

1 November 2022

COUNCIL TAX BASE 2023/24

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Exempt / confidential / not for publication	No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

Executive Summary

The report sets out; the main assumptions used in calculating the Council Tax Base for 2023/24; confirms 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 Business Rates Baseline 2023/24 will be included with the Draft Budget report going to Cabinet in December.

1. Decision/s to be made

- 1.1 That the 2023/24 Council Tax Base be set at 94,196.22 Band D equivalent properties.
- 1.2 That the provision for uncollectable amounts of Council Tax for 2023/24 be set at 1.30% producing an expected collection rate of 98.7%.

- 1.3 That the proposed 2023/24 funding contribution to parish and town councils of £0.325m, as set out in Annex D, be noted, and recommended to Council for approval as part of the final Budget in February 2023.
- 1.4 That the Cabinet recommends to Council that the Local Council Tax Reduction Scheme, as adopted by the Council on 16 February 2022, be continued for 2023/24, 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 2023/24
- the level of Council funding to be distributed to parish and town councils in 2023/24 to offset a proportion of their financial loss as a result of Local Council Tax Reduction Scheme (LCTRS)
- the funding distribution between the individual parishes and town councils

Council Tax Base Setting 2023/24

- 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 2023.
- 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 2022, the Council approved the LCTRS for 2022/23. 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 2023/24. 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 another essential component of the Council's overall budget strategy. If the collection rate set is over-optimistic, this could result in a deficit on the collection fund at the end of 2023/24, which would result in an in-year overspend and a budget correction in the 2024/25 Budget.
- 2.10 The process and key assumptions to set the Tax Base for 2023/24 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 2022, and the discounts applicable on 3 October 2022.
 - The properties and discounts are then adjusted for estimated new builds and demolitions within the 2022/23 and 2023/24 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 2023/24 projection, which reduces the Tax Base accordingly.
 - 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 as a result of the national and economic environment.

- 2.11 Milton Keynes is a high growth area and the Council Tax Base is therefore expected to grow by 2,956 Band D equivalent properties within 2023/24 based on our future estimates. However, due to the uncertain economic situation we have reduced our assumption on completed new builds in 2023/24 by 30%.
- 2.12 LCTS claimant numbers remain steady and are lower than anticipated last year. The LCTS Band D equivalent property forecast for 2023/24 will therefore be decreased to 8,282 from the 2022/23 impact of 8,786, a reduction of 504.
- 2.13 To calculate the Council Tax Base, a further adjustment is made to deduct losses from non-collectable debt (bad debt provision). The Council since 1993 has a long-term collection rate of 99.2%, with 0.8% of debit being written off as non-collectable. Given the significant uncertainty in the economy and cost of living crisis we have used a lower collection rate for 2023/24 of 98.7% (0.5% lower than the long-term overall collection rate). This rate includes both in year debt collection for 23/24 bills and collection of debt from prior years.
- 2.14 We have reviewed both current collection performance and historic collection performance in the last economic downturn (2008) to provide a guide on likely collection performance. The overall collection rate being applied is in line with this and is therefore considered to be a reasonable estimate for collection over 2023/24. In the event that collection performance in 2023/24 is lower than estimated, this can be covered from the current surplus held through the Council Tax Collection Fund.
- 2.15 All these assumptions result in a proposed Tax Base of 94,196.22 Band D equivalents, an increase of 3,832 compared to 2022/23. This would result in Council Tax income of £147.513m for Milton Keynes Council (based on the current level of Council Tax charge) which represents an increase of £10.109m compared to 2022/23 precept income (£4.283m of this increase relates to the proposed 2.99% Band D increase).
- 2.16 The Tax Base calculation (set out at Annex A) must be approved by no later than 31 January 2023; but an earlier decision supports key partners in making decisions on their Budget. Annexes B and C analyse the figures at parish level in terms of Band D equivalents and numbers of properties respectively.

2.17 The following table summarises the position:

Table 1: Council Tax Base 2023/24 – Band D equivalents

Total of Band D Equivalents	101.898.61
Provision for Valuation & Other Changes	1,820.00
Net Impact of Local Council Tax Reductions	(8,281.70)
Provision for Non-Collection (1.3%)	(1,240.69)
Total Band D equivalent properties	94,196.22

New Homes Bonus

2.18 The New Homes Bonus grant (NHB) is funding allocated to councils based on the building of new homes and bringing empty homes back into use. A new build count is taken in October and reported in the CTB1 return submitted to Department for Levelling Up and Homes and Community. This is then used to calculate any NHB entitlement. **The continuation of this funding stream is uncertain** but based on this count if the NHB scheme should continue in its current form then the 2023/24 NHB allocation for MKCC is estimated at £4.4m as detailed in Table 2.

Table 2: 2023/24 New Homes Bonus Estimate

New Builds - Oct 2022 (Band D's)	2,661
Movement in long term empty properties (Band D's)	(70)
Net New Builds (Band D's)	2,591
Baseline Growth Reduction (Band D's)	(433)
Net New Build after baseline reduction (Band D's)	2,158
National Band D Average	£1,965.70
Provisional New Homes Bonus before Allowance for Affordable Housing	£4.242m
Estimated Allowance for Affordable Housing (£350 per unit)	£0.175m
Provisional New Homes Bonus	£4.417m

Funding for Parishes

- 2.19 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.
- 2.20 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.
- 2.21 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 2021/22 Milton Keynes's RSG had reduced from £61m to £5.6m, a reduction of 90%. Overall Formula Grant had fallen by 43% over this period.
- 2.22 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)
- 2.23 For 2023/24 it is proposed that the funding level is maintained at £0.325m and the distribution methodology remains as per paragraph 2.23.
- 2.24 The provisional funding allocations to parish and town councils are illustrated in Annex D. The final allocations will need to be approved as part of the 2023/24 Budget in February 2023.

3. Implications of the decision

Financial	Yes	Human rights, equalities, diversity	No
Legal	Yes	Policies or Council Plan	Yes
Communication	No	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.

4. Timetable for implementation

22 February 2023 – Final Budget for Council approval.

List of annexes

Annex A - Calculation of Council Tax Base 2023/24

Annex B - Council Tax Base 2023/24 by Parish and Town Council

Annex C - Council Tax Base before Discounts and Exemptions

Annex D – 2023/24 Parish and Town Council Funding Allocations

List of background papers

None.