

Cabinet report



2 November 2021

COUNCIL TAX BASE 2022/23

Name of Cabinet Member	Rob Middleton Cabinet member for 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Exempt / confidential / not for publication	No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 2022/23, 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 2022/23 will be included with the Draft Budget report going to Cabinet in December.

1. Decision/s to be made

- 1.1 That the 2022/23 Tax Base be set at 90,364.51 Band D equivalent properties.
- 1.2 That the provision for uncollectable amounts of Council Tax for 2022/23 be set at 1.60% producing an expected collection rate of 98.4%.
- 1.3 That the proposed 2022/23 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 2022.

Why is the decision needed?

1.4 The purpose of this report is to set out:

- the main assumptions used in calculating the Council Tax Base for 2022/23
- the level of Council funding to be distributed to parish and town councils in 2022/23 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 2022/23

1.5 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 2022.

1.6 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.

1.7 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.

1.8 That the Cabinet recommends to Council that the Local Council Tax Reduction Scheme, as adopted by the Council on 24 February 2021, be continued for 2022/23, 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.

1.9 In February 2021, the Council approved the LCTRS for 2021/22. 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.

1.10 This report recommends continuing with the current LCTRS for 2022/23. 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.

- 1.11 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.
- The changes to the Tax Base resulting from the LCTRS, are calculated, based on this recommended policy.
- 1.12 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 2022/23, which would result in an in-year overspend and a budget correction in the 2023/24 Budget.
- 1.13 The process and key assumptions to set the Tax Base for 2022/23 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 13 September 2021, and the discounts applicable on 4 October 2021.
 - The properties and discounts are then adjusted for estimated new builds and demolitions within the 2021/22 and 2022/23 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 2022/23 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.
- 1.14 Milton Keynes is a high growth area and the Council Tax Base is therefore expected to grow by 2,237 Band D equivalent properties within 2022/23 based on our future estimates.
- 1.15 The impact of the Covid-19 pandemic on the level of Local Council Tax Reductions and collection rates has not been as severe as that assumed when the 2021/22 Tax Base was set. Council Tax collection rates have currently returned to normal levels and continued government support has meant LCTS claimant numbers are significantly lower than anticipated. The LCTS Band D equivalent property forecast for 2022/23 will therefore be decreased to 8,786 from the 2021/22 impact of 9,750, a reduction of 965.

- 1.16 Based on prior year and current in-year collection performance in 2021/22, the estimated Council Tax collection rate applied to the Tax Base will be 98.4%, an increase of 1% compared to 2021/22. Although there is uncertainty on the longer term economic impact of Covid-19 and other potential economic pressures such as higher inflation, this collection rate is still a prudent estimate based on previous years collection performance.
- 1.17 All these assumptions result in a proposed Tax Base of 90,364.51 Band D equivalents, an increase of 4,151 compared to 2021/22. This would result in Council Tax income of £138.871m for Milton Keynes Council (based on the current level of Council Tax charge) which represents an increase of £12.017m compared to 2021/22 precept income.
- 1.18 The Tax Base calculation (set out at annex A) must be approved by no later than 31 January 2022; 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.
- 1.19 The following table summarises the position:

Table 1: Council Tax Base 2022/23 – Band D equivalents

Total of Band D Equivalents	99,268.80
Provision for Valuation & Other Changes	1,493.64
Net Impact of Local Council Tax Reductions	(8,785.75)
Provision for Non Collection (1.6%)	(1,612.18)
Total Band D equivalent properties	90,364.51

Funding for Parishes

- 1.20 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.
- 1.21 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.
- 1.22 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.

1.23 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)

1.24 For 2022/23 it is proposed that the funding level is maintained at £0.325m and the distribution methodology remains as per paragraph 2.22.

1.25 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 2022/23 Budget in February 2022.

2. 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 implications

Local Government Finance Act 1992, Local Government Finance Act 2003
Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

3. Timetable for implementation

16 February 2022 – Final Budget for Council approval.

List of annexes

Annex A - Calculation of Council Tax Base 2022/23

Annex B - Council Tax Base 2022/23 by Parish and Town Council

Annex C - Council Tax Base before Discounts and Exemptions

Annex D – 2022/23 Parish and Town Council Funding Allocations