

## WEST NORTHAMPTONSHIRE SHADOW AUTHORITY

### SHADOW EXECUTIVE MEETING

25 August 2020

<b>Report Title</b>	<b>Council Tax Harmonisation Task and Finish Group</b>
<b>Report Author</b>	<b>Martin Henry, Interim Chief Finance Officer</b>

#### 1. Purpose

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- 1.1 The purpose of this report is to provide information in relation to the progress made on the Council Tax Harmonisation Task and Finish Group.

#### 2. Recommendations

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- 2.1 It is recommended that the shadow executive notes the progress made by the Council Tax Harmonisation Task and Finish Group.

#### 3. Issues and Choices

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##### 3.1 Report Background

- 3.1.1 The Council Tax Harmonisation Task and Finish group for the West has met on four occasions to consider the approach to take on Council Tax Harmonisation and on the Local Council Tax Reduction Scheme.

- 3.1.2 The group was made up of the following councillors:  
Cllr Rebecca Breese (Chair)  
Cllr Malcolm Longley (Deputy Chair)  
Cllr John Sheppard  
Cllr Brandon Eldred  
Cllr Chris Lofts

##### 3.2 Issues and Choices

###### Council Tax Harmonisation

- 3.2.1 Across the West of Northamptonshire different levels of Council Tax are raised in each of the constituent areas.

3.2.2 The charge for the County Council's element of the Council Tax charge will be consistent across the County but the individual districts and boroughs will have historically levied different amounts of Council Tax for the services they provide.

3.2.3 The Council Tax for 2020-21 levied for each of the individual areas (based on a Band D property) is set out below and includes the County Council's element of the charge.

Daventry District Council	£1,451.56
Northampton Borough Council	£1,516.26
South Northants Council	£1,481.75

3.2.4 It should be noted that these figures do not include the Council Tax for individual town and parish councils or for the Police, Fire and Crime Commissioner.

3.2.5 It is a statutory requirement to have harmonised Council Tax across the area by the start of the eighth year of the new organisation. The maximum period to achieve this is therefore seven years from vesting day.

3.2.6 There are two critical considerations that therefore need to be taken into account/made:

1. Which approach to use to harmonise the Council Tax levels in the area (Harmonisation approach): and
2. The time period over which to harmonise Council Tax (Harmonisation Period).

### **Harmonisation Approach**

3.2.7 There are two approaches that can be used to harmonise Council Tax levels in an area:

- Average Council Tax approach – This is where the referendum principles are applied to the average Council tax calculated for the area. This approach generates a greater amount of total Council Tax income.
- Individual Area Council Tax approach – This is where the referendum is applied to each of the individual areas. This limits the amount of Council Tax that can be derived as the charge will be limited by the application of the referendum limit to the lowest levying Council Tax area. The consequence being that the rest of the West Northamptonshire area would have to harmonise to that lower amount which would result in lower percentage increases or even a reduction in Council Tax depending upon the harmonisation period chosen under this approach.

3.2.8 Based on the assumptions in the financial modelling presented to members of the task and finish group the difference in the approaches by the time year eight is reached is estimated to be £7.67m for that year with the cumulative impact being between £32m and £54m over this time period.

3.2.9 *The task and finish group has agreed to recommend to the Shadow Executive that the Average Council Tax approach is adopted.*

### **Harmonisation Period**

3.2.10 Once the approach has been determined then consideration can be given to the harmonisation period remembering that harmonisation must be achieved by year 8.

3.2.11 Importantly, if the average Council Tax Approach is adopted, (as recommended above) then in financial terms the timing of harmonisation makes no difference to the amount of Council Tax received regardless of when harmonisation takes place.

3.2.12 *As the average Council Tax approach is being recommended for adoption and the timing of this makes no difference to the overall Council Tax yield the group have not formed a position on the timing of harmonisation and will consider this in the Budget and Medium-Term Financial Planning Task and Finish Group.*

3.2.13 If the individual area Council Tax approach is adopted the timing of the harmonisation does make a difference to the overall Council Tax received in each of the years. However, this is not a relevant consideration as the average Council Tax approach is being recommended for adoption.

### **Local Council Tax Reduction Scheme (LCTRS)**

3.2.14 The Local Council Tax Reduction Scheme (LCTRS) replaced Council Tax benefit in 2013. Council tax benefit was a nationally prescribed scheme, whereas LCTRS is a local scheme set at the discretion of the relevant district or borough council.

3.2.15 The scheme applies to working age claimants. Eligible pensioners continue to receive up to 100% Council Tax support depending on the levels of income they are in receipt of.

3.2.16 The greater the level of support granted the costlier the scheme is. The schemes are different across the three district and borough Councils in the West by some margin as set out below:

	<b>Minimum Council Tax Payable</b>
Daventry District Council	20%
Northampton Borough Council	31% <sup>1</sup>
South Northants Council	8.5%

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<sup>1</sup> There are two ways of calculating the scheme percentage. NBC calculated their scheme using a different method to SNC and DDC. This came out as 35% scheme. This has been recalculated so they are all calculated in a consistent manner to aid comparability.

3.2.17 A 20% scheme means that working age claimants in that area will have to pay at least 20% of their Council tax bill (and therefore the level of support from the Council is up to 80% of the bill). If they are not eligible for full entitlement because of the income they earn they will need to pay more than 20% of the total bill.

3.2.18 The task and finish group were provided with details on the cost or savings associated with moving to the different schemes across the West based on the current costs of the schemes.

- It is estimated that a move to an **8.5%** scheme across the West would cost an additional £2.5m
- It is estimated that a move to a **20%** scheme across the West would cost an additional £0.9m
- It is estimated that a move to a **31%** scheme across the West would save (£0.6m)

3.2.19 The cost-neutral scheme is currently calculated at a 26.5% scheme. However, consideration will need to be given for the significant increase in demand which is currently being experienced as this will impact on the cost neutrality of the scheme.

*3.2.20 The task and finish group determined that the starting assumption for the Budget and MTFP task and finish group should be that the LCTRS should be at least cost neutral compared to the current costs of the schemes across the West.*

*3.2.21 The task and finish group requested further information on the different collection rates associated with different cohorts of Council Tax payer and these will be considered in the Budget and MTFP group.*

*3.2.22 The task and finish group requested further detail on the timing of harmonisation of the LCTRS.*

3.2.23 The task and finish group received case study information to understand the impact different LCTRS would have on individual eligible Council Tax payers.

3.2.24 It was highlighted to the group that the LCTRS has an impact on the taxbase and therefore the final scheme will have a direct impact on precept raising ability of:

- The Police, Fire and Crime Commissioner
- Town and Parish Councils

The scheme will need to be fully consulted upon in September.

### **Council Tax Discounts and Exemptions**

3.2.25 The group received information on the different discounts and exemptions that were currently in operation in different areas of West Northamptonshire.

3.2.26 *The task and finish group recommended that the new authority should move to a scheme of discounts and exemptions that maximises council tax income.*

## **Summary of recommendations from the Council Tax Harmonisation Task and Finish Group**

### **3.2.27 Council Tax harmonisation**

- *that the Average Council Tax approach is adopted*
- *that the timing of Council Tax harmonisation will be considered further in the Budget and Medium-Term Financial Planning Task and Finish Group*

### **3.2.28 Local Council Tax Reduction Scheme**

- *that the starting assumption for the Budget and MTFP task and finish group should be that the LCTRS should be at least cost neutral compared to the current costs of the schemes across the West.*
- *that further information on the different collection rates associated with different cohorts of Council Tax payer be considered in the Budget and MTFP group.*
- *that further consideration is given on the timing of harmonisation of the LCTRS.*

### **3.2.29 Council Tax Discounts and Exemptions**

- *that the new authority should move to a scheme of discounts and exemptions that maximises council tax income.*

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The approach adopted by West Northamptonshire Council in respect of Council Tax Harmonisation and the Local Council Tax Reduction Scheme will be pivotal in determining the total level of resources available for the new Council. It is therefore a fundamental and key policy decision.

### **4.2 Resources and Risk**

4.2.1 There are no specific resource or risk implications at this stage of the decision making process. This report is highlighting the progress made in the Council Tax Harmonisation Task and Finish group. The output from that group will feed into the Budget and Medium Term Financial Planning Task and Finish group which will make further recommendations to Executive as the budget process progresses.

### **4.3 Financial Implications**

4.3.1 The determination of the Council Tax harmonisation approach is fundamental to the finances of the new authority. The task and finish group recommends:

- the adoption of the average Council Tax harmonisation approach as this maximises the income for the new authority
- that the Local Council Tax Reduction Scheme should, as a minimum, be cost neutral compared to the total cost of the current individual schemes in operation across West Northamptonshire

- Council Tax discounts and exemptions should be harmonised in order to maximise income

4.3.2 The Council Tax harmonisation group have completed their work and passed these issues, where appropriate, for further consideration to the Budget and Medium Term Financial Planning task and finish group.

### **4.3 Legal**

4.3.1 The process of Council Tax harmonisation is a legal requirement of the various Acts and Regulations governing councils which are undergoing Local Government Reform.

### **4.4 Equality and Health**

4.4.1 None at this stage