



Policy in Practice

Peter Carter
Megan McLean

CTR – Modelling new
schemes



*We make the welfare system
simple to understand, so that
people can make the decisions
that are right for them*

The need for anti-poverty strategies

Policy in Practice analysed the impact of the two child limit to tax credits.

From April, a third child born to low income families will miss out on up to £2,780 of tax credit support a year.

This change will affect 8,000 children born in April and one million children by 2020.

See policyinpractice.co.uk/blog

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page 28 →

the guardian

In memory of a mother and brother

Welfare shakeup to hit children and the bereaved

New changes could cost growing families up to £50,000, study shows, while grieving relatives also face huge cuts

Patrick Butler
Amushin Arshana

A government shakeup of welfare payments on Thursday will push a quarter of a million children into poverty, research says, while wiping thousands of pounds from payments for bereaved families.

Analysis for the Guardian reveals that a family whose third child is born before midnight on Wednesday could be up to £50,000 better off over 10 years than one whose child is born on Thursday.

Meanwhile, a terminally ill businessman has told the Guardian that his wife and children will see tens of thousands of pounds wiped off their bereavement benefits if the survivors beyond this week's welfare deadline.

The man, from Barnet, north London, who spoke under the pseudonym Alan to protect his family, hit out at the "callous and brutal" reforms that will cut payments to widowed parents from many years to a maximum of 18 months.

The crash for families celebrating a birth or grieving a loss comes as a result of a series of changes being put into place on Thursday. They were announced when George Osborne was chancellor but are being run by Theresa May's government. All households that have a child or subsequent baby will - aside from a limited set of exemptions - no longer be able to claim child tax credits.

The consultancy Policy in Practice found that more than 600,000 families - championed as the "just about managing" households who the prime minister vowed to protect in her first day in government - would be hit by the child welfare cuts alone.

An expected 8,000 third or additional children are expected to miss out on support of up to £2,780 a year in April alone, a figure that could climb to 100,000 over the next 12 months, said the authors of the study. The two-child restriction alone would inflate current child poverty figures by 10% by the end of the parliament, the study predicted, with a knock-on cost to public services of about £200m a year as a result of increased support spending in other areas such as housing and schools.

"The impact of growing up in a family that struggles to provide basic necessities will mean this policy is likely to have financial and social consequences well into the future," said David Graham, director of Policy in Practice.

The two-child policy was announced by Osborne in 2015 as part of a £12bn programme of social security cuts. It is expected to save £1m a year for the Treasury by 2021. The change comes alongside a series of other cuts starting this week, including freezes to working age benefit levels, at a time when, according to the Resolution Foundation, the wealthiest will benefit from more than £2m a year in income tax cuts.

Families with children in which one parent dies are currently eligible for a £2,500 lump sum followed by a taxable benefit of about £12 a week until the youngest child leaves full-time education, which can stretch over 20 years.

For those who die after midnight on Wednesday, new rules will see the lump sum rise to £3,500 but the payment cut to £10 a month, with a dramatically shorter time limit of just 18 months.

Alan, a 54-year-old with children aged 10 and 14, one told that he had between one and five months to live in December after cancer of the colon spread to his lung and chest. "My death, even before Thursday, changes my family's wellbeing to the tune of tens of thousands. It is utterly unbelievable," he said. The life-long Conservative voter described his distress after a passing message to his local Tony Blair, the prime minister and his charity, the Philip Harwood, received no response.

Bethan Williams, a mother of two young boys, from Bangor in Wales, whose husband has terminal bowel cancer, also contacted the Guardian to describe her

“My death, on or before Thursday, changes my family's wellbeing to the tune of thousands. It is unbelievable. I had calculated that we would be entitled to £58,000. My life is now deemed to be worth £6,300”

Interview, page 6 →

Continued on page 6 →



Lydia Willmson at her family home in Stourbridge, West Midlands, after the attack that killed her mother and brother. Report, page 4 Photograph: Rui Vieira/PA

Our analysis of Budget 2018

- Investment of £2.7 billion welcome
- Affects 2.5 million households (1.9m with children & 0.6m households with limited capability for work)
- Lone parents gain
- Disabled, ill or out of work don't gain

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Scrap 'immoral' freeze on benefits, leading Tories tell May

TIMES INVESTIGATION
Rachel Sylvester, Alice Thomson
Sam Coates Deputy Political Editor

Theresa May is warned by senior Tories today to end the benefit freeze for seven million people or see her party suffer at the next election.

The freeze, introduced by George Osborne in 2015, means a real-terms cut in income for millions of people and is due to continue until April 2020.

Five former cabinet ministers, including Justice Greening and David Davis, are leading the call for benefits to be raised now, in line with inflation.

The £14 billion move is also backed by Nicky Morgan, chairwoman of the Treasury select committee, five other Tory chairmen of select committees, the former work and pensions secretary Iain Duncan Smith and the former universities minister Lord Willetts. Another Tory MP, Heidi Allen, said the freeze no longer made moral sense.

Their call comes as part of a Times investigation into poverty in Britain, which discovered that:

- More families stand to lose than gain under the new universal credit benefit, according to a new analysis.
- In-work poverty is higher than at any time in two decades and rising faster than the rate of employment.

• Malnutrition has tripled over the past decade.

• Mr Duncan Smith threatened to make a Treasury official "eat his balls for breakfast" during a row over universal credit.

Mrs May and Philip Hammond, the chancellor, have already had to fend off

Continued on page 2, col 3



A White House employee reaches for a microphone held by the CNN reporter Jim Acosta. President Trump had clashed with him over a question about immigration at a post-election press conference yesterday

Trump points to second term

● US leader hails midterm success despite losing lower house ● Pence is running-mate again in bid for eight-year presidency

David Charter, Boer Deng Washington
President Trump immediately set his sights on re-election in 2020 yesterday after claiming to have "defied history"

president pumped up by several "incredible" Senate victories.
Mr Trump then sacked Jeff Sessions, the attorney-general, after months of sniping at him, as he began to reshape

divided by an election campaign marred by mail-bomb attacks, a mass-shooting of Jewish worshippers in Pittsburgh and aggressive partisan rhetoric from the president.

77 per cent of Democrats wanted the party to use its House majority to launch impeachment proceedings against Mr Trump and senior party figures made clear that they would

party was on track to make a net gain of at least two with Arizona and Florida still counting.
Mr Trump's conflict with the American media deepened when he argued



WELFARE REFORM ROADMAP TO 2020

APRIL 2016

- + Personal allowance raised to £11,000
- + Higher rate tax threshold raised to £43,000
- + National Living Wage set at £7.20 p/h
- + Social sector rents reduced by 1% p/y for 4 yrs

- JSA, ESA Work-Related Activity Group and Income Support rates frozen for 4 yrs
- Child Benefit rates frozen for 4 yrs
- Housing Benefit applicable amounts and LHA rates frozen for 4 yrs
- Tax credits income rise disregard halved to £2,500
- Work allowances lowered or cut under UC
- Family Premium eliminated from Housing Benefit
- Minimum Income Floor for self-employed earners under UC uprated to NLW

AUTUMN 2016

- + New minimum wage rates for 16-24 year olds from 1 Oct 2016
- Benefit Cap set at £23,000 (London) or £20,000 (elsewhere)

APRIL 2017

- + Personal allowance increased to £11,500
- + Higher rate tax threshold increased to £43,600
- + NLW set at £7.50 p/hr for over 25
- + Taper rate of UC reduced to 63% from 65%

- Family element/first child premium, and child elements after 3+ children, eliminated for new births or claims on UC and tax credits
- New ESA Work-Related Activity Group claimants get same rate as JSA recipients
- 18-21 year olds lose auto entitlement to housing support under UC
- 18-21 year olds on UC get support at start of claim; must earn or learn after 6 mths

SEPT 2017

- + Free childcare entitlement doubled from 15 to 30 hours for parents of 3 & 4 year olds

APRIL 2018

- Mortgage Interest Support becomes a loan

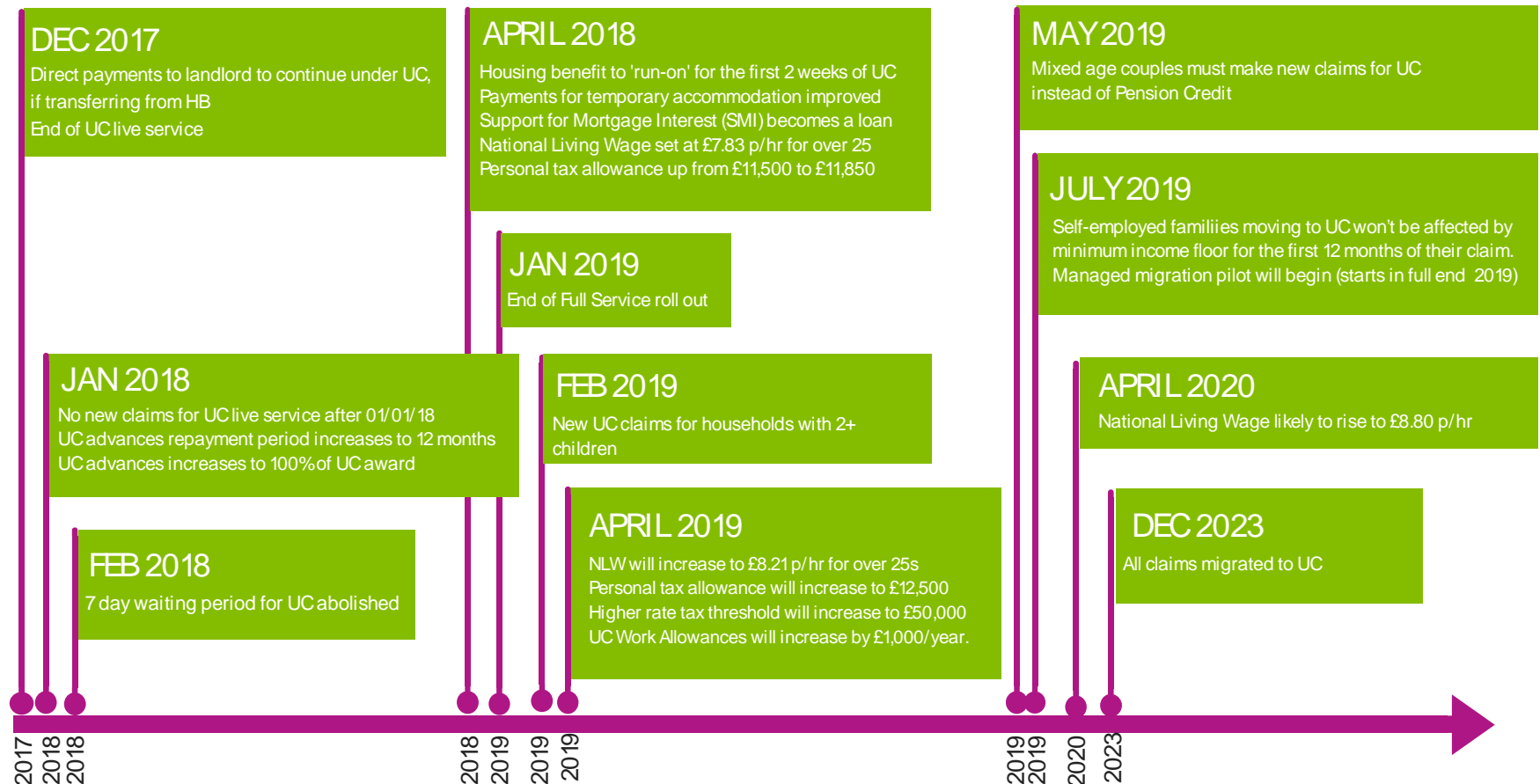
APRIL 2019

- New social tenancies from April 2016 and all UC claimants see max Housing Benefit limited to LHA rate

APRIL 2020

- + Personal allowance increased to £12,500
- + Higher rate tax threshold increased to £50,000
- + National Living Wage likely to rise to £8.80 p/h

Universal Credit roadmap



OUR APPROACH TO DATA ANALYSIS

Your Housing Benefit /
Council Tax data



We use administrative data capturing detailed information on low income households

Our Benefit and Budgeting
Calculator



We combine these datasets together over time, and model policies across four government departments combined, to examine the impacts both now and in the future

Rich, detailed impact
assessment: who is impacted
and by how much



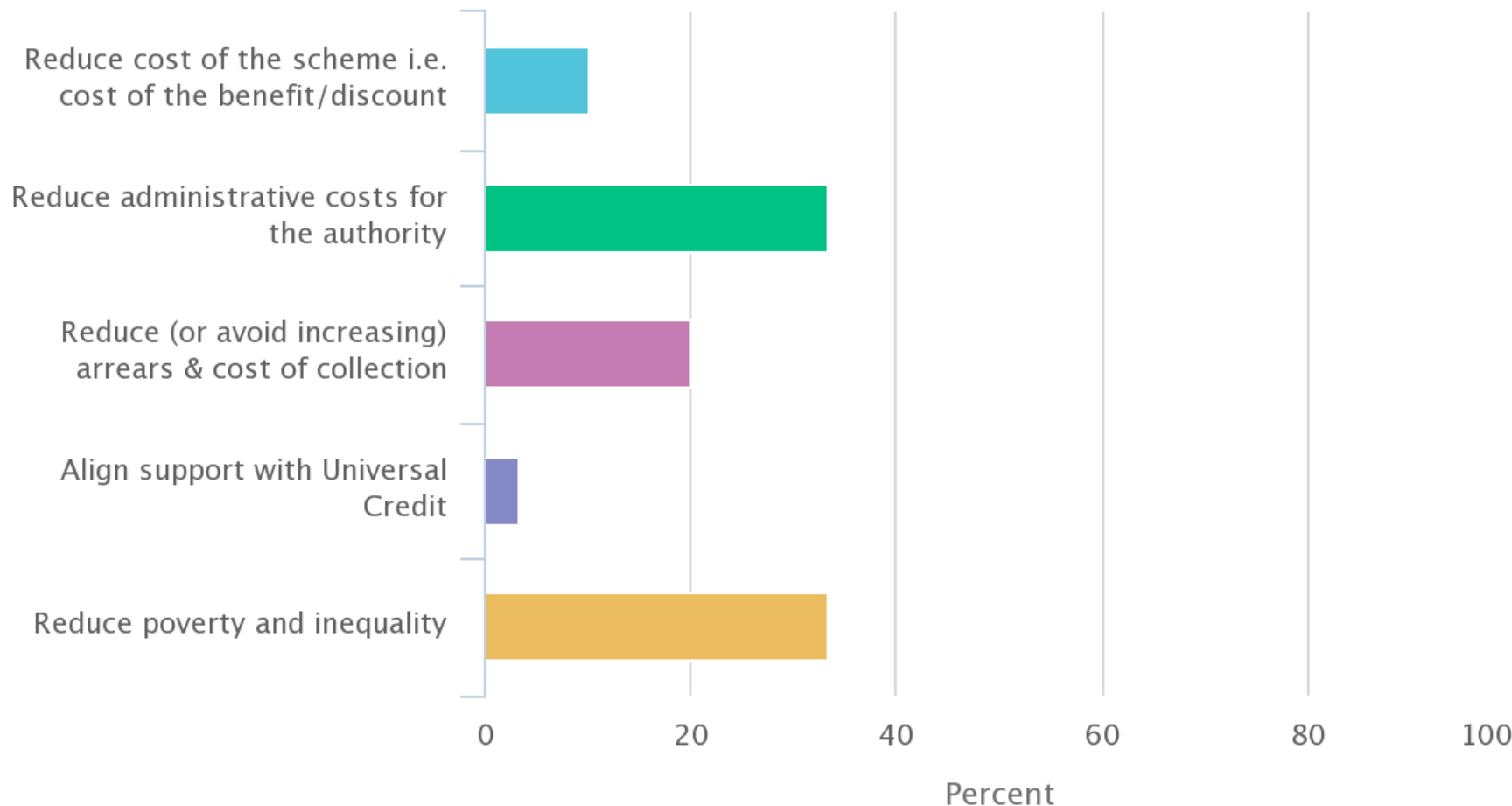
CTR support now and in a future scenario, both under the current system or under UC



Poll: What would your Member's main objective be if you were changing your CTR scheme?



What would your Member's main objective be if you were changing your CTR scheme?



4 APPROACHES TO MODELLING CTR SCHEMES

1. Do nothing
2. Make small tweaks
3. Income-banded schemes
4. Discount schemes



1. DO NOTHING APPROACH

- Shows council impact if nothing was changed, but the following occur:
 - Council Tax Liabilities increase
 - National Minimum Wage, Personal Tax Allowance increase
 - XX% of households are migrated over to Universal Credit
 - Rent prices, benefit rates increase
- “Not doing anything is the most radical thing you can do”

Average weekly CTR awarded in current-uprated scheme, compared to current scheme			
Group	Upated current scheme (£/week)	Change (£/week)	Change (%)
All working age	£14.28	−£1.25	−8.0%
UC	£11.50	−£3.37	−22.7%
Legacy benefits	£15.71	−£0.16	−1.0%
Pension age	£22.46	−£0.01	0.0%
Total	£16.71	−£0.88	−5.0%

Maintaining current system into 2019/20: weekly support levels



2. MAKE SMALL TWEAKS

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.

Model the social and financial impact of small tweaks, including:

- Introducing band cap, capital limit
- Changing max. support, taper rate
- Reducing/removing non-dependant deductions
- Introducing Minimum Income Floor to all self-employed



3. INCOME-BANDED SCHEMES

- Modelling the financial and social implications of sorting households into set income bands, each with corresponding discounts
- Building in **protection for larger households** through different ways:
 - Disregarded earnings or incomes (e.g. Child Benefit, childcare element, housing element etc.)
 - Equivalising income – dividing by number of household members
 - Different bands for single people / couples with children
- Reverse engineer income bands, and levels of discount for each, to keep scheme **cost-neutral** or to **make savings**.

Band	Earnings	% award	No. households
1	No earnings	72%	12,644
2	<£500	52%	1,301
3	£500.01-£800	44%	2,698
4	£800.01-£1100	36%	1,076
5	£1100.01-£1400	28%	1,129
6	£1400.01-£1700	20%	44
7	£1700.01-£2000	12%	32



4. DISCOUNT SCHEMES

- Like income-banded schemes (not repeating assessment) but looking at basic **household circumstances only**
- Avoid having to add up incomes for every household
- Households sorted into small number of bands, for example:

Band	Criteria	% discount
Band 1	households on UC and not earning	90%
Band 2	households on UC and earning below work allowance	70%
Band 3	households on UC and earning above work allowance	50%

- Above, use of work allowance (which varies by household type) means larger households not penalised
- Earnings level set to prevent large numbers gaining eligibility
- Reverse-engineering to find discounts that keep cost same.

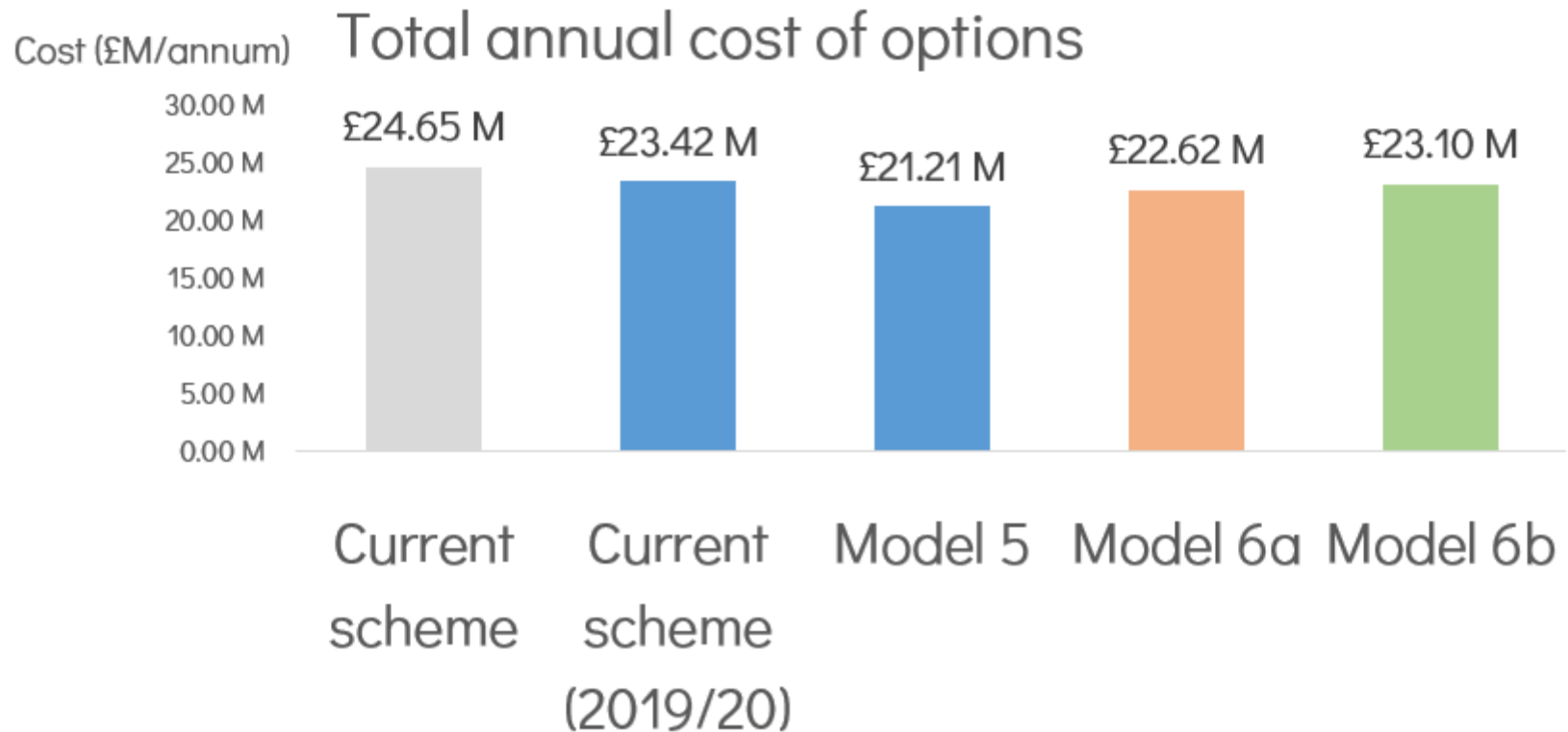


5. De-Minimus Rules

- Limit the rate of re-assessments by allowing a grace for income fluctuation
- Use longitudinal data to track the rate of current fluctuation, to calculate how many households would be prevented from re-assessments in a month



SEE SOCIAL AND POLITICAL IMPACTS



Cost of current scheme, current scheme uprated to 2019/20, and all models, £M/annum

Model 5 is an income-banded scheme. Based on weekly income, households will be sorted into bands with corresponding award levels.



Comparison of council tax support (£/week)				
	Current scheme 2018/19	Current scheme 2020/21	Model 1	Model 2
ALL WORKING AGE	£16.83	£17.66	£17.59	£17.58
LEGACY BENEFITS	£17.14	£17.98	£17.38	£17.41
UNIVERSAL CREDIT	£13.99	£17.13	£17.94	£17.87
CT Band				
A	£15.83	£16.76	£16.67	£16.84
B	£18.24	£18.81	£18.81	£18.41
C	£20.11	£20.56	£20.51	£20.06
D	£21.59	£22.17	£22.12	£21.20
EFGH	£28.94	£30.62	£30.55	£30.25
Tenure type				
Private tenant	£16.76	£17.17	£16.61	£16.13
Owner-occupier	£16.46	£17.51	£18.12	£18.19
HA tenant	£17.03	£17.94	£17.79	£17.91
Household type				
Single	£15.69	£16.95	£16.56	£17.27
Lone Parent	£15.39	£15.92	£16.17	£15.13
Couple no children	£20.37	£21.98	£21.24	£21.81
Couple with children	£20.38	£20.02	£20.72	£20.17
Economic status				
Employed	£12.91	£9.79	£11.59	£9.74
Self-employed	£14.45	£13.03	£11.40	£7.89
Out-of-work benefits	£17.57	£19.14	£18.81	£19.24
Barriers to work				
Lone parent with child u5	£14.88	£18.67	£14.65	£12.44
ESA	£16.32	£17.04	£16.12	£13.37
DLA/PIP	£18.06	£19.76	£19.23	£19.87
Carers	£17.40	£16.29	£15.77	£13.05



Comparison of take-home income (£/month)

	Current scheme 2018/19	Current scheme in 2020/21	Model 1	Model 2
ALL WORKING AGE	£1,175.05	£1,214.19	£1,224.59	£1,224.58
LEGACY BENEFITS	£1,171.42	£1,214.51	£1,226.00	£1,226.04
UNIVERSAL CREDIT	£1,207.89	£1,213.66	£1,222.22	£1,222.13
Band				
A	£1,095.06	£1,135.35	£1,142.25	£1,142.43
B	£1,365.55	£1,407.14	£1,420.09	£1,419.67
C	£1,413.08	£1,422.71	£1,445.39	£1,444.95
D	£1,456.02	£1,484.75	£1,488.73	£1,487.78
EFGH	£1,204.97	£1,226.50	£1,125.68	£1,126.23
Tenure type				
Private tenant	£1,384.43	£1,427.58	£1,434.61	£1,434.13
Owner-occupier	£976.42	£989.61	£982.23	£982.35
HA tenant	£1,173.89	£1,221.04	£1,223.51	£1,223.63
Household type				
Single	£775.26	£812.67	£816.78	£817.43
Lone Parent	£1,485.25	£1,521.12	£1,547.24	£1,546.24
Couple no children	£1,133.83	£1,141.88	£1,106.89	£1,107.42
Couple with children	£1,778.39	£1,846.32	£1,850.56	£1,850.03
Economic status				
Employed	£1,714.76	£1,819.49	£1,852.87	£1,851.03
Self-employed	£1,056.62	£1,085.43	£1,092.17	£1,092.60
Out-of-work benefits	£1,979.99	£1,980.01	£2,002.98	£1,999.45
Barriers to work				
Lone parents with child u5	£2,034.12	£1,961.34	£1,810.27	£1,808.22
ESA	£1,539.62	£1,563.67	£1,567.99	£1,565.25
DLA/PIP	£995.56	£1,032.58	£1,031.20	£1,031.72
Carers	£2,356.51	£2,342.26	£2,428.55	£2,425.81



SEE SOCIAL AND POLITICAL IMPACTS

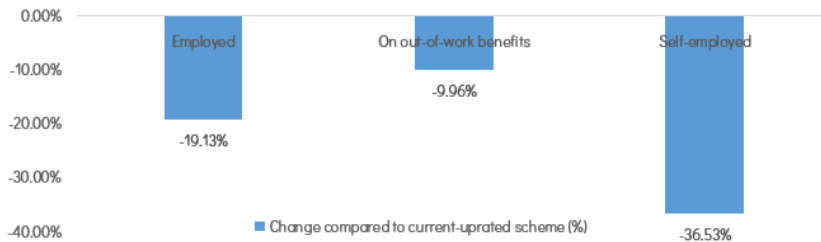
On different economic groups

Economic status

Households in receipt of out-of-work benefits would lose the least under this model, 10.0%. Most of these households would be placed within the top band, receiving 72% of their CT liability before non-dependant deductions. This is a reduction from the current scheme, which provides a maximum of 80% of a claimant's calculated award.

Self-employed households would lose substantial support, 36.5%. This is due to the introduction of the Minimum Income Floor to all self-employed households, including those in receipt of legacy benefits.

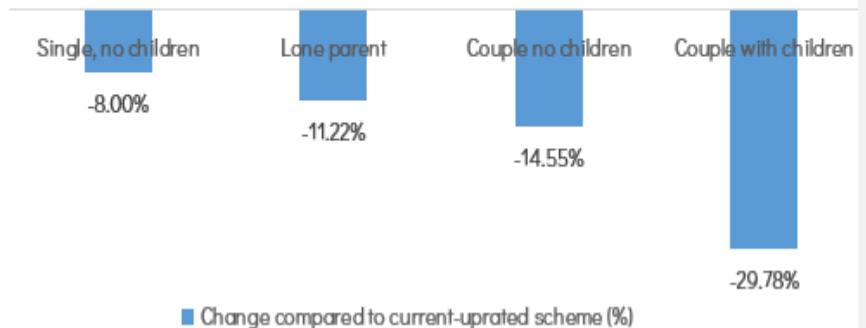
Percentage change in CTR compared to current-uprated scheme, by economic status



Model 5: Percentage change in support compared to retention of the current scheme into 2019/20, by economic status.

On different tenures

Percentage change in CTR compared to current-uprated scheme, by household type



Universal Credit Take-Up

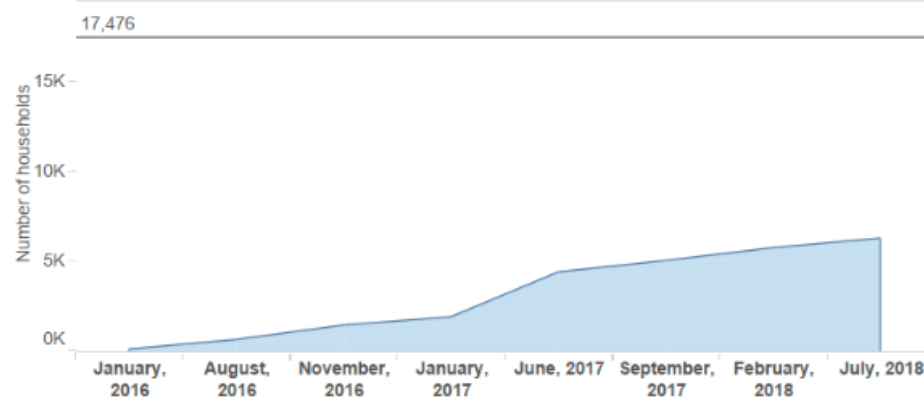
[Who is on Universal Credit?](#)[Take up of council tax support](#)[The housing element of Univer...](#)[Download](#)

Take up of council tax support

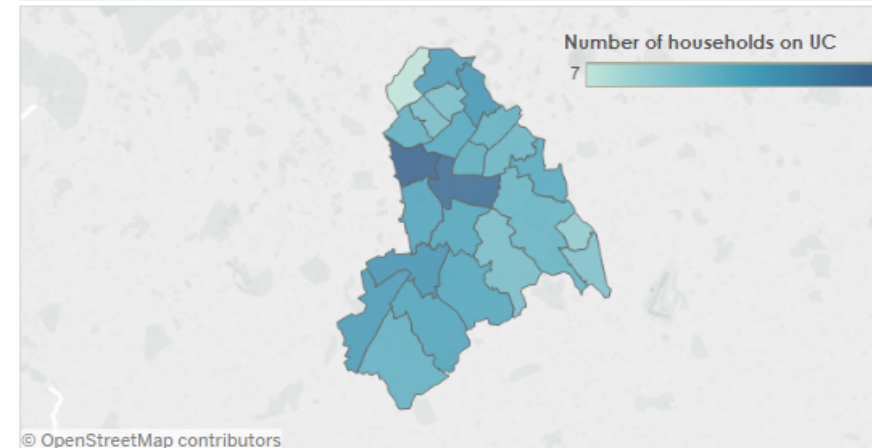
Based on a snapshot of July 2018 datasets

Households eligible for Council Tax support on Universal Credit are not always making claims. This is likely to include a number of those that have recently left Housing Benefit to move onto Universal Credit.

The gap between total households on Universal Credit and council tax support take up in your borough



Where is CTS take up highest among UC claimants?



Households that left the housing benefit dataset and may have moved on to Universal Credit

These are households that have left the housing benefit dataset and have possibly **moved on to Universal Credit** but are not claiming council tax support. The eligibility of these households to council tax support should be checked if they are in fact on Universal Credit.

...of which those eligible for council tax support under Universal Credit



2,530

Download list 

Drivers for change...

- To tackle the increased administration owing to frequency of UC notices.
- To provide opportunity for better collection levels by reducing the monthly rebilling for those on UC.
- To simplify the scheme for officers and citizens.
- To reduce the overall scheme costs.

Process, Timeline & Member Engagement

- **March 2018** – Full Council approved the Medium Term Financial Strategy which included a £2m saving on CTRS.
- **June 2018** – Policy and Resource Committee considered revised financial position.
- **June 2018 to September 2018** – Further savings considered across council.
- **August 2018** – Policy in Practice provides 4 CTRS models.
- **September 2018** – Revised financial position highlights a required £3.2m savings to be found from CTRS. PinP asked to provide a further model.
- **October 2018** – Urgency Committee asked to consider models and approve consultation.
- **October 2018** – Consultation begins.
- **December 2018** – PinP asked to provide further modelling following end of consultation.
- **December 2018** – Policy and Resources Committee agree proposed scheme and onward referral to Full Council for approval. They also approve changes to our combined DHP and DCTH Policy.
- **January 2019** – Full Council agree revised scheme.

Adopted Scheme – April 2019

- Introduce an income banded scheme, based on earned income.
- Reduce the maximum capital limit to £6,000.
- Two non dependent deductions:
 - Income under £200 per week = £5.00 deduction
 - Income equal to or over £200 per week = £11.00 deduction
- Introduce a minimum income floor.
- No longer apply a disregard if paying child care costs.

CONCLUSION

Universal Credit is coming and the status quo will not be neutral

The best scheme for a local authority will depend on:

- Demographics
- Current scheme
- Political climate
- Members' objectives and local priorities

The effectiveness of your scheme can only be understood through detailed cost *and* social impact analysis





“Without data
you’re just
another person
with an opinion.”

- W. Edwards Deming,
Data Scientist



Thank you

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