

WEST NORTHAMPTONSHIRE SHADOW AUTHORITY OVERVIEW AND SCRUTINY COMMITTEE

17 August 2020

Report of the Interim Chief Finance Officer

Report Title	Council Tax Harmonisation and Council Tax Reduction Scheme
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1. Purpose

- 1.1 To provide information on the requirement for a harmonised level of Council Tax across West Northamptonshire and a harmonised Local Council Tax Reduction Support Scheme

2. Recommendations

- 2.1 To note the report and determine any further information that is required in relation to the harmonisation of Council Tax and the Local Council Tax Reduction Scheme.
- 2.2 To consider other financial topics the Committee would wish to include in their work programme.
- 2.3 To determine if a smaller working group of Overview and Scrutiny members should be set up to receive further detailed financial information in relation to the areas the Committee wishes to scrutinise.

3. Issues and Choices

Report Background

- 3.1 There are a number of critical decisions and determinations that are required by West Northamptonshire Shadow Authority in considering setting a budget and Council Tax for the start of the new financial year.
- 3.2 Two key decisions relate to:
- Council Tax Harmonisation
 - Local Council Tax Reduction Scheme
- 3.3 This report seeks to explain these two key areas and set out the approaches that can be adopted in aligning the differences across West Northamptonshire.

- 3.4 The report seeks the view of the Overview and Scrutiny Committee to feed back into the Budget and Medium-Term Financial Planning Task and Finish Group who will be responsible for the detailed work underpinning the budget deliberations for 2021-22.
- 3.5 The report also seeks a view on other parts of the budget setting process the Committee would like to receive further information on.
- 3.6 The report also seeks a view from the Committee in respect of whether they wish to set up a smaller sub-committee to consider the more detailed information.

Council Tax Harmonisation Task and Finish Group

- 3.7 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.
- 3.8 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
- 3.9 This group will make recommendations into the Budget and Medium-Term Financial Planning Task and Finish Group which in turn will make recommendations into the Shadow Executive.

Council Tax Harmonisation

- 3.10 Across the West of Northamptonshire different levels of Council Tax are raised in each of the constituent areas.
- 3.11 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.
- 3.12 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

- 3.13 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.

- 3.14 It is a 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.
- 3.15 There are two critical considerations that therefore need to be taken.
1. Which approach to use to harmonise the Council Tax levels in the area (Harmonisation approach).
 2. The time period over which to harmonise Council Tax (Harmonisation Period).

Harmonisation Approach

- 3.16 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 referendum amount can only be applied to the lowest levying Council Tax area.
- 3.17 Using the Average Council Tax approach will always generate extra funding for the organisation

Harmonisation Period

- 3.18 Once the approach has been determined then consideration can be given to the harmonisation period remembering that harmonisation must be achieved by year 8.
- 3.19 Importantly, if the average Council Tax Approach is adopted then in financial terms the timing of harmonisation makes no difference to the amount of Council Tax received regardless of when harmonisation takes place.
- 3.20 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.
- 3.21 Members of the Overview and Scrutiny Committee are asked for their views on the Council Tax Harmonisation approach to take.

Local Council Tax Reduction Scheme (LCTRS)

- 3.22 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.
- 3.23 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.

3.24 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:

	Minimum Council Tax Payable
Daventry District Council	20%
Northampton Borough Council	31% ¹
South Northants Council	8.5%

3.25 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.

- 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)

3.26 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.

3.27 It should be noted that changes to the LCTRS will have an impact on the taxbase and therefore on the precept raising ability of:

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

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

3.28 Members of the Overview and Scrutiny Committee are asked for their views in relation to the Local Council Tax Reduction Scheme (LCTRS).

Work Programme

3.29 The Committee has met informally on two occasions to consider their role and to determine areas for scrutiny. The scrutiny of the finances of the shadow authority were one of the key areas highlighted.

¹ 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.

- 3.30 Appendix A sets out at a high-level view on how it is envisaged the budget process will run and the timing of Overview and Scrutiny Committee meetings throughout the process.
- 3.31 The Committee may wish to consider adding the following items to its work programme:
- Disaggregation of County Council services
 - Budget starting position and MTFP
 - Government funding
 - Coronavirus costs
 - Budget assumptions
 - Fees and Charges
 - Capital programme
- 3.32 The above are suggested topics for consideration to provoke consideration of the kind of items to include on the work programme. Officers are clear that it is for the Committee to determine the areas they wish to consider further.
- 3.33 The Committee could also consider if they would like to set up a finance sub committee to consider in more detail topics such as the ones detailed above.

4. Implications (Including financial implications)

4.1 Financial

- 4.1.1 The financial implications are set out in the body of the report.

4.2 Resources and Risk

- 4.2.1 There are no direct resourcing issues or risks stemming directly from this report.

4.3 Legal

- 4.3.1 There are no legal implications stemming directly from this report.

4.4 Equality and Health

- 4.4.1 There are no equality and health issues stemming directly from this report.

5. Background Papers

- 5.1 None

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