

Dadansoddi ar gyfer Polisi



Analysis for Policy



Llywodraeth Cymru
Welsh Government

SOCIAL RESEARCH NUMBER:

11/2021

PUBLICATION DATE:

16/02/2021

Understanding the impact of Covid-19 on the Council Tax Reduction Scheme in Wales: Interim Findings

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

OGL © Crown Copyright Digital ISBN 978-1-80082-869-8

Title: Understanding the impact of Covid-19 on the Council Tax Reduction Scheme in Wales: Interim Findings
Subtitle: Draft Report

Author(s): Zoe Charlesworth, Fabiana Macor, Zach Mills and Sam Tims, all Policy in Practice

Full Research Report: Charlesworth, Z; Macor, F; Mills, Z; Tims, S; (2021). *Understanding the impact of Covid-19 on the Council Tax Reduction Scheme in Wales*. Cardiff: Welsh Government, GSR report number xx/201x.>
Available at: <https://gov.wales/council-tax-reduction-scheme-and-covid-19-wales-interim-findings>

Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

For further information please contact:

Dr John Broomfield

Local Government Strategic Finance Division

Welsh Government

Cathays Park

Cardiff

CF10 3NQ

Email: LocalTaxationPolicy@gov.wales

Contents

1.	Introduction	4
	Background	5
	Our approach to this research	7
2.	Changes to the CTRS working-age caseload	8
	Regional variation.....	12
3.	Changes to the value of CTRS awards	14
	Total value of working-age CTRS awards	14
	Weekly CTRS awards	16
	Regional variation in the annual value of working-age CTRS in Wales.....	18
4.	Council tax arrears	19
5.	Predicting the potential change in the working-age CTRS caseload and awards to April 2021	22
	Methodology.....	22
	Predicted impact on working-age CTRS caseload	23
	Predicted impact on the annual value of CTRS awards for working-age households	24
6.	Conclusion	25
	Key Findings.....	28
	Appendix A: List of councils taking part in this research.....	29
	Annex B: List of councils that provided council tax arrears data for this research	30

List of tables

Table 2.1: Change in working-age CTRS caseload November 2019 to September 2020 ...	11
Table 3.1: Change in the total value of working-age CTRS awards in Wales - November 2019 to September 2020.....	15
Table 3.2: Change in CTRS average weekly awards in Wales - November 2019 to September 2020.....	17
Table 4.1: Comparison of the proportion of CTRS households with CT arrears, and average level of arrears, from September 2019 to September 2020 (based on seven councils).....	19
Table 4.2: Proportion of the working-age CTRS cohort in CT arrears and average level of arrears amongst low-income households in Wales by benefit claim - September 2019 to September 2020. Based on analysis of arrears from 7 councils.....	20
Table 4.3: Average level of arrears amongst the working-age CTRS cohort across seven Welsh councils by economic status - September 2019 to September 2020.....	21
Table 5.1: Change in working-age caseload with benefits uplift retained - September 2020 to April 2021.....	23
Table 5.2: Change in working-age CTRS caseload with benefits uplift removed - September 2020 to April 2021.....	24

List of figures

Figure 2.1: Change in the number of working-age households receiving CTRS November 2019 to September 2020.....	8
Figure 2.2: Range of working-age CTRS % caseload increases across Welsh councils from November 2019 to September 2020	12
Figure 2.3: Range of % increase in Universal Credit CTRS caseload across Welsh Councils from November 2019 to September 2020	13
Figure 3.3: Range of % increase in annual value of working-age CTRS awards across Welsh Councils from November 2019 to September 2020.....	18

1. Introduction

- 1.1 In January 2019, the Welsh Government commissioned Policy in Practice to explore the impact of Universal Credit on the Council Tax Reduction Scheme and rent arrears in Wales. The report¹ was published by the Welsh Government in July 2020.
- 1.2 Since publication of the report, the UK has experienced an economic shock due to the Covid-19 pandemic with much economic activity ceasing or reducing from March 2020. The economic fallout from the pandemic has resulted in a substantial increase in the number of Universal Credit claimants throughout the UK. In order to understand how this affects the Council Tax Reduction Scheme and council tax arrears in Wales, the Welsh Government has asked Policy in Practice to undertake an extension to the initial research. The Welsh Government wishes to understand how the Council Tax Reduction Scheme (CTRS) caseload and the value of Council Tax Reduction (CTR) awards have altered since the start of the pandemic and the impact on council tax arrears in Wales.
- 1.3 The Welsh Government also wishes to understand the likely change to Council Tax Reduction Scheme caseload, projected change in the value of CTRS awards and projected impact on council tax arrears in Wales for the beginning of the 2021 financial year.
- 1.4 The extension of the initial research will be presented in two reports:
- This initial report provides findings based on data from Welsh councils as of September 2020. This report provides the Welsh Government with an understanding of the change in Council Tax Reduction Scheme caseload, change in value of awards, and any impact on council tax arrears since the start of the pandemic. This report also provides an initial projection of the possible impact once Government income support schemes end in March 2021.
 - A final report, due for publication in Spring 2021, will provide findings based on data supplied by Welsh councils in April 2021. The final report will capture

¹ [Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales: Final Report](#)

change in Council Tax Reduction Scheme caseload, change in value of Council Tax Reduction awards, and change in council tax arrears, following the proposed cessation of the UK Government's Coronavirus Job Retention Scheme (CJRS) and the Self-Employed Income Support Scheme (SEISS) in March 2021. The UK Government is currently considering the end of an uplift provided to Universal Credit² that was initially introduced from April 2020 as a response to the economic fallout of the pandemic. The final report will capture any impact of change in Universal Credit assessment criteria and award levels that come into force from April 2021.

Background

- 1.5 The Covid-19 pandemic has created an unprecedented health and economic crisis and, since March 2020, the economy has been restricted in an attempt to control the spread of the virus. The UK Government has intervened to support incomes of those impacted by the forced closure of parts of the economy through schemes covering up to 80% of wages, to a limit of £2,500 per month.
- 1.6 The introduction of these income support schemes; the Coronavirus Job Retention Scheme (CJRS) and Self-Employed Income Support Scheme (SEISS), have been effective in preventing mass unemployment in the UK and in Wales. At the beginning of July 2020, the CJRS supported the wages of 240,000 jobs in Wales³.
- 1.7 Yet not all jobs have been retained nor all wages supported at pre-Covid levels. Unemployment in Wales was at 4.6% for the months July to September, this is 1.9 percentage points higher than in the previous quarter and up by 0.8 percentage points on the same period last year⁴. Claims for Universal Credit in Wales that are in payment have increased by 61,000 in the six months to July 2020⁵, an increase of 46%.

² From April 2020 the Universal Credit and Working Tax credit personal allowance was increased by £20 per week. LHA rates were increased to align with the 30th percentile of market rents, and the notional income for self-employed claimants (the Minimum Income Floor) was suspended. The Government has announced that the increase in the LHA rate will be retained from April 2021. Currently the other measures are due to expire on 31 March 2021.

³ [Coronavirus Job Retention Scheme statistics: November 2020, HMRC](#)

⁴ Unemployment in Wales fell to a historically low level before the Covid-19 pandemic, causing the large jump in unemployment compared to the last quarter, [ONS Dataset A01: Summary of labour market statistics](#)

⁵ DWP quarterly statistics release (<https://stat-xplore.dwp.gov.uk/webapi/metadata/dashboards/uch/index.html>) showed 131,027 households claiming and receiving UC by 1 March 2020 rising to 191,881 by 1 August 2020

1.8 Further increases in unemployment and reliance on means-tested benefits is expected. UK Government support of wages through the CJRS and SEISS is set to end in March 2021. The Office for Budget Responsibility forecasts that some of those currently protected will be made redundant at this time and that UK-wide unemployment will increase by a further 800,000 in April 2021⁶. No specific Welsh predictions were available at the time this report was written.

1.9 It is worth noting that an increase in unemployment is not expected to map exactly onto an increase in the Council Tax Reduction Scheme caseload or value of CTRS awards. The CTRS caseload represents only a subset of low-income households. It consists of households that have made a claim for Universal Credit, or who remain in receipt of legacy benefits, and who are also eligible for and receive council tax support. There are a number of household types that will not fit within this category if they were to experience an income reduction or unemployment. For example:

- Those not liable for payment of council tax, such as unemployed people living in the home of a family member. Typically, this group consists of younger adults residing in the home of their parents.
- Those that are not eligible for means-tested benefits due to having savings of over £16,000 or due to the level of earnings of a partner.
- Those not eligible for means-tested benefits due to their immigration status or because they are students.
- Universal Credit recipients or legacy benefit recipients who do not apply to their local council for council tax reduction.
- Universal Credit recipients whose income is low enough to qualify for Universal Credit but who do not qualify for council tax reduction due to income or because they have other adults living in the home who would be expected to contribute to the council tax charge.

1.10 In addition to households that experience a loss of income, or unemployment, and are not eligible for CTR, the CTRS caseload figures will typically lag behind rises in

⁶ [Office for Budget Responsibility. Economic & Fiscal Outlook November 2020](#)

unemployment. This is due to a number of factors including households that use their own resources before making a claim for Universal Credit, the five-week wait for first Universal Credit payment, and a delay in Universal Credit claimants showing up in the CTRS caseload.

Our approach to this research

- 1.11 To understand the impact of Covid-19 on the Council Tax Reduction Scheme in Wales, a comparison has been made of pre-pandemic data (November 2019 data⁷) with current data (September 2020).
- 1.12 Data used for CTRS analysis consists of the Single Housing Benefit Extract (SHBE) and the CTRS extract. These datasets are used by Welsh councils to administer Housing Benefit and CTRS respectively. 18 out of the 22 Welsh councils have supplied these datasets in full for September 2020. Data is compared to data held in the equivalent datasets for November 2019. The 2019 data was supplied by Welsh councils as part of the original research⁸ undertaken by Policy in Practice for the Welsh Government. To estimate CTRS caseload across the whole of Wales, the caseload for the three councils that did not supply data in September 2020 is extrapolated. For a fourth council that supplied a partial dataset, similar extrapolation is used. Any reference to figures across the whole of Wales should therefore be interpreted as estimates. Throughout this report, figures have been rounded to a level that is reasonable given the magnitude of the value. A list of Welsh councils that provided CTRS caseload data for September 2020 is given in Appendix A.
- 1.13 Analysis of change in council tax arrears is based on council tax arrears data from seven councils for both September 2019 and September 2020. This data has been processed and merged with the SHBE and CTRS data. A list of Welsh councils that provided rent arrears data for this research is given in Appendix B.

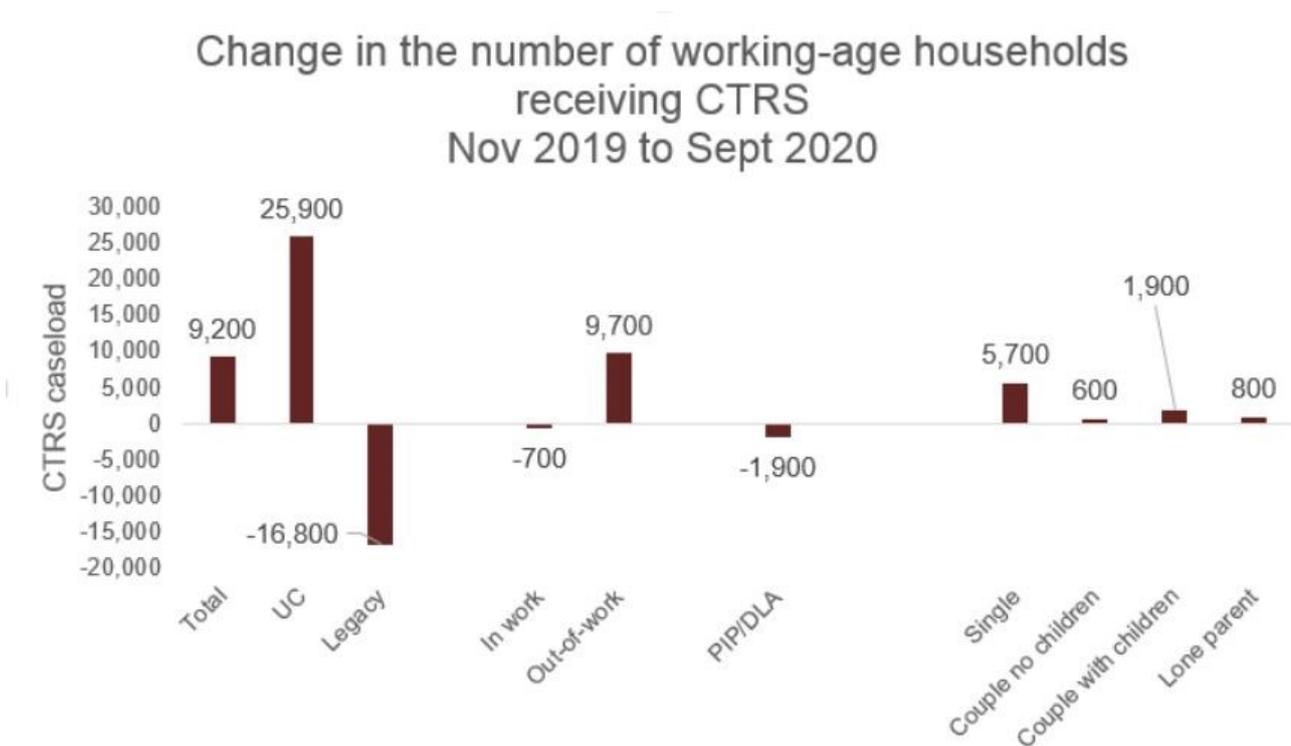
⁷ In the case of four councils without data in respect of November 2019, July 2019 data is used in its place.

⁸ [Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales: Final Report](#)

1.14 Details of our methodological approach can be found in the original research⁹. Some additional information is supplied in the body of this report.

2. Changes to the CTRS working-age caseload¹⁰

Figure 2.1: Change in the number of working-age households receiving CTRS November 2019 to September 2020



2.1 Since November 2019, the CTRS working-age caseload in Wales has increased by approximately 9,200 households, this is a 5% increase.

2.2 The overall trend since 2019 has been an increase in the proportion of households that are working age, in receipt of Universal Credit, not living with a disability¹¹, and/or not in employment¹².

⁹ [Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales: Final Report](#)

¹⁰ This report concentrates on working-age households. This report stands as a supplement to the initial report to the Welsh Government (referred to throughout this report) which examines the working-age CTRS in Wales.

¹¹ A household is deemed to be living with a disability if the main claimant or partner is in receipt of ESA or DLA/PIP

¹² For couple households, a broad definition of employment is used: a household is deemed out-of-work if both the claimant and the partner are unwaged.

Benefit type

- 2.3 Between November 2019 and September 2020 there is a proportional change in the CTRS caseload between working-age households receiving legacy benefits, and households receiving Universal Credit. This is expected, as the majority¹³ of new claims for means-tested benefits fall under the new Universal Credit benefit system.
- 2.4 In more detail, the number of working-age households receiving CTRS who are in receipt of Universal Credit increased by 52% (25,900 households) from November 2019 to September 2020. This represents both new claims to means-tested benefits falling within the Universal Credit regime, as well as households previously represented in the legacy benefit caseload experiencing a change in circumstances that triggers a move to Universal Credit. Over the same period, the number of working-age households in receipt of legacy benefits has fallen by 14% (a reduction of 16,800 households). More explanation of this trend can be found in our main report.

Working-age and pension-age

- 2.5 Overall, the number of working-age households represented in the CTRS caseload has increased from November 2019 to September 2020 by 9,200. This caseload increase is partially offset by a slight reduction in pension-age caseload (of around 300) over the same period (this trend is longstanding and unlikely to be related to the Covid-19 pandemic¹⁴).

In receipt of disability-related benefits

- 2.6 From November 2019 to September 2020 the number of working-age households in receipt of disability-related benefits receiving CTRS has decreased by an estimated 2,000. Over the same period, there has been an increase of 11,000 working-age households receiving CTRS that are not in receipt of disability-related benefits. Despite overall estimates for the whole of Wales suggesting a drop in the number of households in receipt of disability-related benefits, there is substantial regional variation.

¹³ Households that are eligible for the Severe Disability Premium are the only group who will make a new claim for legacy benefits.

¹⁴ [Council Tax Reduction Scheme Annual Report 2015-16, August 2016](#)

2.7 The overall decrease in the number of working-age households receiving CTRS that are in receipt of disability-related benefits is not easily explainable. DWP caseload statistics¹⁵ indicate a general UK-wide fall in the number of new claims and re-assessments for disability-related benefits since March 2020 due to the disruption to assessments and appeals caused by the pandemic. This could be part of the reason for this trend. If this fall in the number of working-age households in receipt of disability benefits, as represented in the CTRS caseload, continues to be observed in April 2021, the Welsh Government may wish to undertake further research to understand the cause.

Employment

2.8 From November 2019 to September 2020 the number of working-age households not in employment and receiving CTRS has increased by 9,800 (7% increase), while the number of in-work households has remained stable with only a slight reduction of 700 households (2% decrease).

Household composition

2.9 From November 2019 to September 2020 there has been a change in the composition of working-age households receiving CTRS in Wales. In line with the overall increase in the working-age CTRS caseload, the caseload for all household types has increased in absolute terms.

2.10 The largest nominal increase in CTRS caseload relates to single-person households (an increase of 5,700 households or 7%). As such, single-person households continue to make up the bulk of the working-age CTRS caseload, albeit by a slightly greater extent (50% of caseload in 2020 compared to 49% of caseload in 2019).

2.11 The largest proportional increase is in the number of couples with children (9% increase) equating to an increase of 1,900 households.

¹⁵ [Personal Independence Payment: Official Statistics to July 2020, DWP](#)

Table 2.1: Change in working-age CTRS caseload November 2019 to September 2020¹⁶

	2019 ¹⁷		2020		Change 2019 to 2020	
	H/holds	% of caseload	H/holds	% of caseload	H/holds ¹⁸	% of caseload
Total working age caseload ¹⁹	171,700		180,800		9,200	+5%
Universal Credit	49,400	29%	75,300	42%	25,900	+52%
Legacy benefits	122,300	71%	105,500	58%	-16,800	-14%
Employment status						
In work	31,500	18%	30,800	17%	-700	-2%
Out of work	140,200	82%	150,000	83%	9,800	+7%
Disability						
Disability benefits	87,700	51%	85,700	47%	-2,000	-2%
Household composition						
Single	84,300	49%	90,000	50%	5,700	+7%
Couple without children	18,000	11%	18,700	10%	600	+3%
Couple with children	20,300	12%	22,200	12%	1,900	+9%
Lone parent	49,100	29%	49,900	28%	800	+2%

¹⁶ Note that due to rounding figures totals may not match the sum of the component parts

¹⁷ In the report "Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales" published in July 2020, 2019-20 figures were based on data from all councils. This data was from July 2019. For this analysis, all but four datasets are from November 2019 with the rest from July 2019. This means caseload figures differ slightly from the original report. In the original report total working-age caseload stood at 166,000 across Wales. Data for November 2019 shows an increase to 172,000 working-age households across Wales (3% difference). It is likely that this increase is partially a reflection of seasonal work patterns between July and November.

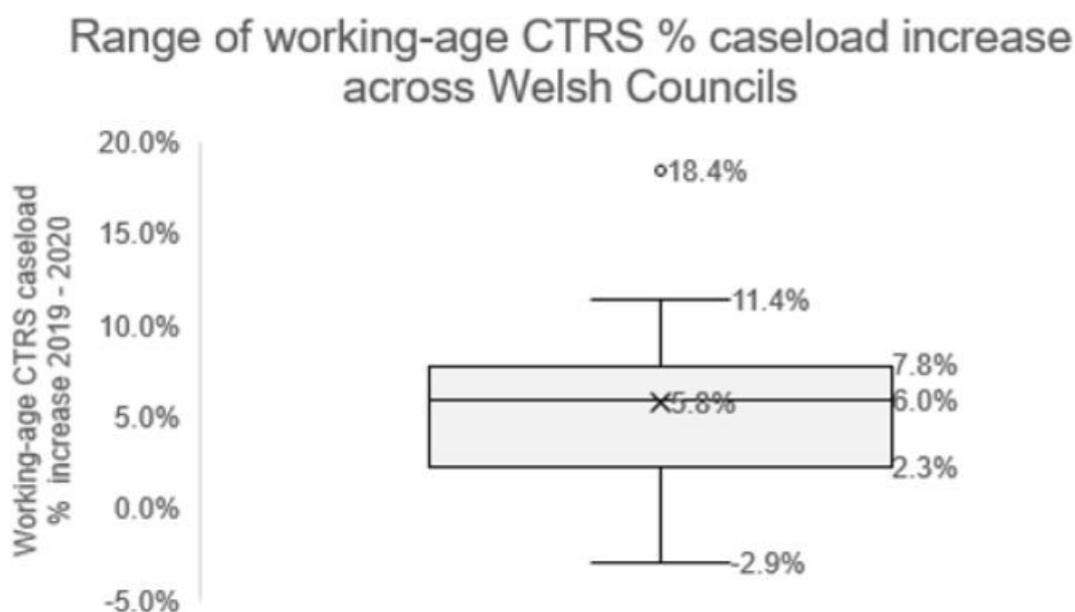
¹⁸ Figures are rounded; difference between the rounded 2019 and 2020 figures may not equal the rounded totals shown.

¹⁹ This is a count of households within the datasets supplied by 19 councils and extrapolated to all 22 councils

Regional variation

2.12 The Office for National Statistics (ONS) has reported quite stark regional variations in the impact of the economic consequences of the pandemic²⁰ across the UK. Our analysis indicates that this uneven distribution of economic impact is reflected in the CTRS data from councils across Wales.

Figure 2.2: Range of working-age CTRS % caseload increases across Welsh councils from November 2019 to September 2020



2.13 Out of the 18 councils that provided data for the project, all but two councils experienced an increase in overall working-age CTRS caseload. The two councils that did not see an increase in caseload saw their CTRS caseload remain at similar levels between November 2019 to September 2020 (decrease of less than 3%).

2.14 The median change in CTRS caseload was 5.8%. More than half of the 18 councils saw an increase between 2.3% to 7.8%.

2.15 Three councils saw increases in CTRS caseload of over 10%. The highest CTRS caseload increase was 18%.

2.16 Although increases in CTRS caseload are somewhat associated with the size of original CTRS caseload in 2019, this does not appear to be the only factor

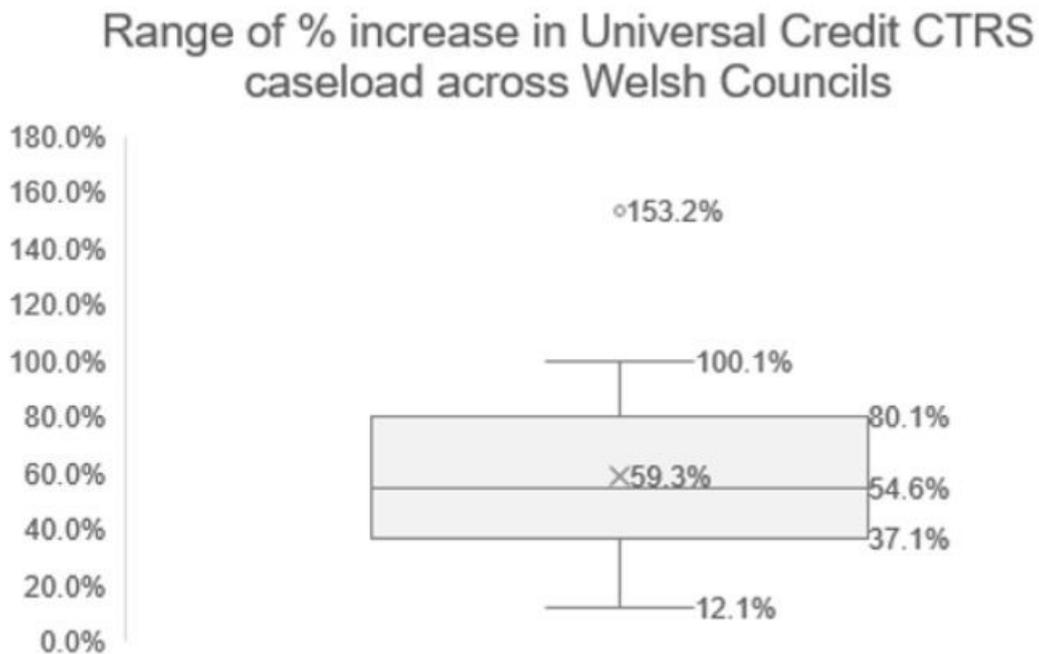
²⁰ [Labour market in the regions of the UK: September 2020, ONS](#)

influencing the increase in caseload. Change in caseload is likely to be related to some extent to local economic conditions such as the balance of employment between economic sectors. It is also possible that the administration of CTRS differs between councils in Wales and the researchers are discussing local procedures with councils.

Increase in Universal Credit CTRS applications

2.17 All Welsh councils that participated in this research saw the number of households claiming Universal Credit in their CTRS caseload increase. The range of increase was between 12% and 153%. Half of all councils saw increases between 37% and 80%. The median increase in Universal Credit CTRS applications was 59%. Further analysis of this variation shows that it is only weakly associated with UC rollout in Wales. The dominant factor behind the variation is the regional variation in Universal Credit recipients.

Figure 2.3: Range of % increase in Universal Credit CTRS caseload across Welsh Councils from November 2019 to September 2020



2.18 The two councils with the largest proportional increase in Universal Credit CTRS caseload were also the ones to experience the largest proportional increase in overall CTRS caseload. However, the magnitude of the increase is much greater than that observed for overall caseload, suggesting that the Universal Credit CTRS

caseload increase is the result of both an increase in the number of new benefit claimants as well as existing benefit claimants naturally migrating to Universal Credit due to a change in circumstances.

3. Changes to the value of CTRS awards

Total value of working-age CTRS awards

- 3.1 Since November 2019, the total annual value of working-age CTRS awards has increased by an estimated £17.6 million. This is an increase of 11% in the total value of working-age CTRS awards across Wales.
- 3.2 In April 2020 council tax liability increased by an average of 5.6% across Wales. The increase of 11% in the value of working-age CTRS awards is significantly higher than the increase in the council tax charge.
- 3.3 In general, increases in the value of CTRS awards for different demographic groups shows a similar pattern to CTRS caseload changes. As with the observed increase in CTRS caseload, the largest increase in the value of CTRS awards in Wales is in respect of working-age out-of-work households, Universal Credit claimants, and single-person households.
- 3.4 There has been an increase in the value of CTRS awards in Wales for working-age out-of-work households, for whom the value of CTRS awards has increased by £28 million. At the same time, the value of CTRS awards to households in Wales in receipt of legacy benefits has decreased by £11 million (a decrease of 9%).

Table 3.1: Change in the total value of working-age CTRS awards in Wales - November 2019 to September 2020

	2019		2020		Change 2019 to 2020	
	Total value of CTRS awards	% of total value	Total value of CTRS awards	% of total value	Change in value of CTRS awards	% change in value
Total working age caseload ²¹	165.9M		183.4M		17.6M	+11%
Universal Credit	43.7M	26%	72.1M	39%	28.4M	+65%
Legacy benefits	122.2M	74%	111.4M	61%	-10.8M	-9%
Employment status						
In work	22.4M	14%	21.9M	12%	-0.6M	-3%
Out of work	143.4M	86%	161.6M	88%	18.2M	+13%
Disability						
Disability benefits	90.9M	55%	93.1M	51%	2.2M	+2%
Household composition						
Single	77.4M	47%	86.9M	47%	9.5M	+12%
Couple without children	21.6M	13%	23.3M	13%	1.7M	+8%
Couple with children	23.1M	14%	26.0M	14%	2.9M	+13%
Lone parent	43.8M	26%	47.1M	26%	3.4M	+8%

²¹ Some totals may not sum due to rounding

Weekly CTRS awards

- 3.5 Average weekly CTRS awards per household across Wales have increased slightly from November 2019 to September 2020. Average awards have increased from £18.60 per week to £19.50 per week (£0.90 per week increase or 5%). This percentage increase in average CTRS award is of a similar level to the average percentage council tax increase. As the increase in weekly CTRS awards is in line with average council tax increases, the total increase in value of CTRS awards across Wales is therefore driven primarily by caseload increase.
- 3.6 Weekly CTRS awards have risen roughly in line with council tax increases for all categories of household. The only notable exceptions are weekly CTRS awards for households in work, which have remained at the same level from 2019 to 2020, and weekly CTRS awards for households in receipt of Universal Credit which have risen by 8% since 2019.
- 3.7 The average CTRS award for working households has stayed at a similar level from 2019 to 2020. Our previous report²² found that Universal Credit CTRS awards are generally lower for working households than CTRS awards under legacy benefits, as the household retains a higher proportion of earned income.
- 3.8 The higher than average increase in CTRS awards for Universal Credit households is a reflection of a greater proportion of the CTRS caseload not being in work compared to 2019.

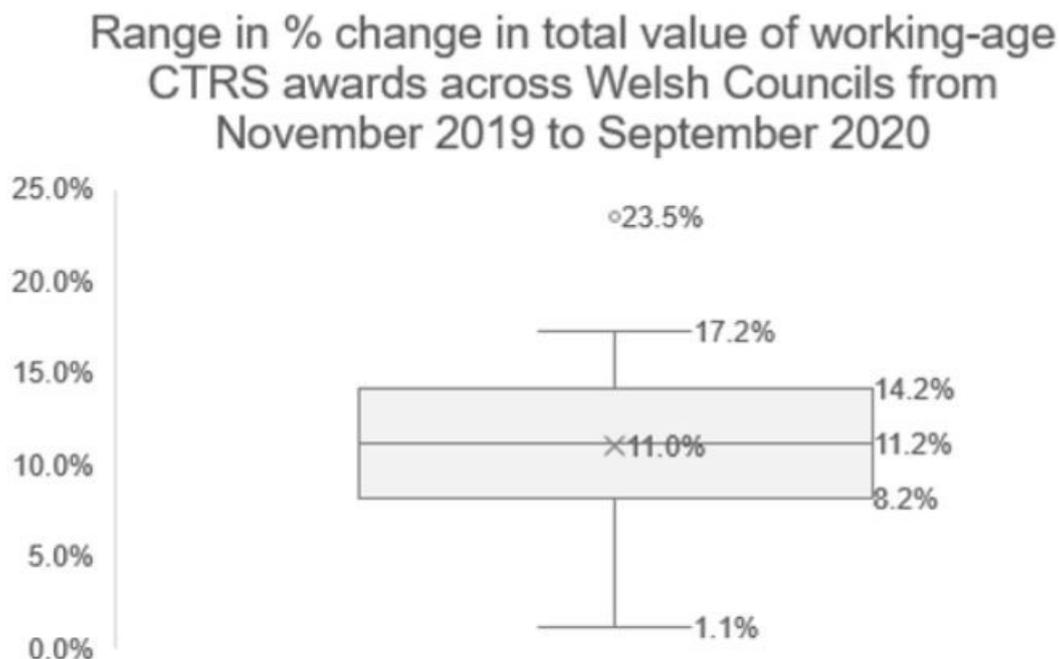
²² [Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales: Final Report](#)

Table 3.2: Change in CTRS average weekly awards in Wales - November 2019 to September 2020

	2019 weekly CTRS award	£/week 2020 weekly CTRS award	£/week Change in CTRS award 2019 to 2020	£/week % change in CTRS award
Working age	£19	£20	£1	5%
Universal Credit	£17	£18	£1	8%
Legacy benefits	£19	£20	£1	6%
Employment status				
In work	£14	£14	£0	0%
Out of work	£20	£21	£1	5%
Disability				
In receipt of PIP, DLA or equivalent	£20	£21	£1	5%
Household composition				
Single	£18	£19	£1	5%
Couple without children	£23	£24	£1	4%
Couple with children	£22	£23	£1	3%
Lone parent	£17	£18	£1	6%

Regional variation in the annual value of working-age CTRS in Wales

Figure 3.3: Range of % increase in annual value of working-age CTRS awards across Welsh Councils from November 2019 to September 2020



- 3.9 All the Welsh councils that took part in this research see an increase in the value of working-age CTRS awards. However, there is substantial variation in the increase in the value of CTRS awards between councils across Wales. This mirrors the increase in CTRS caseload variation.
- 3.10 Increase in the annual value of CTRS awards by Welsh council ranges from 1% (£69,000 increase) to 24% (£1.2 million increase). Half of all councils that took part in this research see an increase in the value of awards of between 8% and 14%.
- 3.11 The median increase in value of CTRS awards for councils that took part in this research is 11%.

4. Council tax arrears

- 4.1 Policy in Practice received council tax arrears data for September 2019 and September 2020 from seven councils, therefore this section provides useful insights but should not be interpreted as being indicative of overall trends in arrears for Wales. This data has been processed and merged with the SHBE and CTRS data.
- 4.2 An analysis of the council tax arrears data for these seven councils shows that an increase in CTRS caseload does in general lead to greater numbers of households in council tax arrears for these councils. There is however a large degree of variation in the change in caseload and average level of arrears between these seven councils.
- 4.3 The number of working-age households with council tax arrears in the seven council areas has seen a slight increase from 11% of the CTRS caseload in September 2019, to 13% in September 2020. However, the impact on arrears is not uniform across councils. In one council, the proportion of the CTRS caseload with arrears fell by 8%, whilst in another there was an increase of 10%. It is worth noting that this slight increase in the proportion of households with council tax arrears is in line with that seen in English councils, with whom Policy in Practice has undertaken similar analysis.

Table 4.1: Comparison of the proportion of CTRS households with CT arrears, and average level of arrears, from September 2019 to September 2020 (based on seven councils)

	September 2019	September 2020	Change September 2019 to September 2020
Proportion of low-income households in arrears	11%	13%	2%
Average level of arrears	£467	£461	-£6

- 4.4 For those households in the seven councils' CTRS caseload with arrears, the average level of arrears has decreased by £6 from £467 to £461 in the year from September 2019 to September 2020.

- 4.5 The average level of arrears masks substantial variation across the councils taking part in this research; one council saw the average level of council tax arrears reduce by over £150 compared to a year earlier, whilst another saw an increase in average level of council tax arrears of over £200²³.
- 4.6 The increase in the number of working-age households in receipt of CTRS and in council tax arrears is driven by both those that have recently started receiving CTRS and those that have migrated onto Universal Credit.

Table 4.2: Proportion of the working-age CTRS cohort in CT arrears and average level of arrears amongst low-income households in Wales by benefit claim - September 2019 to September 2020. Based on analysis of arrears from 7 councils

	September 2019	September 2020	Change
Proportion of households in arears who:			
are still in receipt of legacy benefits	7%	7%	0%
are still in receipt of Universal Credit	22%	22%	0%
have migrated onto Universal Credit	16%	24%	5%
have entered the dataset in receipt of legacy benefits	5%	10%	4%
have entered the dataset in receipt of Universal Credit	3%	22%	19%
are no longer receiving CTRS	12%	4%	-8%

- 4.7 24% of households that have migrated from legacy benefits to Universal Credit and have continued to receive CTRS are in council tax arrears. This is an increase of 8% and is a far greater increase than seen in households that remain in receipt of legacy benefits. The original report published in July 2020 for the Welsh Government found that council tax arrears were more prevalent amongst households claiming Universal Credit. In particular, elements of the migration

²³ Average arrears is calculated as the sum of arrears for an individual council at a specific point divided by the number of households with arrears

process such as the five-week wait increase the likelihood of being in council tax arrears.

4.8 However, the group with the largest proportional increase in council tax arrears consists of households in receipt of Universal Credit that have started receiving CTRS since September 2019. While 3% of this cohort were in council tax arrears previously, this proportion is now 22%. Many of these households may be interacting with the benefits system for the first time, having become unemployed due to the forced closure of sections of the economy in response to Covid-19. 11% of these households receive a disability benefit.

4.9 Average levels of council tax arrears have decreased for households in receipt of out-of-work benefits and those in employment by £7 and £11 respectively. Households in self-employment have seen average levels of arrears increase by £35.

Table 4.3: Average level of arrears amongst the working-age CTRS cohort across seven Welsh councils by economic status - September 2019 to September 2020

	Average arrears 2019	Average arrears 2020	Change
Employed	£485	£474	-£11
Out-of-work	£467	£460	-£7
Self-employed	£285	£320	£35

5. Predicting the potential change in the working-age CTRS caseload and awards to April 2021

- 5.1 Unemployment in Wales and the rest of the UK is set to increase in 2021 with the cessation of the Coronavirus Job Retention Scheme (CJRS or furlough scheme) and the Self-Employed Income Support Scheme (SEISS) at the end of March 2021. The Welsh Government wishes to understand the likely impact of an increase in unemployment on the CTRS scheme in Wales.
- 5.2 The caseload in April 2021 is partially dependent on whether the UK Government chooses to retain the measures introduced to the benefits system in response to Covid-19. These are primarily the £20 per week uplift to Universal Credit and Tax Credits and suspension of the Minimum Income Floor for self-employed households in receipt of Universal Credit. Breakdowns by caseload and cost are split into two scenarios, one in which these measures are retained and a second where they are not.

Methodology

- 5.3 Policy in Practice has used the latest Office for Budget Responsibility (OBR) forecasts²⁴ to predict the likely increase in the working-age CTRS caseload in Wales.
- 5.4 By April 2021, unemployment in Wales is likely to increase from 70,000 (4.6% of the working-age population) to 109,000 (a 39,000 increase or 7.2% of the working-age population). The vast majority of this increase (35,000) is likely to be as a direct result of the CJRS and SEISS closing on March 31st in 2021. The proportion of those protected through these schemes from lower income groups is far greater than those with higher earnings. For example, 33% of those furloughed are from the lowest quintile²⁵ of incomes with a further 50% in the second and third income quintiles²⁶.

²⁴ [Economic and fiscal outlook November 2020, OBR](#)

²⁵ Quintiles divide ranked values into 5 groups. So, the lowest quintile refers to the lowest 20%.

²⁶ [The effects of the coronavirus crisis on workers Flash findings from the Resolution Foundation's coronavirus Survey 16 May 2020, Laura Gardiner & Hannah Slaughter, The Health Foundation & The Resolution Foundation](#)

5.5 Policy in Practice estimates that of the 39,000 increase in unemployment, 31,000 are from the lower 60% of the income distribution and would likely be eligible for Universal Credit. However, not every claimant for Universal Credit will be eligible, or will apply for, council tax reduction. The proportion of Universal Credit claimants that are likely to apply for council tax reduction is built into the modelling.

Predicted impact on working-age CTRS caseload

5.6 Policy in Practice estimates that an additional 8,000 working-age households in Wales could receive CTRS by April 2021, following the end of the Government's income support schemes (CJRS and SEISS). Modelling assumes that these 8,000 newly unemployed households will be claiming Universal Credit. In April 2021, the combination of the increase in the proportion of the CTR caseload in receipt of Universal Credit, benefits uprating, and the change to the National Minimum Wage will mean that this caseload increase may reduce to 7,200.

Table 5.1: Change in working-age caseload with benefits uplift retained - September 2020 to April 2021²⁷

	2020		2021 – benefits uplift retained		Change 2020 to 2021	
	H/holds	% caseload	H/holds	% caseload	H/holds	% change
Total working age	180,800		188,000		7,200	4%
Universal Credit	75,300	42%	83,300	44%	8,000	10%
Legacy benefits	105,500	58%	104,700	56%	-800	-1%
Employment status						
In work	30,800	17%	29,800	16%	-1,000	-3%
Out of work	150,000	83%	158,200	84%	8,200	6%

²⁷ Some totals may not sum due to rounding

5.7 If the UK Government removes the £20 per week uplift to Universal Credit and Tax Credits from April 2021, and reinstates the Minimum Income Floor for self-employed households, the Welsh CTRS caseload could increase by a lower amount at 5,800. This is due firstly to many self-employed households no longer qualifying for CTRS once the assessment of CTRS is based on the Universal Credit Minimum Income Floor. Secondly this is due to working households seeing more earned income being taken into account to taper away CTRS.

Table 5.2: Change in working-age CTRS caseload with benefits uplift removed - September 2020 to April 2021²⁸

	2020		2021 – benefits uplift removed		Change 2020 to 2021	
	H/holds	% caseload	H/holds	% caseload	H/holds	% change
Total working age	180,800		186,600		5,800	3%
Universal Credit	75,300	42%	82,900	44%	7,600	10%
Legacy benefits	105,500	58%	103,800	56%	-1,700	-2%
Employment status						
In work	30,800	17%	28,500	15%	-2,300	-7%
Out of work	150,000	83%	158,200	85%	8,200	6%

Predicted impact on the annual value of CTRS awards for working-age households

5.8 Should the benefit measures introduced in response to Covid-19 (the £20 per week uplift to Universal Credit and Working Tax Credits and the suspension of the MIF) be retained into the next financial year by the UK Government, then the annual value of CTRS awards for working-age households in Wales is predicted to

²⁸ Some totals may not sum due to rounding

increase by £25 million from £184m to £209 million (14%). This is due to both the increased CTRS caseload and an average increase in council tax liability of 5.6%.

- 5.9 Should the UK government choose not to retain the Covid-19 benefit uplift measures (the £20 per week uplift to Universal Credit and Working Tax Credits and the suspension of the MIF) from April 2021, then the value of CTRS awards in Wales could increase by £23 million from £184m to £207 million. This is £1.5 million less than if the welfare benefit uplift measures were retained.

6. Conclusion

- 6.1 The partial close-down of the economy due to the Covid-19 pandemic has caused an economic shock across the UK. For some households this has resulted in a fall in income as hours of work reduced and some workers were made redundant. Many households have had to rely on means-tested benefits for the first time, resulting in claims for Universal Credit that are in payment in Wales increasing by 46% in the six months to August 2020²⁹.
- 6.2 Given that Universal Credit claims have increased by 46% across Wales, it is perhaps surprising that the **working-age** CTRS caseload across Wales has increased by only 5% from November 2019 to September 2020. This difference is likely to be due to a number of factors. Firstly, many of those individuals claiming Universal Credit will not be responsible for paying a council tax bill for a household, for example, young people claiming Universal Credit and living at home with parents. Additionally, many households claiming Universal Credit may not be aware of the requirement to make a separate application for CTRS, whilst other households may use up resources or rely on family and friends for a period of time before making a CTRS application. Finally, there may be a lag between when a claim is made for Universal Credit and when the household appears in the CTRS caseload data. Policy in Practice will provide further analysis for the Welsh Government in Spring 2021 which may clarify the reasons for the lower than expected CTRS caseload increase.

²⁹ DWP quarterly statistics release (<https://stat-xplore.dwp.gov.uk/webapi/metadata/dashboards/uch/index.html>) showed 131,0279,065 households claiming and receiving UC by 1 March 2020 rising to 191,881 by 1 221,189 in August 2020

- 6.3 This increase in caseload has resulted in the annual value of **working-age** CTRS awards increasing by an estimated £17.6 million (11%). The percentage increase in the value of CTRS awards is, as expected, higher than the 5% rise in caseload due to both the council tax rise in April 2020 (an average 5.6% increase) and the increase in the proportion of out-of-work households who receive a higher value CTRS award than those in work.
- 6.4 The change in working-age CTRS caseload since November 2019 is not uniform across councils or across types of household. Those more likely to see increased representation in the caseload are those not in work, single-person households, and households in receipt of Universal Credit. The most notable change in caseload characteristics is the general move (migration) from legacy benefits to Universal Credit. This is caused by an acceleration of natural migration as income change forces a move between benefit schemes, as well as an influx of new Universal Credit claims.
- 6.5 The localised nature of the economic shock due to Covid-19 is noteworthy; two Welsh councils did not see any change in working-age CTRS caseload whilst one council saw an increase of 18%. Similarly, the increase in the annual value of working-age CTRS awards varies substantially between councils, from a 1% increase in value to a 23% increase in value. This is perhaps not surprising given the impact of Covid-19 on specific economic sectors. These findings point to the need to understand local impact and derive appropriate local responses.
- 6.6 The economic shock to households is indicated by an increase in **working-age** households in council tax arrears (2% increase). Given that the increase in CTRS caseload has proportionally risen at a greater rate than the increase in households in council tax arrears, it appears that the generosity of the Welsh CTRS offers some protection to households against council tax arrears accumulation.
- 6.7 Although the number of working-age households in council tax arrears across the seven councils that supplied data has increased, the level of average council tax arrears has fallen by £6 in the year to September 2020. Again, this underlines the protective nature of the Welsh CTRS which awards support based on 100% of council tax liability. It is worth noting that this contrasts with an increase in council

tax arrears seen in English councils for whom Policy in Practice has carried out similar analysis. These councils provide CTRS in which all residents make a minimum contribution to their council tax liability.

- 6.8 Those most likely to be in council tax arrears are households moving to Universal Credit from legacy benefits or making a new claim for Universal Credit. This indicates that the mechanism of Universal Credit has a part to play in the number of households with council tax arrears and the average level of arrears. However, there are substantial differences in the change in council tax arrears levels across the councils that took part in this research, ranging from a fall of 8% to an increase of 10%. This is likely to be related to CTRS caseload change and suggests that local factors are also important in determining a council's level of arrears.
- 6.9 Given the uncertainty of both the economic outlook and the UK Government's proposals for benefit support from 2021, future predictions of impact should be treated with caution. Nevertheless, with the end of the UK Government's income support schemes (the CJRS and the SEISS) in March 2021, unemployment is expected to rise. Based on the OBR forecast of those moving from furlough to unemployment, it is estimated that from April 2021 the Welsh working-age CTRS caseload will increase by a further 7,200. If the UK Government ends the temporary benefit support measures introduced at the start of the pandemic, caseload rise will be lower at 5,900.
- 6.10 Any increase in the working-age CTRS caseload from April 2021 is likely to increase the total value of CTRS awards. The total value of CTRS awards for working-age households across Wales is predicted to rise to between £207 million and £209 million (an increase of between £21 million and £23 million).
- 6.11 The increase in households facing an income shock, with many reliant on means-tested benefits or falling into debt for the first time, will have an impact on the resources required to support these households. Councils have a key role to play in supporting their communities and this will be increasingly needed, particularly from April 2021, in order to prevent income shock turning into crisis, to support these households maximise income, to support the management of debt, and to create

conditions in which households are equipped to return to employment when economic conditions allow.

Key Findings

- Working-age CTRS caseload has increased by 5% across Wales from November 2019 to September 2020.
- There is a notable move from legacy benefits to Universal Credit in the working-age CTRS caseload ; the number of households receiving Universal Credit increased by 52% whilst households in receipt of legacy benefits fell by 14%.
- The annual value of CTRS awards in Wales for working-age cases increased by an estimated £17.6 million (11%) from November 2019 to September 2020.
- Change in working-age CTRS caseload and value of awards differs substantially between Welsh councils; caseload changes ranged from a decrease of 3% to an increase of 18% whilst changes to the value of working-age CTRS awards ranged from a 1% increase to a 24% increase across councils.
- The number of households within the working-age CTRS caseload in council tax arrears across the seven councils that supplied arrears data, has increased by 2% in the year to September 2020.
- It is predicted that from April 2021, working-age CTRS caseload across Wales could increase by between 5,800 and 7,100. The value of working-age CTRS awards across Wales is predicted to increase to between £207 million and £209 million (an increase of between £23 million and £25 million respectively).

Appendix A: List of councils taking part in this research

Blaenau Gwent County Borough Council (Cyngor Bwrdeistref Sirol Blaenau Gwent)

Bridgend County Borough Council (Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr)

Caerphilly County Borough Council (Cyngor Bwrdeistref Sirol Caerffili)

Cardiff Council (Cyngor Caerdydd)

Carmarthenshire County Council (Cyngor Sir Gaerfyrddin)

Ceredigion County Council (Cyngor Sir Ceredigion)

Conwy County Borough Council (Cyngor Bwrdeistref Sirol Conwy)

Denbighshire County Council (Cyngor Sir Ddinbych)

Flintshire County Council (Cyngor Sir y Fflint)

Gwynedd Council (Cyngor Sir Gwynedd)

Isle of Anglesey County Council (Cyngor Sir Ynys Môn)

Monmouthshire County Council (Cyngor Sir Fynwy)

Neath Port Talbot County Borough Council (Cyngor Bwrdeistref Sirol Castell-nedd Port Talbot)

Newport City Council (Cyngor Dinas Casnewydd)

Pembrokeshire County Council (Cyngor Sir Penfro)

Powys County Council (Cyngor Sir Powys)

The Vale of Glamorgan County Borough Council (Cyngor Bwrdeistref Sirol Bro Morgannwg)

Torfaen County Borough Council (Cyngor Bwrdeistref Sirol Torfaen)

Annex B: List of councils that provided council tax arrears data for this research

Conwy County Borough Council (Cyngor Bwrdeistref Sirol Conwy)

Gwynedd Council (Cyngor Sir Gwynedd)

Isle of Anglesey County Council (Cyngor Sir Ynys Môn)

Neath Port Talbot County Borough Council (Cyngor Bwrdeistref Sirol Castell-nedd Port Talbot)

Newport City Council (Cyngor Dinas Casnewydd)

Pembrokeshire County Council (Cyngor Sir Penfro)

Powys County Council (Cyngor Sir Powys)