

# Executive Report



Cabinet – 5 December 2023

## COUNCIL TAX BASE ESTIMATE 2024/25

Name of Cabinet Member	<b>Councillor Lauren Townsend</b> Resources
Report sponsor	<b>Steve Richardson</b> Director Finance and Resources
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Exempt / confidential / not for publication	<b>No</b>
Council Plan reference	<b>1 – Balanced Budget</b>
Wards affected	<b>All wards</b>

### Executive Summary

The report confirms; the main assumptions used in calculating the Council Tax Base estimate for 2024/25; the level of funding the Council will pay to town and parish councils for Local Council Tax Reduction and how this funding will be distributed.

The report also provides feedback following a consultation on proposals to revise the Councils Local Council Tax Discretionary Policy in relation to an extension of the Long-Term Empty Homes Premium and adoption of a new Second Homes Premium and now seeks a decision from Cabinet on how to proceed. Please refer to Annex A.

The Provisional Business Rates Baseline 2024/25 will be included with the Draft Budget report going to Cabinet in December.

#### 1. Decision/s to be made

- 1.1 That Cabinet notes the consultation feedback at Annex A and summary set out in this report.
- 1.2 That Cabinet confirms whether they wish to proceed with the proposed changes to the Local Council Tax Policy:
  - a) to revise the existing policy to charge a premium of 100% on properties that are empty for a period of between 1 and 2 years from 1 April 2024, subject to any exceptions that may be subsequently agreed by the Secretary of State; and
  - b) to adopt a new Second Homes Premium from 1 April 2025 of 100%, subject to any exceptions that be subsequently agreed by the Secretary of State.

- 1.3 That subject to the decision in 1.2 above, the 2024/25 Council Tax Base estimate is set at 96,909.61 Band D equivalent properties if the proposed change to LTE Premium is not approved or at 97,194.98 Band D equivalent properties should this be approved.
- 1.4 That the provision for uncollectable amounts of Council Tax for 2024/25 be set at 0.9% producing an expected collection rate of 99.1%.
- 1.5 That the proposed 2024/25 funding contribution to parish and town councils of £0.325m, as set out in Annex E, be noted, and recommended to Council for approval as part of the final Budget in February 2024.
- 1.6 That the Cabinet recommends to Council that the Local Council Tax Reduction Scheme, as adopted by the Council on 22 February 2023, be continued for 2024/25, with amendments that reflect changes to related benefits and to the Council Tax Reduction Schemes (Prescribed Requirements) Regulations; retaining the delegation to the Director Finance and Resources to make technical legislative changes.

## 2. Why is the decision needed?

- 2.1 The purpose of this report is to set out:
  - the main assumptions used in calculating the Council Tax Base for 2024/25;
  - to note the outcomes of the consultation on proposed changes to the Councils policy for Long Term Empty Property Premium and introduction of a Second Homes Premium;
  - the level of Council funding to be distributed to parish and town councils in 2024/25 to offset a proportion of their financial loss as a result of Local Council Tax Reduction Scheme (LCTRS); and
  - the funding distribution between the individual parishes and town councils.

### **Council Tax Base Setting 2024/25**

- 2.2 In accordance with the Local Government Finance Act 1992 and related Statutory Instruments, the Council is obliged to set its Council Tax Base for the forthcoming financial year by 31 January 2024.
- 2.3 Since April 2013, under the Local Council Tax Reduction Scheme (LCTRS), qualifying council taxpayers no longer receive a benefit to offset the cost of their Council Tax bills. Instead, eligible residents who are on a low income, receive a discount. The impact of this change reduces the Tax Base for the Council and all precepting authorities.
- 2.4 Part of the potential loss created by this Tax Base reduction is offset by Government funding, which forms part of the Council's Revenue Support Grant (RSG) as well as an amount of funding intended to partially offset the impact of the Tax Base reduction for town and parish councils.

- 2.5 In February 2023, the Council approved the LCTRS for 2023/24. Schedule 4 of the Local Government Finance Act 2012 requires, for each financial year, that each billing authority must consider whether to revise its scheme or to replace it with another scheme. The authority must make any revision to its scheme, or any replacement scheme, no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 2.6 This report recommends continuing with the current LCTRS for 2024/25. This would mean the maximum level of Council Tax support for working age claimants would be maintained at 80%. The only changes that would be made are to incorporate legislative amendments to the Prescribed Scheme in respect of Council Tax Reduction and to other related benefits, where certain changes need to be replicated in the LCTRS to retain administrative simplicity.
- 2.7 A change to the Working Age Scheme was adopted in January 2014, which allows for the Working Age Scheme to be amended in line with changes to the amounts used in the Prescribed Scheme and the Housing Benefit Regulations, as well as amendments to provide parity with changes made to associated legislation. The approval of these changes has been delegated to the Director Finance and Resources. Any other revisions to the scheme can only be made following consultation with any major precepting authority and such other persons as the authority considers are likely to have an interest in the scheme.
- 2.8 The changes to the Tax Base resulting from the LCTRS, are calculated, based on this recommended policy.
- 2.9 The setting of a realistic and prudent collection rate for Council Tax is an essential component of the Council's overall budget strategy. If the collection rate set is set too high, this could result in a deficit on the collection fund which would impact on future years budgets.
- 2.10 The process and key assumptions to set the Tax Base for 2024/25 are as follows:
- The calculation of the Tax Base for precepting purposes is based on the number of properties, the council tax banding of the properties as at 12 September 2023, and the discounts applicable on 2 October 2023.
  - The properties and discounts are then adjusted for estimated new builds and demolitions within the 2023/24 and 2024/25 financial years, taking into consideration the anticipated timing of the new builds and demolitions.
  - A review of historic LCTRS claimant trends, in conjunction with an assessment of future risks to inform the 2024/25 projection, which reduces the Tax Base accordingly.
- 2.11 An estimate is then made for non-collection, which reduces the Tax Base further. This is informed by current income collection levels and the anticipated future risks to collection informed by historic performance information, future national changes to debt collection regulations and the economic outlook.

- 2.12 Milton Keynes is a high growth area, and the Council Tax Base is therefore expected to grow by a total of **2,713.39** Band D equivalent properties (2956 23/24), within 2024/25 based on our future estimates. A consultation was undertaken to consider proposals to amend the current Long Term Empty Properties Premium by applying this to empty properties that have been empty between 1 and 2 years.
- 2.13 LCTS claimant numbers remain steady with a slight decrease. The LCTS Band D equivalent property forecast for 2024/25 will be decreased to 8,195.40 from the 2023/24 impact of 8,282, a reduction of 86. The actual position in September 2023 has been increased by 4.19%, although this is actually lower than the same point 12 months earlier.
- 2.14 To calculate the Council Tax Base, a further adjustment is made to deduct losses from non-collectable debt (bad debt provision). To do this the Council has to calculate an overall Collection Rate. The Collection Rate is the Council's estimate of the proportion of the overall Council Tax collectable for 2024/25 that will ultimately be collected. The key elements in making this calculation are losses on collection, appeals against valuation, changes in circumstances (e.g. application for discounts in respect of single person's occupancy or disability) and other adjustments. These other adjustments to bills can arise for a variety of reasons including bankruptcy, death and exemptions, plus an allowance for uncollectable debts.
- 2.15 In the Provisional Council Tax Base report presented to Cabinet on the 7 November 2023, an estimated Collection Rate of 97.95% was proposed. We have subsequently reviewed this and determined that the assumptions made were too cautious and we have now proposed a revised rate of 99.1%, which is 0.4% higher than the 2023/24 Collection Rate of 98.7%. The Council since 1993 has a long-term collection rate of 99.2%, with 0.8% of debit being written off as non-collectable. This revised Collection Rate better reflects the long-term collection position and impact of changes to the regulations impacting debt collection.
- 2.16 All these assumptions result in a proposed Tax Base of **96,909.61** Band D equivalents, an increase of 1,400 compared to 2023/24. This would result in Council Tax income of **£162.429m** for Milton Keynes City Council (based on the current level of Council Tax charge) which represents an increase of **£12.052m** compared to 2023/24 precept income. (**£7.720m** of this increase relates to the proposed 4.99% Band D increase).
- 2.17 The Tax Base calculation (set out at Annex B) must be approved by no later than 31 January 2024; but an earlier decision supports key partners in making decisions on their Budget. Following Royal Assent being granted to the Levelling Up and Regeneration Act on the 26 October, the Council proposed making changes to its Council Tax Premium Policy for Long Term Empty Properties (from 1 April 2024) and also introduce a 2nd Homes Premium (from 1 April 2025).
- 2.18 The Consultation feedback closed on the 28 November 2023 and has been summarised at Annex A.

2.19 To assist preceptors Annexes C and D analyse the figures at parish level in terms of Band D equivalents and numbers of properties respectively.

2.20 The following table summarises the position:

**Table 1: Council Tax Base 2024/25 – Band D equivalents**

	Council Tax Base – no change to LTE Policy	Proposed Council Tax Base with LTE Policy Change
Total of Band D Equivalents	104,585.06	104,873.06
Provision for Valuation & Other Changes	1,400.00	1,400.00
Net Impact of Local Council Tax Reductions	(8,195.40)	(8,195.40)
Provision for Non-Collection (0.90%)	(880.05)	(882.68)
<b>Total Band D equivalent properties</b>	<b>96,909.61</b>	<b>97,194.98</b>

Funding for Parishes

2.21 The introduction of the LCTRS reduces the Tax Base, and therefore the Council Tax income collected by individual precepting bodies. However, Central Government funding to major preceptors offset a significant proportion of the impact for this change, although this is reducing each year.

2.22 Additional Government funding, as part of Revenue Support Grant (RSG) is also provided to major precepting authorities on behalf of town and parish councils to offset a proportion of their reduced Tax Base as a result of the scheme. From April 2013 this grant has formed part of the Council’s RSG.

2.23 The RSG is a non ring-fenced source of funding that the Council receives from the Government for the provision of statutory functions and local service provision and together with Business Rates makes up the Council’s Formula Grant. In the period 2013/14 to 2023/24 Milton Keynes’s RSG had reduced from £61m to £6.7m, a reduction of 89%.

2.24 Following consultation in Summer 2019 the size of funding available was reduced to £0.325m in 2020/21 to reflect the reductions in Formula Grant. A new methodology for distribution was also agreed,

- 50% of grant by notional loss of precept income
- 50% of grant using Index of Multiple Deprivation (IMD2019)

2.25 For 2024/25 it is proposed that the funding level is maintained at £0.325m and the distribution methodology remains as per paragraph 2.31.

2.26 The provisional funding allocations to parish and town councils are illustrated in Annex E. Annex E1 illustrates the funding allocations to parish and town councils including the impact of the proposed change to the Long Term empty Premium for 2024/25. The final allocations will need to be approved as part of the 2024/25 Budget in February 2024.

### 3. Implications of the decision

Financial	Yes	Human rights, equalities, diversity	No
Legal	Yes	Policies or Council Plan	Yes
Communication	Yes	Procurement	No
Energy Efficiency	No	Workforce	No

#### a) Legal and other implications

- Local Government Finance Act 1992, Local Government Finance Act 2003
- Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.
- Levelling Up and Regeneration Act 2023

#### b) Financial

These are set out in the detailed report and accompanying annexes.

#### c) Consultation

A consultation was carried out during November 2023 to inform a decision on whether to implement changes to the Local Council Tax Policy in respect of Long-Term Empty Properties and Second Homes. Details of this consultation have set out at Annex A.

### 4. Timetable for implementation

6 February 2024 – Final Budget Report to Cabinet

21 February 2024 – Final Budget for Council approval.

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#### List of annexes

- Annex A - Summary of the Consultation Feedback on Proposal to revise MKCC policy on Long Term Empty Homes and Second Homes Premium.
- Annex B - Calculation of Council Tax Base 2024/25
- Annex C - Council Tax Base 2024/25 by Parish and Town Council
- Annex C1 - Council Tax Base 2024/25 by Parish and Town Council (Including Proposed Long Term Empty Premium Changes)
- Annex D - Council Tax Base before Discounts and Exemptions
- Annex E - 2024/25 Parish and Town Council Funding Allocations
- Annex E1 - 2024/25 Parish and Town Council Funding Allocations (Including Proposed Long Term Empty Premium Changes)

#### List of background papers

7 November 2023 Cabinet Report.