum income floor. 56% of couples with children lose more than £5/week due to the greater likelihood of higher levels of earned income in these households.

Households losing more than £5/week, by economic status				
	Universal Credit		Legacy benefits	
Economic status	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Employed	990	42.1%	1,611	43.3%
Self-employed	783	72.8%	1,298	73.3%
Out-of-work benefits	836	19.7%	1,182	19.7%
Total	2609	34.1%	4,091	35.6%

Model 5: Households losing more than £5/week by economic status

Households losing more than £5/week, by household composition				
	Universal Credit		Legacy benefits	
Household type	Number losing over £5/week	% of total cohort losing over £5/week	Number losing over £5/week	% of total cohort losing over £5/week
Single	777	23.7%	1,056	23.5%
Lone Parent	667	30.5%	1,011	29.5%
Couple no children	226	54.2%	306	54.8%
Couple with children	939	52.9%	1,718	57.2%
Total	2609	34.1%	4,091	35.6%

Model 5: Households losing more than £5/week by household composition

Although 6,700 households will lose more than £5/week, 56% of these (3748 households) lose less than £10 per week. However, 17% (1,160 households) lose more than £15/week.

Number of households losing support		
Loss £/week	Universal Credit	Legacy
£5-£10	1471	2277
£10-15	683	1109
£15-20	286	430
>£20	169	275
Total losing more than £5/week	2609	4091

Model 5: breakdown of households losing support

Households gaining £5/week

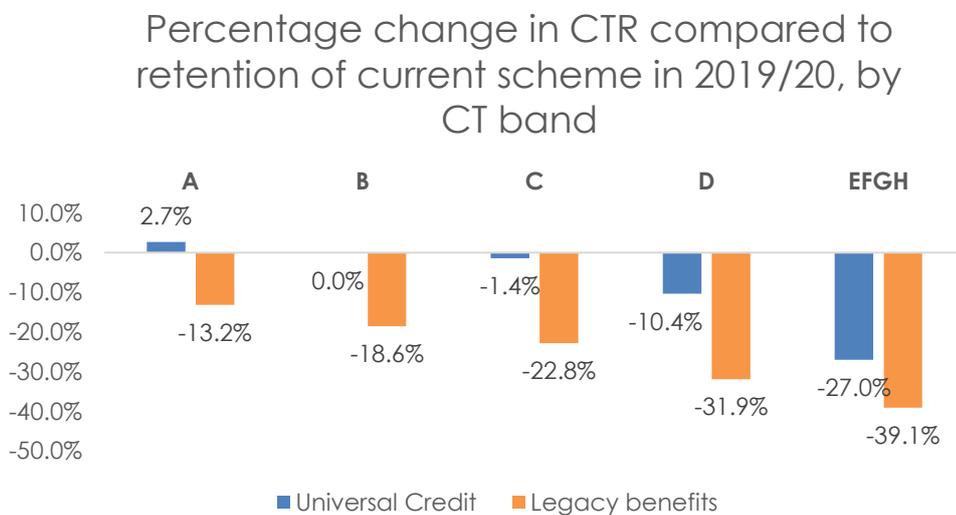
692 households gain more than £5/week. These are primarily low-earning employed households.

86% of these (594 households) gain less than £10/week and only 4.05% of these (28 households) gain more than £15/week.

Number of households gaining support		
	Universal Credit	Legacy
£5-10	238	356
£10-15	33	43
£15-20	8	14
>£20	3	3
Total gaining more than £5/week	279	413

Model 5: breakdown of households gaining support

Impact analysis – Council Tax band

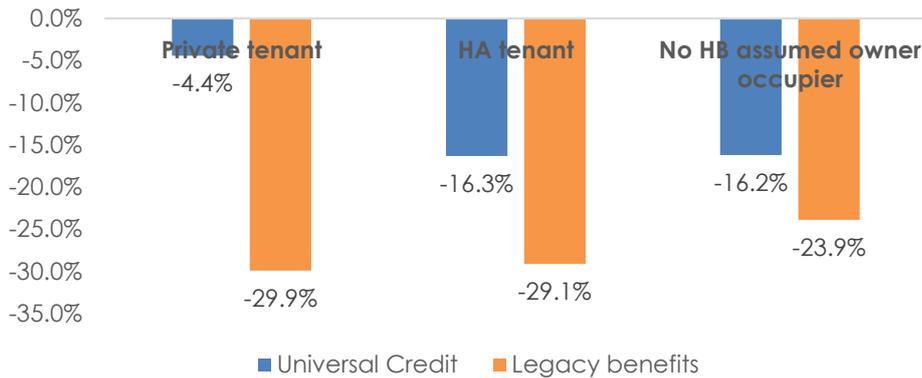


Model 5: Percentage change in council tax support, by band

As with model 3, higher council tax bands lose the most support. The loss of support for households in receipt of legacy benefits in council tax bands D and above is significant with average loss of over 30%. Under model 3, households in receipt of Universal Credit in bands A to C, gained support. Under this model, only households in receipt of legacy benefits in council tax band A gain support.

Impact analysis – Tenure

Percentage change in CTR compared to retention of the current scheme in 2019/20, by tenure



Model 5: Percentage change in council tax support received, by tenure

All tenure types on legacy benefits face lower level of support, with private and social tenants both losing about 29% in support in comparison to retention of the current scheme in 2019/20.

Under model 3, private tenants in receipt of Universal Credit were the only group to receive increased support. However, the lower levels of discount introduced

under this model mean that no tenure would gain support.

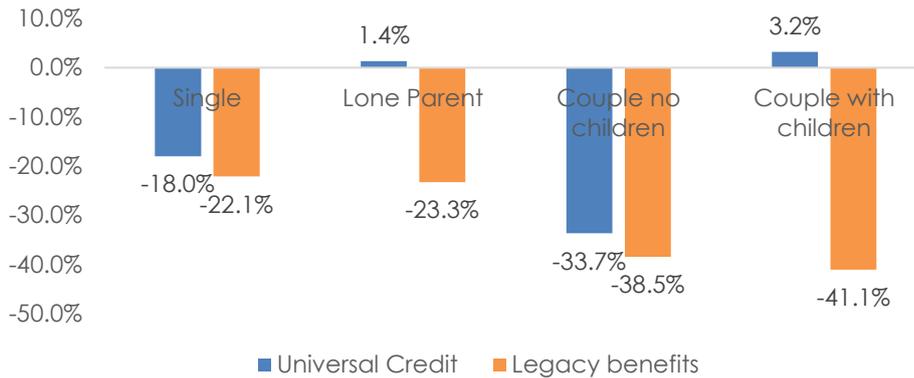
Weekly support is fairly evenly spread across tenures with support for all tenures falling between £10.50/week and £12.88/week.

Weekly CTR £/week			
Tenure type	Universal Credit	Legacy benefits	All households
Private tenant	£10.50	£10.65	£10.59
Social tenant	£11.61	£11.59	£11.60
No HB / Assumed owner-occupier	£12.71	£12.88	£12.81

Model 5: weekly CTR by tenure

Impact analysis – Household composition

Percentage change in CTR compared to retention of the current scheme into 2019/20, by household type



Model 5: Percentage change in council tax support received, by household composition

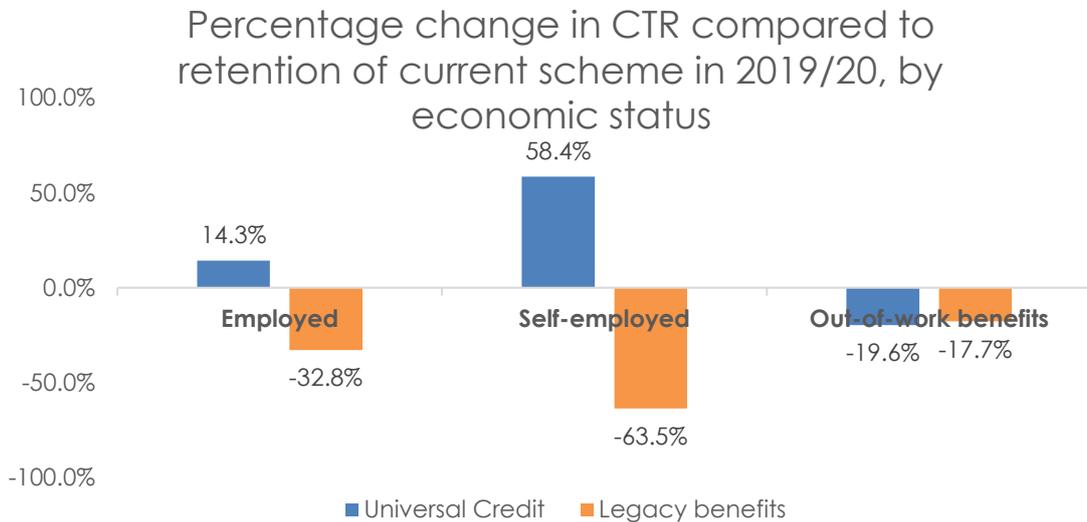
All household types in receipt of legacy benefits will see their support fall. Couples with or without children in receipt of legacy benefits will have significant reduction in support of over 30%. Households with children in receipt of Universal Credit will see a slight increase in support but this is less than 3.2%.

Even though there is a difference in the change in support between legacy benefits and Universal Credit, actual weekly awards are similar for households in receipt of legacy benefits and Universal Credit. For example, couples with children in receipt of Universal Credit receive an average of £10.24/week but those in receipt of legacy benefits receive £10.63/week.

Weekly CTR £/week			
Household type	Universal Credit	Legacy benefits	All households
Single	£11.40	£11.32	£11.36
Lone Parent	£11.07	£11.25	£11.18
Couple no children	£11.66	£11.78	£11.73
Couple with children	£10.24	£10.63	£10.49

Model 5: weekly CTR by household type

Impact analysis – Economic status



Model 5: Percentage change in council tax support received, by economic status

This model has a much greater impact on working households in receipt of legacy benefits than on those claiming Universal Credit. This is because, for the latter, significant drops in support would already occur if the current scheme was retained into 2019/20.

The self-employed in receipt of Universal Credit gain significantly (58%) under this model compared to if the current scheme was retained into 2019/20. This is a result of the minimum income floor already being applied to the current scheme in 2019/20. In comparison, self-employed in receipt of legacy benefits lose support (-63%) as the minimum income floor is introduced under this model for this group.

Income-banded schemes tend to support lower-earners, but higher-earners are likely to lose support.

Households in receipt of out-of-work benefits lose over 13% support. This will be a significant reduction to some of those on the lowest incomes.

Weekly CTR £/week			
Economic status	Universal Credit	Legacy benefits	All households
Employed	£8.36	£8.60	£8.51
Self-employed	£5.44	£6.07	£5.83
Out-of-work benefits	£14.02	£14.18	£14.12

Model 5: weekly CTR by economic status

Although households in receipt of legacy benefits lose more than those in receipt of Universal Credit compared to retention of the current scheme, they still retain higher

average support. Weekly support for those in receipt of Universal Credit is just marginally lower than that for households in receipt of legacy benefits, for all types of economic status.

7.3 Summary

	Advantages	Disadvantages
Cost	<p>£20.75m</p> <p>Reduction in costs of £3.2m compared to current costs (2019/20) and compared to retaining the current scheme into 2019/20.</p> <p>This model is likely to result in significant administrative savings due to:</p> <ul style="list-style-type: none"> • A reduction in the number of re-assessments • The introduction of flat-rate non-dependant deductions • Using the Universal Credit award notice to decide the level of earnings 	
Claim numbers	692 households gain more than £5/week	<p>380 households will lose support altogether.</p> <p>6,700 households lose more than £5/week</p>
Political & Social Impact	<p>A few low-earning households will gain support. However, any increase in support is likely to be slight (around 3%).</p> <p>Households in receipt of legacy benefits lose more compared to retention of the current scheme than those in receipt of Universal Credit, creating more equitable support between the two.</p>	<p>Out of work households lose approximately 13% support. This model does not support the most vulnerable households.</p> <p>The majority of working households will lose support. 73% of self-employed households and 43% of employed households lose more than £5/week. This model does not therefore support work incentives.</p> <p>Households in receipt of legacy benefits and those in higher council tax bands lose support compared to retention of the current scheme.</p> <p>Some households in receipt of legacy benefits are particularly affected:</p> <ul style="list-style-type: none"> • Couples with children lose 41% • Couples without children lose 39% • Tenants lose 29% • Self-employed lose 63% • Employed lose 33% • Households in higher CT bands lose over 32%

Model 5: Summary

8.0 FURTHER CONSIDERATIONS

This report does not seek to provide recommendations. Any decision on how to balance cost savings, administrative savings, fairness, hardship, and support for groups will obviously be informed by the specific priorities and objectives of the council. The council will also need to consider the impact on other council services and other funding streams that provide support.

Some of the issues that the council might wish to consider are listed below.

Work incentives

Universal Credit will be significantly less generous than tax credits under the current regime. The Local Government Association (LGA)¹ calculated that even before the Autumn Statement 2015, and the impacts in 2016 and 2017, a third of welfare reform savings came from the working poor. The authority may wish to consider the effects of possible further hardship to this group. Particularly vulnerable are the working poor who are also private-rented tenants. This group is likely to migrate to Universal Credit at a faster rate than owner-occupiers or social housing tenants as private-rented tenants show a significantly higher level of changes in circumstance that would trigger a new claim thus hastening migration to Universal Credit.

The self-employed are also likely to be significantly affected by the move to Universal Credit as income will be assessed on the minimum wage rather than actual earnings. For many, this will result in benefit support based on a significantly higher notional income than is received by the household.

Changes to Child Tax Credits

Changes to tax credits came into effect in April 2017. This means that families will not be able to claim Child Tax Credit (CTC) for third and subsequent children born after April 2017. In addition to this, the family element of CTC will be removed for any children born after April 2017 under Universal Credit but maintained for the current system if a household's eldest child was born before April 2017. Based on the birth rates seen in this cohort among households that already have three or more children, 25 households who already have two or more children will have an extra child in the next year and be impacted by these changes.

Tenants

¹ The local impacts of welfare reform. An assessment of cumulative impacts and mitigations. A report commissioned from the Centre for Economic and Social Inclusion by the Local Government Association. Tony Wilson, Gareth Morgan, Afzal Rahman, Lovedeep Vaid, August 2013
www.policyinpractice.co.uk

At least 20% of welfare benefit savings have been made from tenants, currently three quarters of this amount has been saved from private-rented tenants, mostly through implementation of Local Housing Allowance cuts. London Borough of Barnet may wish to consider hardship implications of reduced support for this group. In particular, if tenants fall within more than one group that has been particularly hit by welfare reform. For example, 34% of private-rented tenants receiving Housing Benefit are working and 33% of private-rented tenants are in receipt of DLA/PIP or Attendance Allowance. The groups that have multiple risk factors will be of significant risk of hardship and non-payment of council tax if a council tax support scheme significantly reduces support over more than one of these areas.

The impact analysis of each of the models presented in this report has showed how households living in private rented accommodation are the tenure group most heavily impacted by the changes introduced. This is due to the higher likelihood of households in work living in the private rented sector.

Impact on other discretionary schemes

London Borough of Barnet may wish to look at groups negatively affected by a revised Council Tax Support scheme and consider if these groups could be offered additional forms of support. In particular, whether Barnet's Discretionary Housing Policy should be amended to target support at households losing both income through the replacement of legacy benefits by Universal Credit and reduction in Council Tax Support.

Administration costs

At present, council tax support is an expensive scheme to administer. It is based on the Housing Benefit scheme where income is compared to needs and support tapered off if income exceeds the needs level. The scheme has complex rules around treatment of types of income, needs allowances and related premiums. The Housing Benefit amounts paid to support rent costs are relatively high and so the administration costs for Housing Benefit is a relatively small proportion of scheme costs. However, weekly council tax reduction is at a much lower level so the proportion of costs to cover scheme administration is considerably higher. Currently the differential cost of assessing a council tax support claim alongside a Housing Benefit scheme is less than for a council tax support only claim. Once housing costs are incorporated into Universal Credit, all council tax support claims will be standalone claims and so all administrative costs will be categorised as CT rather than HB administrative costs.

If the current scheme is maintained as Universal Credit is rolled-out it is expected that administrative costs will increase substantially. This is because Universal Credit, unlike current benefits, will change on a monthly basis. This will require re-assessment and new billing information on a monthly basis in response.

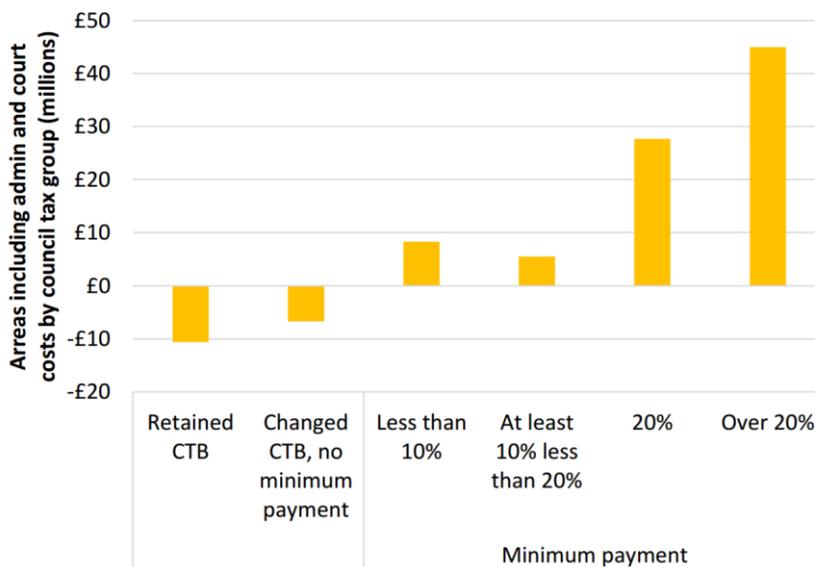
While model 1 and model 2 are likely to reduce overall administrative costs through the reduction of caseload, these savings might be offset by the higher costs of administering a means-tested council tax support alongside Universal Credit.

Model 3, 4 and 5, on the contrary, would move away from a means-tested scheme by introducing an income banded option, in this way simplifying the assessment process with the potential of reducing overall administrative costs

Cost of arrears

Research undertaken by the New Policy Institute (NPI) indicates a strong relationship between levels of minimum payment of Council Tax, defined by the local CT Reduction Scheme, and arrears and collection rates. Councils will need to balance the need to save money on Council Tax reduction and the impact this will have on arrears and the associated costs. There may be a point at which increasing the minimum contribution is no longer viable. The research by NPI indicated that there is a marked increase in arrears where minimum payment is above 20% of CT liability. Councils with no minimum charge, or a charge below 10%, have seen little or no increase in arrears costs.

The graph, below, is taken from the report:



Source: NPI analysis of collection rates and receipts of council tax and non-domestic rates in England, DCLG; the data is a comparison of 2015/16 with 2012/13.

Additional uncollected tax (including admin and court costs) 2012/13 to 2015/16, by minimum contribution.

Nationally, since the introduction of localised Council Tax Reduction Schemes, the level of both net collectible debt and arrears has risen. However, although there is a strong relationship between minimum payment level and changes in cost of arrears, the NPI report also states that this is not uniform across authorities. It does, to some extent, depend

on local support and collection action. Therefore, in adopting a new model of support, the authority may wish to consider the impact on arrears, the collection strategy, and measures to assist those in arrears.

In all models, Barnet council is increasing the minimum payment above 20% of CT charge. This change crosses the 20% barrier at which the NPI saw arrears rates rise. The council may wish to plan for potential impacts on collection and enforcement services.

Council Tax Support Subsidy

Central Government funding for Cts predicted to fall with the result that councils will increasingly need to meet scheme costs through other means. Subsidy for payment of council tax support was initially set at 90% of forecast expenditure for the year 2014/15. Although funding for Council Tax Reduction was identified within councils' overall Settlement Funding Assessment figures in 2013/14, from 2014/15 onwards it has not been possible to separately identify the level of funding to each council. A report by the LGA states that "Although the Government claims that the top-level transfer indicates that council tax support funding has not been cut further, in practice allocations to councils are reducing²". The LGA also calculated that if funding for council tax support is reduced in line with overall funding to councils then, by 2017, there will have been a reduction of 28%³.

Government subsidy towards administration funding is based on the predicted 2014/15 caseload and is at a low level (£11- £20 per case). The low level of subsidy recognises that, for the most part, council tax support is administered alongside Housing Benefit claims. However, as council tax support schemes become increasingly separate from Housing Benefit assessment and as housing costs within Universal Credit replace Housing Benefit, this will no longer be the case. There are currently no plans to increase the subsidy to cover the additional administration costs following full implementation of Universal Credit. It would therefore be beneficial for an authority to minimise administration costs in any revised council tax support scheme. The income-banded models outlined in models 3, 4 and 5 will assist with the reduction in administration costs.

² Rewiring Public Services - Council Tax Support. Published by the Local Government Association

³ Rewiring Public Services - Council Tax Support. Published by the Local Government Association
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