

|                          |   |  |                          |
|--------------------------|---|--|--------------------------|
| <b>Subject:</b>          | <b>Council Tax Reduction Review 2020-21 and Working Towards a New Welfare Framework</b> |  |                          |
| <b>Date of Meeting:</b>  | <b>5 December 2019</b>  |  |                          |
| <b>Report of:</b>        | <b>Executive Director for Finance &amp; Resources</b>                                   |  |                          |
| <b>Contact Officer:</b>  | <b>Name:</b>  | <b>Paul Ross-Dale</b>                      | <b>Tel: 01273 291969</b> |
|                          | <b>Email:</b>   | <b>paul.ross-dale@brighton-hove.gov.uk</b> |                          |
| <b>Ward(s) affected:</b> | <b>(All Wards);</b>   |  |                          |

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Each financial year, government legislation requires the council to consider whether to revise or replace their local Council Tax Reduction Scheme.
- 1.2 This year, it is proposed that there will be no changes to the scheme and the committee is asked to confirm this position. However it is proposed that the future approach to this is set alongside wider consideration of how the council can operate a more effective welfare framework.

**2. RECOMMENDATIONS:**

- 2.1 That the Committee confirms that the current Council Tax Reduction scheme shall continue without amendment, except for technical amendments to the amounts and allowances used to calculate entitlement.
- 2.2 That the Committee approves £150,000 funding for the discretionary fund in 2020/21; this would require additional one-off funding of £140,000.
- 2.3 That the Committee confirms that work should continue towards the creation of a more comprehensive welfare framework that better joins up support from officers to residents in need.
- 2.4 That the Committee confirms that officers should produce a further report following the General Election with more detailed proposals for a new welfare framework incorporating a city-wide view, i.e. having consulted with members from all Groups and key stakeholders.
- 2.5 That the Committee notes the options and provides a steer for wider consultation with stakeholders as the new welfare framework is developed.

**3. CONTEXT/ BACKGROUND INFORMATION**

**Council Tax Reduction Scheme**

- 3.1 In 2013, Council Tax Benefit was abolished and Local Authorities were instead required to design their own Council Tax Reduction (CTR) schemes for working age people. Residents who are of pensionable age are required to remain on a “default” scheme, which retains the qualifying conditions and entitlements of the old Council Tax Benefit scheme.
- 3.2 In most years since 2013, the council has altered the CTR scheme for working age people, usually in line with the council’s broader savings requirements, but also with the aim of maintaining fairness and simplicity in the scheme and enhancing incentives to work. **Appendix 1** shows how the scheme has changed over the years.
- 3.3 With 12,000 households now claiming Universal Credit in the city, there are new challenges to the administration of Council Tax Reduction. For example, a person’s Universal Credit payments can change month by month in response to income fluctuation. This creates increased knock on changes to be calculated in regard to the person’s Council Tax Reduction, and each time Council Tax Reduction changes, a new Council Tax bill has to be sent. In 2019, the council introduced a “minimum change” rule that sought to limit the number of changes made to Council Tax Reduction, by excluding those resulting in a change of less than £2 per week.
- 3.4 The existing scheme’s workings are summarised at **Appendix 2**. It was budgeted to cost £17.549 million of which the council’s share is £14.902m, a decrease of £0.478 million from 2018/19 (including the adjustment for the council tax increase). There are approximately 11,000 working age Council Tax Reduction cases. Numbers have not reduced as projected (based on previous years reductions) meaning that there is a projected over-spend of £0.470 million this year which is reflected in the council tax collection deficit position. As such the council is not in a position to extend the scheme in 2020/21 on affordability grounds, especially when set against the requirement to find c£10 million savings (discussed separately in the Draft General Fund Revenue Budget & Capital Strategy 2020/21 report elsewhere on this agenda) and potential further commitments around the schools’ *Term-time Only* settlement.
- 3.5 It will be necessary to make some technical amendments to the scheme, by updating the allowances, premiums and non-dependant deductions used to calculate Council Tax Reduction in line with national figures. This is so that increases of national benefit entitlements are reflected in our local scheme.
- 3.6 As with the 2019/20 scheme it is proposed to include a discretionary fund of £0.150m within the budget proposals for 2020/21. In the period April 2019 to October 2019, the discretionary scheme has helped 354 households at a cost of £0.105m and we are projecting that the full £0.150m will be allocated by the end of the year. Given that the council is projecting an over-spend in excess of £4 million for the current year, it is not possible at this stage to commit more funds.

### **Working Towards a New Welfare Framework**

- 3.7 The long-running migration to Universal Credit, and the issues that this has caused for residents has brought the issue of welfare into sharp focus.

Why should the council do something different?

- 3.8 Welfare support is essential for the most vulnerable households in the city. The council uses scarce resources on potentially sub-optimal outcomes if need is considered on a patchwork rather than holistic basis. Funding is finite and not enough to meet every demand. Therefore the council needs a consistent approach that prioritises expenditure to agreed corporate objectives.
- 3.9 Officers perceive that the nature of the demand is changing as welfare reform embeds. The key issue is no longer simply around benefit entitlement, although this is still a fundamental layer of stability for households – rather it is also linked to housing affordability and debt. In order to mitigate this, a long-term strategy and funding commitment is required.
- 3.10 In order to formulate this strategy, it is planned that an officer board is set up, with representation from services including Revenues and Benefits, Housing, Adult Social Care and Corporate Debt. The aim is to draw together a response to the challenge of supporting people affected by welfare reform and other financial support issues. We anticipate that this new board will examine demand and review how the authority responds to welfare benefit issues. An officer board is seen as preferable for tactical decision-making, because member and community involvement could lead to a perception of conflicts of interest. However a wider strategy would be driven by consultation with members and stakeholders, including the community and voluntary sector (CVS).
- 3.11 Given that there is strong member interest in this policy area, and also that there are very different levels and types of need across the city, it is desirable that some formal cross-party member oversight is put in place. This could be in the form of members attending board meetings for specific agenda items, a working group, or by means of regular reporting to Committee. A permanent member working group would require committee approval.

What has already happened and what could happen next

- 3.12 In response to government welfare reforms, a project was set up to ensure that the council understood the impact on residents, especially of the move to Universal Credit. The team reported progress regularly to the Neighbourhoods, Communities & Equalities (NICE) Committee. Its work was evidence-based and involved targeting those most vulnerable based on evidence including from a report commissioned in 2015 from the Learning & Work Institute:  
<https://www.learningandwork.org.uk/resource/the-impacts-of-welfare-reform-on-residents-in-brighton-and-hove/>
- 3.13 The council has also updated its Corporate Debt Policy, and this was approved by Committee in January 2019:  
[https://present.brighton-hove.gov.uk/Published/C00000912/M00008109/\\$\\$ADocPackPublic.pdf](https://present.brighton-hove.gov.uk/Published/C00000912/M00008109/$$ADocPackPublic.pdf)
- 3.14 In the first phase of Welfare Reform, the council responded as follows:

- Initiation of a Welfare Reform Programme
- Introduction of the Local Discretionary Social Fund, designed to provide crisis help in the form of food vouchers, fuel payments and also white goods and furniture for certain vulnerable people moving to a new home
- Creation of a Benefit Cap team, responsible for helping households where benefit entitlement has been capped in line with government policy.
- Welfare Rights team brought into Revenues and Benefits, facilitating closer working relationships and maximising household incomes by ensuring that benefit entitlement was maximised, and incorrect DWP decisions challenged successfully
- Strategic and practical links with other services, for example Benefit Cap officer in Housing Income Management. We also have crossover with the Jobcentre work coaches, including some co-location of two officers
- Replacement of the old Council Tax Benefit scheme with a new Council Tax Reduction scheme, and subsequent changes
- Links with the Voluntary Community Sector

3.15 Whilst the programme was effective in partially mitigating some of the adverse impacts of Welfare Reform, many of those reforms are now complete. The challenge facing vulnerable people and those with complex needs is how to navigate the complex landscape of benefits, financial resilience and tenancy sustainment. Alongside the ongoing migration onto Universal Credit, many councils are considering how to meet the challenge, against a backdrop of limited funds and uncertainty in terms of how central government views the ongoing role of councils supporting such individuals.

### Opportunities

3.16 There are a number of opportunities that can obviously be pursued to begin with:

- Officers can undertake a demand analysis exercise, so that there is an up to date picture of the broad range of welfare benefit and financial support needed for vulnerable residents.
- The council can review its advisory support between that provided internally and from voluntary sector provision, to ensure that we are commissioning exactly what is required.
- Members' views are required in advance of setting a strategy that aligns to political will.
- Officers now understand the long-term commitment required to support vulnerable residents; previously the response to welfare reform was reactive and piecemeal in terms of how individuals were supported by different services.
- The council can learn from what is being implemented in other unitary authorities, districts and boroughs with similar demographics and pressures.

3.17 Importantly, the LGA published a report in February 2019, based on intelligence from a number of councils:

<https://www.local.gov.uk/reshaping-financial-support-how-local-authorities-can-help-support-low-income-households-financial>

This outlines how work has evolved to create a new response for helping low income households. Innovation includes:

- Using data to understand and plan interventions
- Using connections in the community to ensure that help and advice is provided in local hubs
- Bringing different skill sets and disciplines together, which recognises that individuals' problems require a complex and ongoing response
- Reviewing and bringing together the various discretionary funds available to support people, so that they can be used more effectively.

3.18 The LGA is now embarking on a new development programme, working on reshaping financial support. Brighton & Hove has successfully applied to join this programme, and this can only be beneficial as we develop a new approach. The other authorities are:

- Barking and Dagenham
- Tower Hamlets
- Greenwich
- Bristol
- Leeds

3.19 The Welfare Board should direct the ongoing development of our strategy, but it is likely that some of the above ideas will be explored, depending on the outcome of the demand analysis work that officers will be undertaking. It is important that our strategy is informed by the specific pressures and demographics associated with Brighton and Hove. The opportunity of working with the LGA will mean that we can benefit from advice and consultancy, as we develop our offer.

### **Potential for a Cross-Council Approach**

3.20 There is broad consensus amongst members that a joined-up approach to welfare will benefit those residents that need it. As the analysis in **Appendix 3** shows, there are significant differences in how this need manifests itself. As a result it may be appropriate for representatives from a number of wards to come together and identify how best to develop the new framework.

## **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

4.1 We are currently exploring other models of Council Tax Reduction that would constitute a more fundamental revision of our scheme. For example increasing numbers of Local Authorities are adopting banding schemes, whereby entitlement is calculated based on which broad income bracket a person falls into. Such a scheme would be simpler to understand and administer than our current scheme. However it will be very important to understand the effect of such a scheme on individuals, because depending on how the bands are set, there could be significant impacts, both positive and negative.

4.2 Even if we were to make changes or tweaks to the existing scheme, there would still be negative as well as positive impacts, as we would be redistributing the same amount of money. It would be challenging in the current climate to present

affordable options to increase our spend on CTR, because of the scale of cost involved. In **Appendix 4**, the cost of the scheme is shown from April 2015 to date. Over the years, the council has introduced changes in order to streamline the scheme and/or meet spending requirements. To restore the scheme to its original value would cost in excess of £2.8 million. Individual changes vary and we would need to do more work to identify exact costings, but for example, to restore the taper to 20p (from 25p) would cost minimum £0.1million. To remove the limiting of the maximum CTR award to 80% would cost in excess of £2.6million. However, against this cost, we would also need to consider how making the scheme more generous could impact positively on ultimate collection rate – for example, the cost of collection may reduce by a margin as a result of providing greater assistance.

- 4.3 We would also have to consider that in order to make a change to the scheme, the law requires us to consult firstly with the Police and Fire authorities and then the public, and it is unlikely that we could now achieve that in the timescale available, in a way that can be supported by our systems in relation to the timing of billing.
- 4.4 Due to the potentially broad impact, all of these considerations should be taken forward together into a detailed impact and equalities analysis of current scheme vs possible banding scheme. This will lead to an appropriate formation of strategy.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 No changes to the Council Tax Reduction scheme have been proposed for the forthcoming year and so there has been no proposal to put to consultation. However options for consultation across the council and wider city have been set out in section 5.3 and there is a recommendation that Committee provides a steer on which one(s) to pursue.
- 5.2 The existing scheme was subject to a consultation last year and the results helped to inform members' decision to confirm the scheme in place.
- 5.3 In order to create a more meaningful conversation with the city and to achieve the stated ambition of creating a more comprehensive approach to addressing need, there are a number of options, many of which are not mutually exclusive:
  - A traditional web-based consultation as ideas develop.
  - A meeting or meetings involving members, key stakeholders (e.g. from the CVS) and officers to agree and implement priorities.
  - A wider approach involving residents.

## **6. CONCLUSION**

- 6.1 The council can make a step-change to its welfare provision by bringing services together more coherently, and creating a new framework as described in this

report. It is logical that this is done by consulting across the council and city given the complex nature of need, and how this has changed in recent years.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 7.1 The CTR scheme for 2020/21 is planned to remain unchanged from the 2019/20 scheme. Changes in the number of claimants and the planned council tax increase in 2020/21 will affect the overall cost of the scheme. The number of claimants continue to reduce but at a lower rate than experienced in previous years. The estimated cost of the approved 2020/21 CTR scheme will be reflected in the council tax base which is reported to Policy & Resources Committee on the 23 January 2020.
- 7.2 It is proposed to maintain the discretionary CTR fund at the level provided in previous years of £0.150 million. As allocated in the previous Medium Term Financial Strategy, the existing recurrent budget is £0.010m and has been supplemented each year by one-off funding and therefore this will require additional one-off funding of £0.140million in 2020/21. This allocation is included within the budget update report elsewhere on this agenda and will be treated as a commitment in setting the 2020/21 budget if approved. A potential outcome of a wider welfare strategy is that a higher level of recurrent budget is prioritised.

*Finance Officer Consulted: James Hengeveld*

*Date: 31/10/19*

### Legal Implications:

- 7.3 Paragraph 5 of Schedule 1A of the Local Government Finance Act 1992 requires a billing authority, such as the council, to consider each financial year whether to revise its Council Tax Reduction Scheme or to replace it. Any such scheme must be made before 11 March in the financial year preceding that for which the revised scheme takes effect. There is no statutory requirement to consult on no change. Major precepting authorities and such other persons as the council considers are likely to have an interest in the operation of the scheme must be consulted where a new or revised scheme is proposed.
- 7.4 Under Part 3 of the council's constitution, and section 67(2) (aa) of the 1992 Act, the making of a revised CTR scheme is reserved to full council. Under Part 6 of the constitution, the Executive Director of Finance and Resources, has subject to any general guidance or limitation imposed by the relevant Committee, delegated power to exercise the council's functions regarding the Council Tax Reduction scheme. Any changes to the scheme, such as an increase in the calculative elements of the scheme, prescribed by national legislation will be made under delegated powers.

*Lawyer Consulted:*

*Liz Woodley*

*Date: 07/11/19*

### Equalities Implications:

- 7.5 The Equalities Impact Assessment for the current scheme was produced alongside last year's Council Tax Reduction Review report. See **Appendix 5**
- 7.6 The EIA has been reviewed against caseload information from October 2019. However, changes are marginal and inconclusive in terms of whether trends in the data are emerging. There is nothing to suggest that changes made last year have had an unexpected impact on any group with protected characteristics. However, as we continue to develop options around future Council Tax Reduction schemes, we will carry out more analysis.

Sustainability Implications:

- 7.7 None.

Any Other Significant Implications:

- 7.8 None.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Changes to the Council Tax Reduction scheme since 2013.
2. How the Council Tax Reduction Scheme works.
3. Council Tax Reduction entitlement by council ward.
4. Historic costs of the Council Tax Reduction Scheme.
5. EIA from previous year.