

## **New analysis: Council tax support scheme costs rise by 16% as London Boroughs struggle to meet Covid-driven demand**

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Policy in Practice analysed housing benefit and council tax support administrative data from over 400,000 households to understand how the pandemic has affected the caseload and costs of council tax support schemes across London.

The latest analysis from our groundbreaking [Low Income Londoners project](#) was made possible thanks to the ongoing support of Trust for London and the pooling of administrative datasets from 14 London Boroughs. The analysis compares data from each borough from before the pandemic in early 2020 to the first three months of 2021 (depending on data availability).

From January to March 2021 the number of households claiming Universal Credit had substantially increased by 100% nationally (from 2.5 million to 5 million), and by 130% in London (from 371,000 to 867,000).

### **New data-led analysis on low-income Londoners: Three key findings**

1. **Council tax support caseloads grew by 13%.** On average, this equates to an extra 1,942 households claiming support from their council in each Borough.
2. **Council tax support costs grew by 16%** during the pandemic. Over a year, this is £2.4m for the average Borough, which represents nearly 1% of a council's total budget. The government has responded to increased caseloads with an extra £670m funding package for England, with £92m going to London and £3.4m to the average borough in this study.
3. The **take-up rate of council tax support varies between Boroughs**, from 35% in Sutton to 14% in Lambeth. This is driven by the generosity of council

tax support schemes (more generous council tax support schemes drive better take up), how easy it is to claim, and demographic trends. Councils may want to focus on raising awareness of their scheme and improving the ease of claiming.

Participating councils can also see how their caseload and costs compare to other councils in our [interactive dashboard](#).

### **Rising caseload, rising costs**

The average London Borough's working-age council tax support caseload has risen by 12.8% between January to March 2020 and January to March 2021. This equates to an average of an extra 1,942 households per Borough.

In the same period, the average total cost of awards for working-age council tax support has risen by 16.1% (£2.4m per year per Borough), driven by an average increase in council tax liability of 5.6% and the huge increase in caseload caused by the economic fallout from the pandemic.

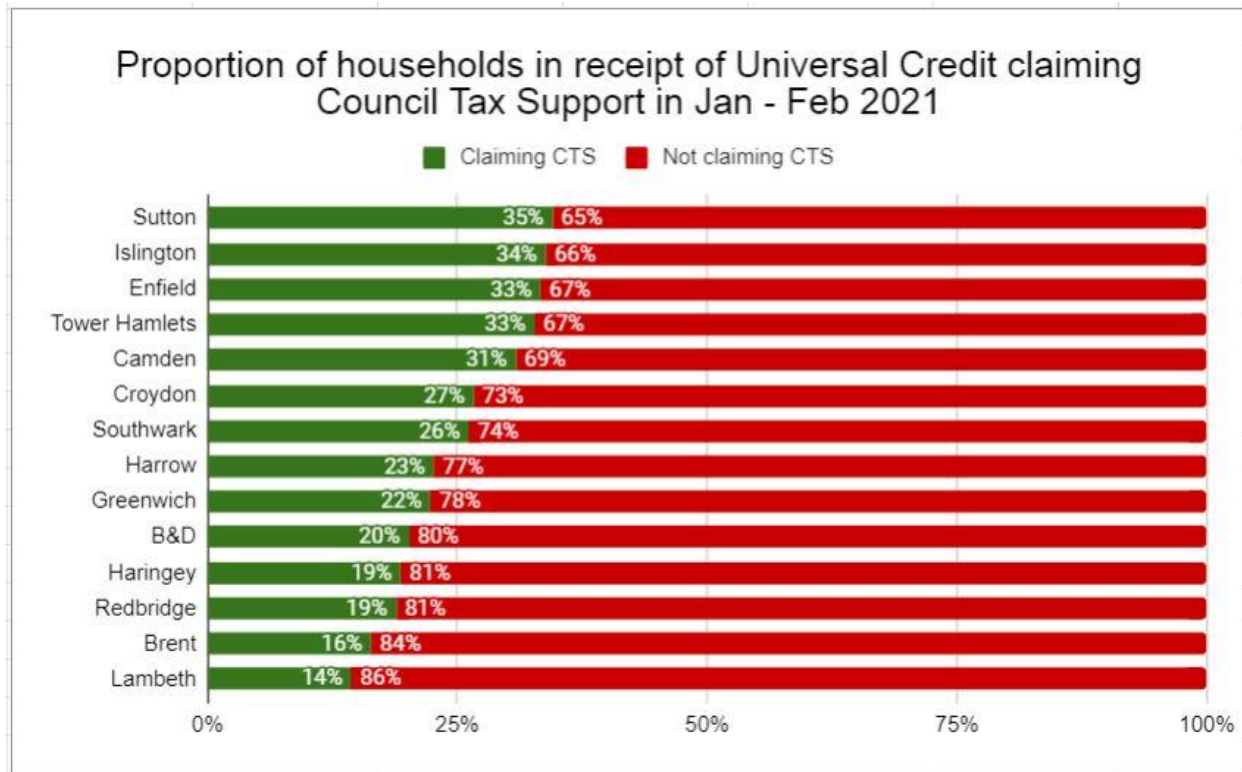
These increased council tax support costs represent an average rise of almost 1% (0.96%) of councils' overall budget and core spending power.

The increase in caseload and cost comes primarily from new council tax support claims by households receiving Universal Credit.

Universal Credit council tax support caseloads across 14 London boroughs grew by 67%, with several Boroughs' caseload of households in receipt of Universal Credit more than doubling. Harrow saw the greatest increase with their Universal Credit council tax support caseload having more than tripled in just a year.

Only 21% of the increase in Universal Credit council tax support caseload came from households who were receiving council tax support prior to the pandemic, meaning most of the caseload increase was driven by households who did not need assistance with council tax until the pandemic hit.

## Rates of council tax support take-up vary considerably between Boroughs



Whether a household in receipt of Universal Credit will also receive help to pay their council tax bill varies significantly depending on where they live in London, as the graph above shows. We find that, on average, just 25% of Universal Credit households in London are likely to receive help to pay their council tax bill; this figure varies from 35% in Sutton to 14% in Lambeth.

### Three key factors contribute to this variation in uptake between Boroughs:

1. **Generosity of a council tax support scheme:** more generous council tax support schemes drive better take-up and exclude fewer Universal Credit households from eligibility. For example, after the Royal Borough of Greenwich overhauled their council tax support scheme in April 2020 to make it more generous, uptake increased by 5% by Q1 2021. Similarly, Harrow implemented a simplified council tax support scheme for Universal

Credit households in April 2020 and saw uptake increase by 8% over the next 8 months.

**2. Awareness and ease of application:** many Universal Credit households may not be aware they could be eligible for council tax support, while semi-automatic council tax support application for Universal Credit recipients in a Borough such as Southwark is likely to contribute to a relatively high takeup rate.

**3. Demographic features:** the proportion of benefit recipients that are not householders, and therefore not liable for council tax, varies between Boroughs. As a result, local demographics will always contribute to varying uptake.

Before the pandemic, and the increase in Universal Credit claims, the take-up of council tax support by households receiving Universal Credit was almost 50% in some Boroughs, significantly higher than the post-pandemic maximum take-up of 35% seen in Sutton.

If council tax support schemes can be made more generous and it's made easier for households receiving Universal Credit to apply, Policy in Practice hopes that more people who are claiming Universal Credit will be able to benefit from support with their council tax again.

### **Reviewing council tax support schemes can help councils to tackle rising costs and falling take-up**

Council tax liability rose by 3.9% on average across all of London in April 2020 and 4.7% in April 2021. In 2020/21, as part of the response to the pandemic, the government provided a [Hardship Fund](#) that allowed councils to support those in receipt of benefits to pay their bill. The fund provided an additional £150 support for each council tax support claimant. This additional support has not been continued into 2021/22. [Additional funding to assist with increased caseloads](#) should help councils to meet costs in 2021/22, so long as caseloads do not further

increase when the furlough scheme ends, but for some councils this will not entirely cover the increase in costs since the start of 2020

Councils struggling to meet their statutory spending commitments may not be willing to maintain the generosity of their council tax support schemes if caseloads remain at high levels as the economy recovers. However, councils are also reluctant to impose greater hardship on residents who may struggle to pay their council tax bills.

In light of this, many councils may want to reassess their council tax support schemes to increase take-up for households on Universal Credit and ensure support is well-targeted so that households that are struggling continue to receive support, even as budgets become stretched.

Policy in Practice analysed the impact of alternative [council tax support schemes](#) for dozens of councils across the UK.

To learn more about how councils are responding to the steep increase in support needed by residents visit our [local authority solutions](#) page, email [hello@policyinpractice.co.uk](mailto:hello@policyinpractice.co.uk) or call 0330 088 9242.