

# Executive Report



Cabinet – 7 November 2023

## COUNCIL TAX BASE ESTIMATE 2024/25

Name of Cabinet Member	<b>Councillor Rob Middleton</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Exempt / confidential / not for publication	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 sets out; the main assumptions used in calculating the provisional Council Tax Base estimate for 2024/25; 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 report also sets out proposals to revise the MKCC's Local Council Tax Discretionary Policy following Royal Assent of the Levelling Up and Regeneration Act on the 26 October 2023. The consultation will commence on 1<sup>st</sup> November 2023 to seek views on these changes and will run until the 28<sup>th</sup> November 2023.

The 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 the provisional 2024/25 Council Tax Base estimate of **95,784.97** Band D equivalent properties and the potential increase to **96,067.10** Band D equivalent properties (subject to the outcome of consultation,) be noted.
- 1.2 That a final decision be made at the 5 December 2023 Cabinet meeting, regarding the 2024/25 Council Tax Base.
- 1.3 That the provision for uncollectable amounts of Council Tax for 2024/25 be set at **2.05%** producing an expected collection rate of **97.95%**.

- 1.4 That the commencement of a consultation to consider changes to the discretionary Council Tax policy in respect of Long Term Empty Property and introduction of a Second Home Premiums (as set out in paras 2.20 – 2.27), be noted.
- 1.5 That the proposed 2024/25 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 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;
- 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 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 2024/25, which would result in an in-year overspend and a budget correction in the 2025/26 Budget.
- 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 as a result of the national and economic environment.

- 2.12 Milton Keynes is a high growth area and the Council Tax Base is therefore expected to grow by **1,588.75** Band D equivalent properties within 2024/25 based on our future estimates.
- 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 at September 2023 has been increased by 4.19%, although this is actually lower than the same point 12 months earlier. 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 2024/25 of **97.95%** (**1.25%** lower than the long-term overall collection rate). This rate includes both in year debt collection for 24/25 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 2024/25. In the event that collection performance in 2024/25 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 **95,784.97** Band D equivalents, an increase of 1,588.75 compared to 2023/24. This would result in Council Tax income of **£160.544m** for Milton Keynes City Council (based on the current level of Council Tax charge) which represents an increase of **£10.167m** compared to 2023/24 precept income. (**£7.630m** of this increase relates to the proposed 4.99% Band D increase).
- 2.16 The Tax Base calculation (set out at Annex A) 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 is proposing make 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). We are therefore proposing to make a final decision on the Council Tax Base for 2024/25 at Cabinet on the 5 December 2023, following the completion and consideration of consultation.
- 2.17 To assist preceptors Annexes B and C analyse the figures at parish level in terms of Band D equivalents and numbers of properties respectively.

2.18 The following table summarises the position:

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

Total of Band D Equivalents	104,585.06
Provision for Valuation & Other Changes	1,400.00
Net Impact of Local Council Tax Reductions	(8,195.40)
Provision for Non-Collection (2.05%)	(2,004.69)
<b>Total Band D equivalent properties</b>	<b>95,784.97</b>

2.19 The Council Tax Base shown in Table 1 above, does not include the impact of the proposed change to the Long Term Empty Premium for 2024/25. If this change was to be agreed at Cabinet on 5<sup>th</sup> December 2023, the tax base would increase to 96,067.10.

### **Local Council Tax Premiums**

#### Long Term Empty Property Premium

2.20 The Levelling Up and Regeneration Act received Royal Assent on the 26 October 2023. The act includes new powers which allow billing authorities to make changes to Council Tax premiums as follows:

- From 1 April 2024 the existing 100% premium payable on long term empty properties should be applicable after 1 year rather than 2 years
- From 1 April 2025 a 100% premium should be applied to second homes

2.21 Currently MKCC apply a long-term empty home premium to dwellings that have been unoccupied and unfurnished (empty) for more than 2 years. This is currently a 3 tier charge:

- Empty for more than 2 years - 100% premium
- Empty for more than 5 years – 200% premium
- Empty for more than 10 years – 300% premium

2.22 The new Act gives discretion to local councils to apply the 100% premium to properties that have been empty for a period of 1 year, rather than the current 2 years.

2.23 This proposal is intended to bring properties back into use, thereby helping with housing supply, while also contributing additional income to fund local services. The Council is having to make significant savings to balance its budget in 2024/25 and in future years. The additional income generated from their introduction would help meet this gap.

## Second Home Council Tax Premium

- 2.24 Additionally, the Act provides Councils with the discretion to apply a new premium of up to 100% to second homes. These are dwellings that are furnished but not occupied as a person's sole or main dwelling. These may be properties let as furnished and are unoccupied between tenancies or properties that a person owns or rents, but their main home is elsewhere.
- 2.25 The Act also provides for the Secretary of State to prescribe exceptions to the Second Home Premium. The Government has consulted on these exceptions and whilst the outcome of the consultation has not yet been published it is expected that the following exceptions will be prescribed:
- Empty properties and second homes where probate has been awarded will have a 12-month exception from the premium at the end of the statutory 6-month exemption period.
  - Empty properties and second homes being actively marketed for sale or to let would receive a 6-month exception from the premium.
  - Empty properties undergoing major repairs would receive a 6-month exception from the premium.
  - Annexes forming part of, or being treated as part of the main dwelling would be an exception from the second home premium applied.
  - Properties currently receiving a 50% job related second home discount would be an exception from the second home premium.
  - Occupied caravan pitches and boat moorings would be an exception from the second home premium.
  - Seasonal homes where year-round or permanent occupation is prohibited or has been specified for use as holiday accommodation would be an exception from the second home premium.
- 2.26 There is a requirement for MKCC to carry out a local consultation before deciding whether to adopt the changes to Council Tax premiums. As the long-term empty premium is already in place, any changes made to this can be applied from 1 April 2024. It is estimated that if the premium were to be applied to all properties that are empty between 1 and 2 years, this would generate a total additional council tax yield of £0.473m.
- 2.27 The second home premium is a new premium and there is a requirement for 12 months' notice to be provided and therefore if a decision on whether to apply it must be made before 1 April 2024 for it to be effective from 1 April 2025. **Therefore, any change made to this policy would not impact the 2024/25 Council Tax Base.** There are currently about 860 second homes registered in Milton Keynes and if all of these paid a 2nd Homes Premium this would imply an additional yield of £1.8m. However, further work would need to be undertaken to identify a reliable estimate given the different exclusions that would apply.

## Funding for Parishes

- 2.28 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.
- 2.29 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.
- 2.30 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%.
- 2.31 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)
- 2.32 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.
- 2.33 The provisional funding allocations to parish and town councils are illustrated in Annex D. Annex D1 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. The Council Tax base will be finalised at the 5<sup>th</sup> December 2023 Cabinet meeting.

## c) Consultation

A consultation commenced on the 1 November 2023 to gain views on the proposed changes to the MKCC's Council Tax Premium Policy for Long Term Empty Properties and Second Homes. This was placed on the Council's website. The views of preceptors will also be sought. The consultation will run for a period of 4 weeks and a report of the feedback will be presented to Cabinet 5<sup>th</sup> December to consider and to confirm the Council Tax Base for 2024/25.

## 4. Timetable for implementation

5 December 2023 – Council Tax Base Finalised & Draft Budget Report to Cabinet

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 - Calculation of Council Tax Base 2024/25

Annex B - Council Tax Base 2024/25 by Parish and Town Council

Annex B1 - Council Tax Base 2024/25 by Parish and Town Council (Including Proposed Long Term Empty Premium Changes)

Annex C - Council Tax Base before Discounts and Exemptions

Annex D - 2024/25 Parish and Town Council Funding Allocations

Annex D1 - 2024/25 Parish and Town Council Funding Allocations (Including Proposed Long Term Empty Premium Changes)

## List of background papers

None.