

# Cabinet report



Report considered by Cabinet on 5 November 2019

## Council Tax Base 2020/21

Name of Cabinet Member	<b>Councillor Middleton</b> Cabinet member for Resources and Innovation
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Exempt / confidential / not for publication	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>

## Summary

The report sets out; the main assumptions used in calculating the Council Tax Base for 2020/21; 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.

It also sets out proposed amendments to the Local Council Tax Reduction Scheme, to retain administrative simplicity and to reflect legislative changes to the Prescribed Council Tax Reduction Regulations and other related welfare benefit changes.

The Business Rates Baseline 2020/21 will be included with the draft budget report to Cabinet in December.

### 1. Decision/s to be made

- 1.1 That the 2020/21 Tax Base be set at 86,689.95 Band D equivalent properties.
- 1.2 That the provision for uncollectable amounts of Council Tax for 2020/21 be set at 1.6% producing an expected collection rate of 98.4%.

- 1.3 That the proposed 2020/21 funding contribution to parish and town councils of £0.325m together with transitional funding of £0.125m for 2020/21 only, as set out in paragraphs 2.19 to 2.29, and Annex E of this report, be noted and recommended to Council for approval as part of the final Budget in February 2020.
- 1.4 That the distribution methodology to be used to allocate funding from Milton Keynes Council to parish and town councils as set out ~~in Annex D~~ be approved.
- 1.5 That the Cabinet recommends to Council that the Local Council Tax Reduction Scheme, as adopted by the Council on 23 January 2019, be continued for 2020/21, 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 2020/21
- the level of Council funding to be distributed to parish and town councils in 2020/21 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 2020/21**

- 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 2020.
- 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 January 2019, the Council approved the LCTRS for 2019/20. 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 2020/21. 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.
- 2.8 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.
- 2.9 The changes to the Tax Base as a result of the LCTRS are calculated, based on this recommended policy.
- 2.10 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 may result in a deficit on the collection fund at the end of 2020/21, which would result in an in-year overspend and a budget correction in the 2021/22 Budget.
- 2.11 The process and key assumptions to set the Tax Base for 2020/21 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 9 September 2019, and the discounts applicable on 7 October 2019.
  - The properties and discounts are then adjusted for estimated new builds and demolitions within the 2019/20 and 2020/21 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 2020/21 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 economic landscape and national Government policies such as Universal Credit and the wider Welfare Reforms.

- 2.12 Milton Keynes is a high growth area and the Council Tax Base is therefore expected to grow by 1,590 Band D equivalent properties within 2020/21 based on our future estimates.
- 2.13 The amount of Local Council Tax Reductions was also lower than anticipated in 2019/20, mainly as a result of a higher than anticipated increase in claimants moving into employment; therefore the LCTRS Band D equivalent property forecast for 2020/21 will be reduced to 8,948 from the 2019/20 forecast of 9,171. This assumes the local economy will continue to improve, meaning fewer people will be entitled to discounts.
- 2.14 In implementing the LCTRS, we invest in a discretionary fund currently set at £100k to help those council tax payers affected by the change; created and promoted easier ways to pay and worked extensively with the individuals who were affected by the change. As a result, collection rates are better than initially predicted, helping to maintain the overall collection rate at 98.4%.
- 2.15 Based on prior year and current in-year collection performance in 2019/20, the estimated Council Tax collection rate applied to the Tax Base should remain at 98.4%. This collection rate is still considered to be a prudent estimate and is informed by the potential adverse effect to income collection levels as a result of the introduction and roll out of Universal Credit in Milton Keynes and the Government's wider Welfare Reform agenda.
- 2.16 All these assumptions result in a proposed Tax Base of 86,689.95 Band D equivalents, which would result in Council Tax income of £122.158m for Milton Keynes Council (based on the current level of Council Tax charge) This represents an increase of £2.505m compared to 2019/20 precept income.
- 2.17 The Tax Base calculation (~~set out at Annex A~~) must be approved by no later than 31 January 2020; 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.
- 2.18 The following table summarises the position:

**Table 1: Council Tax Base 2020/21 – Band D equivalents**

Total of Band D Equivalents	95,389.43
Provision for Valuation Changes	1,410.00
Net Impact of Local Council Tax Reductions	(8,947.90)
Provision for Non Collection (1.6%)	(1,161.58)
<b>Total Band D equivalent properties</b>	<b>86,689.95</b>

### 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 2019/20 Milton Keynes's RSG has reduced from £61m to £5.5m, a reduction of 90%. Overall Formula Grant has fallen by 48% over this period
- 2.22 Given the reduction in RSG, the Council has made a corresponding reduction in the proportion of funding passed to parishes over this same period, albeit this reduction has only been 32%, from £0.776m to £0.530m.

### Parish Funding Consultation

- 2.23 Milton Keynes Council consulted with Parish and Town Councils between 14 June 2019 to 6 September 2019 on the following proposals.
- Reduction in the size of the funding by £0.205m to £0.325m in 2020/21 to reflect fully the reductions in Formula Grant
  - Distribution of the funding to the parishes
  - Transitional funding for one year only to ensure that parishes do not lose more than 20% of their current funding level in 2020/21. This would be capped at £25,000 per parish.
- 2.24 With regard to the distribution of funding three options were proposed
- (a) Current methodology – equal percentage loss of precept income
  - (b) 50% of grant using current methodology; 50% of grant using Index of Multiple Deprivation (IMD2015)
  - (c) Proportion of grant to budget
- 2.25 The Consultation brings the total LCTRS Grant paid to Parish and Town Council's in line with the level of funding that the Council itself receives. Out of 48 Parish and Town Councils, only 4 respondents argued that the Council should continue with the current level of funding. Some respondents acknowledged that MKC had treated Parish and Town Council's favorably and that this reduction had

been planned for given wider engagement with Parish and Town Councils in recent years. It is therefore proposed that the reduction to overall funding is implemented in accordance with the proposals set out in the consultation paper.

- 2.26 Six parishes supported a change to how LCTRS grant is distributed from 2020/21 in line with Option B. There was little support for the alternative options, although this reflected the relatively low level of responses overall. In light of this feedback and no strong opposition, it is proposed that Option B is adopted from April 2020.
- 2.27 The proposed transitional relief scheme was supported by all respondents to help support those with larger reductions in 2020/21 adjust to the new funding level. This proposal is therefore recommended for adoption.
- 2.28 ~~Annex D~~ summarises responses received.
- 2.29 The provisional funding allocations to parish and town councils including one-off transitional funding are illustrated in Annex E. They reflect the recently released IMD2019 which was not available at the time of the consultation together with the updated 2020/21 tax base. The final allocations will need to be approved as part of the 2020/21 Budget in February 2020.

### **Working with the Parishes**

- 2.30 Parish and Town Councils play a significant role in shaping and improving their local areas, MKC continue to be supportive of their role in supporting communities and need for greater influence and involvement in delivery of local priorities going forward. Although the Council is now aligning its LCTRS funding with the level of funding it receives, support to Parish and Town Councils continues on a broader level through a number of local funding schemes, including:

#### **Capacity Fund**

- 2.31 A new Capacity Fund with an initial £100k (funded from the Transformation Fund) to support parishes that wish to progress asset transfers and service devolution. This funding will be available where proposals meet the Councils new Service and Asset Devolution Approach and help deliver future savings and more effective locality based working in the heart of our communities. Reviews of the fund will be undertaken on yearly basis to see whether it has met its objectives and whether there is a potential need for top up funding.

#### **Community Infrastructure Fund**

- 2.32 Supporting parishes by match funding projects that are important to them, within the public realm. The Community Infrastructure Fund has circa £100k available each year, for parishes to make an application to. Successful projects

that have been match funded over the years include play areas, parking schemes, landscaping and community projects.

### **Parish Clean Up Fund**

- 2.33 Making available a one-off £100k fund to support Parishes and communities to take part in local clean ups. This has included litter picks, deep cleans and the availability of a dedicated weed treatment machine.

### **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

Legal implications

Local Government Finance Act 1992, Local Government Finance Act 2003

Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

### **4. Timetable for implementation**

26 February 2020 – Final Budget for Council approval.

### **5. Annexes**

~~Annex A – Calculation of Council Tax Base 2020/21~~

~~Annex B – Council Tax Base 2020/21 by Parish and Town Council~~

~~Annex C – Council Tax Base before Discounts and Exemptions~~

~~Annex D – Parish Funding Consultation Responses~~

Annex E – 2020/21 Parish and Town Council Funding Allocations