



NORTH NORTHAMPTONSHIRE
SHADOW AUTHORITY

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NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW EXECUTIVE MEETING 27 August 2020

Report Title	Council Tax Harmonisation Task and Finish Group
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1. Purpose

- 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

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

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council Tax Harmonisation Task and Finish group for the North has met on five 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 David Jenney (Chair)
Cllr Lloyd Bunday (Deputy Chair)
Cllr Lee Wilkes
Cllr Paul Bell
Cllr Chris Stanbra

3.2 Issues and Choices

Council Tax Harmonisation

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



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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.

Corby Borough Council	£1,474.92
East Northamptonshire Council	£1,434.07
Kettering Borough Council	£1,490.81
Borough Council of Wellingborough	£1,441.30

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 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.

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

3.2.7 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 referendum amount can only be applied to the lowest levying Council Tax area.

3.2.8 Based on the assumptions in the financial modelling presented to members the cumulative difference in the approaches by the time year eight is reached is estimated at £17m, with the Average approach yielding more revenue.

3.2.9 The task and finish group propose to recommend:

To adopt the Alternative Notional Amount (the average council tax) methodology, as set out in legislation, for calculating the baseline level of council tax to apply the referendum principles against.



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 categorical position on the timing of harmonisation. The Group propose the timing is considered in further detail by the Medium Term Financial Planning and Budget Task & Finish Group once they are in receipt of all the facts about the financial position and what the impact on taxpayers would be.
- 3.2.13 The Task and Finish Group propose the following is recommended:

To harmonise the level of council tax across North Northamptonshire in the shortest possible period taking into account the financial position of the Council and the impact on taxpayers.

- 3.2.14 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. The level of this difference, compared to the average method, is reduced income of between £17-29m over an 8 year period dependant upon the harmonisation period. However, this is not a relevant consideration as the average Council Tax approach is being recommended for adoption.

Local Council Tax Reduction Scheme (LCTRS)

- 3.2.15 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.
- 3.2.16 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.
- 3.2.17 The greater the level of support granted the costlier the scheme is. The schemes are different across the four district and borough Councils in the North by some margin as set out below:

**Minimum
Council Tax
Payable**

Corby Borough Council	8.5%
East Northamptonshire Council	20%
Kettering Borough Council	45%
Borough Council of Wellingborough	20%

3.2.18 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, for example, because of the income they earn they will need to pay more than 20% of the total bill.

3.2.19 The group were provided with details on the cost or savings associated with moving to the different schemes across the North based on the current costs of the schemes.

- It is estimated that a move to an 8.5% scheme across the North would cost an additional £1.9m
- It is estimated that a move to a 20% scheme across the North would cost an additional £0.6m
- It is estimated that a move to a 45% scheme across the North would generate additional income of £2.2m

3.2.20 The cost neutral scheme is currently calculated at a 24.9% scheme. Each 1% change in the scheme equates to approximately £110,000.

3.2.21 However, consideration will need to be given for the potential increase in demand which is currently being experienced due to the covid pandemic as this will impact on the cost neutrality of the scheme. The pre covid cost neutral scheme is estimated at 24.3%.

3.2.22 The Group also received information on other areas of the current LCTRS schemes that were different. These are list below with proposed harmonisation approaches:

Areas of difference in CTRS Scheme Component	CBC	ENC	KBC	BCW	Proposed Harmonisation
Backdating restricted to 1 month	N	Y	Y	Y	Move CBC in line with rest of North Northants
Removal of the family premium for new claims	N	Y	Y	Y	Move CBC in line with rest of North Northants
Limit to two dependant children	N	Y	Y	N	Move CBC/BCW in line with rest of ENC/KBC
Temporary absence outside the UK limited to 4 weeks	N	Y	Y	Y	Move CBC in line with rest of North Northants
Removal of Work Related Activity Component for new Employment & Support Allowance claimants	N	Y	Y	Y	Move CBC in line with rest of North Northants
Removal of Severe Disability Premium where another person is paid Universal Credit (carers element) to look after them	N	Y	Y	Y	Move CBC in line with rest of North Northants

3.2.23 All other components of the existing LCTRS were not reviewed as they were already harmonised.

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

3.2.25 A LCTRS will need to be fully consulted upon before it is implemented. A report with a proposed scheme to consult on will be bought to the meeting of the Shadow Executive in September. The consultation will also include other options considered and a rationale as to why they were not taken forward. A final scheme will need to be approved before 31 January 2021.

Council Tax Discounts and Exemptions

3.2.26 The group received information on the different discounts and exemptions that were currently in operation in different areas of North Northamptonshire as set out in the table below:

Discretionary Council Tax Exemptions & Discounts	CBC	ENC	KBC	BCW
Second Homes Discount	0%	0%	0%	0%
Empty & Unfurnished discount	0% From day 1	0% From day 1	0% From day 3	0% From day 1
Long term empty premium	50% after two years	50% after two years	50% after two years	50% after two years
Uninhabitable discount	0%	0%	0%	0% (6 months exemption)

3.2.27 The table shows there were two minor differences currently in relation to the Empty & Unfurnished discount and the Uninhabitable discount. The Borough Council of Wellingborough has indicated it would seek to bring their Uninhabitable discount in line with other “north” councils ahead of vesting day.

3.2.28 The task and finish group recommended that the new authority should harmonise the discounts and exemptions to the level of the existing majority.

3.2.29 The Group also discussed the level of the Long Term Empty Property premium. It was recognised that whilst this harmonised amongst all councils at present, that all councils were not maximising the discretion that was available. There is the ability to increase the premium. It was noted this would also have a positive impact on bringing empty properties back into habitation to increase housing supply. It was noted that if all existing long term empty properties continued to be empty this could generate an additional revenue stream of upto £0.5m. However, it should be noted that the additional costs would lead to a change in behaviour so the financial benefit may not get to

these levels, but this would be outweighed by the social benefit of few empty properties.

3.2.30 The task and finish group recommend that the new authority should consider maximising the Long Term Empty Property premium to an extra 100% for 2-5yrs, extra 200% 5-10yrs and extra 300% 10yrs +. The primary driver for this is to increase housing supply.

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

3.2.31 The North's Council Tax Harmonisation Group has concluded its work and will pass its recommendations onto the Budget and MTFP Task and Finish Group and the Shadow Executive for further consideration.

3.2.32 The recommendations from the North's Council Tax Harmonisation Task and Finish Group are as follows:

Council Tax harmonisation

- To adopt the Alternative Notional Amount (the average council tax) methodology, as set out in legislation, for calculating the baseline level of council tax to apply the referendum principles against.
- To harmonise the level of council tax across North Northamptonshire in the shortest possible period taking into account the financial position of the Council and the impact on taxpayers.

Local Council Tax Reduction Scheme

- To develop a scheme for consultation and propose to Shadow Executive in September.

Council Tax Discounts and Exemptions

- That the new authority should harmonise the discounts and exemptions to the level of the existing majority.
- That the new authority should consider maximising the Long Term Empty Property premium to an extra 100% for 2-5yrs, extra 200% 5-10yrs and extra 300% 10yrs +.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The approach adopted by North 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



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group which will make further recommendations to Executive as the budget process progresses.

4.3 Financial Implications

4.3.2 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 North 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.

4.4 Legal

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

4.4.2 The adoption of a council tax support scheme for North Northamptonshire is legal requirement and is set out in Local Government Finance Act 1992 (92 Act), section 13A (2), amended by Local Government Finance Act 2012 (2012 Act). The regulations state:

- (1) Before making a scheme, the authority must (in the following order)—*
- (a) consult any major precepting authority which has power to issue a precept to it,*
 - (b) publish a draft scheme in such manner as it thinks fit, and*
 - (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme*

4.5 Equality and Health

4.5.1 None at this stage.

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