



Report of: Corporate Director of Resources (Section 151 Officer)

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	25 January 2021	Error! Reference source not found.	All
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COUNCIL TAXBASE 2021/22

1. SYNOPSIS

- 1.1 This report covers the council taxbase estimate for the financial year 2021/22, as well as the council tax forecast for the current financial year 2020/21.
- 1.2 There is currently an unprecedented level of uncertainty around the council's taxbase, particularly the cost of local council tax support, due to ongoing developments around the COVID-19 crisis. As such, a prudent approach has been followed in setting the 2021/22 taxbase to be used for budget setting purposes. The actual taxbase will depend on future developments in the economy, including the level of unemployment, and government measures to support businesses and individuals.

2. RECOMMENDATIONS

- 2.1. To note that the cost of local council tax support in 2021/22 and over the medium term is highly uncertain. (**Paragraph 4.1.2** and **Appendix A**)
- 2.2. To approve that the council taxbase for the whole area for 2021/22 (or until rescinded) shall be 77,737.1 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.2** and **Appendix A**)
- 2.3. To approve that the council taxbase for meeting the special expenses issued by the Lloyd Square Garden Committee for 2021/22 (or until rescinded) shall be 44.2 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.3** and **Appendix B**)
- 2.4. To note the council tax forecast for 2020/21. (**Paragraph 5.3** and **Table 1** and **Appendix C**)

3. BACKGROUND

- 3.1. The council is required to calculate its council taxbase for the next financial year and notify precepting authorities by 31 January of the preceding financial year. On 26 June 2008, the council established an Audit Committee and delegated responsibility for determining the council taxbase to that committee. The council taxbase will be used to calculate the level of council tax to be set by council on 25 February 2021.
- 3.2. The Lloyd Square Garden Management Committee issues a special levy on the council to meet the expenditure involved in the maintenance of the private garden in Lloyd Square. It is therefore necessary for the council to calculate separately the taxbase for the Lloyd Square Garden area.
- 3.3. The council is also required to forecast whether there will be a council tax surplus or deficit in the Collection Fund at the end of the current financial year and incorporate its share of any surplus or deficit in its budget for the next financial year.
- 3.4. The council is also required to make similar estimates around business rates income through the NNDR1 (detailed business rates) estimate to central government. The council's 2021/22 NNDR1 estimate, including a forecast for 2020/21 business rates income, is currently being worked up ahead of the 31 January 2021 statutory submission deadline. This will then be reflected in the final version of the budget report to the Executive on 11 February 2021 and Full Council on 25 February 2021.

4. COUNCIL TAX BASE ESTIMATE 2021/22

- 4.1. The council taxbase calculation for 2021/22 has been prepared on the following basis:
 - 4.1.1. **The number of dwellings on the Valuation List as at 30 November 2020, adjusted for exemptions, discounts and disabled relief** – In line with previous years' methodology, and given the uncertainty around economic activity, the taxbase makes no projection for additional properties that may be added to the Valuation List during the 2021/22 financial year. Instead, any future additions to the taxbase will be reflected in future year (2022/23 onwards) taxbases once they have been formally confirmed.
 - 4.1.2. **The local council tax support scheme for 2021/22 agreed by council on 10 December 2020 and a projection of future demand** – Due to increased caseload as a result of the COVID-19 pandemic, the cost of the local council tax support scheme has already increased by approximately £2m since the start of the financial year. The 2021/22 taxbase calculation assumes that the higher caseload experienced during the current financial year will continue and projects a further increase during 2021/22. However, it should be noted that cost of local council tax support in 2021/22 and over the medium term is highly uncertain as it will depend on future developments in the economy, including the level of unemployment, and government measures to support businesses and individuals.
 - 4.1.3. **Continuation of council tax relief for care leavers, foster carers and Shared Lives carers** – These are estimated to continue in 2021/22 at current levels.
 - 4.1.4. **The budgeted collection rate for 2021/22 of 96.5%** - This is a reduction of 1.5% from the 2020/21 budgeted collection rate of 98%. This reflects the reduction in council tax collection in the current financial year due to the COVID-19 pandemic (collection of the net council tax debit is down approximately 2% compared to the same point last year) and likely continued impact in 2021/22.

- 4.2. The council taxbase calculation for the council's whole area for 2021/22 is set out at **Appendix A**; applying a collection rate of 96.5% results in a council taxbase figure of 77,737.1. This equates to a 4.29% decrease compared to the 2020/21 taxbase (81,221.2).
- 4.3. The council taxbase calculation for the Lloyd Square Garden area for 2021/22 is set out at **Appendix B**; applying a collection rate of 96.5% results in a council taxbase figure of 44.2.

5. COUNCIL TAX FORECAST 2020/21

- 5.1. In the 2019/20 Statement of Accounts the final council tax outturn was a surplus of £1.301m, of which £0.551m was forecast and allocated as part of 2020/21 budget setting and £0.750m is an additional unbudgeted surplus to be reflected in the 2021/22 budget.
- 5.2. In relation to the 2020/21 council tax year, the Collection Fund forecast for council tax is a £1.824m exceptional COVID-19 deficit (**Appendix C**) to be shared between the council (£1.433m) and GLA (£0.391m) and spread over the 3 years 2021/22 to 2023/24. This exceptional deficit is due to the following variables:
- COVID-19 has led to a significant increase in the cost of the local council tax support scheme (which is currently approximately £1.5m higher than assumed at 2020/21 budget setting)
 - Similarly, as noted above, the collection rate is currently approximately 2% less than the same point last year.
 - The above is partially offset by growth in the overall business rates base not assumed at 2020/21 budget setting.
- 5.3. The combined 2021/22 budgetary impact of the prior year surplus and the 2020/21 exceptional deficit, for both the council and the GLA, is summarised in **Table 1** below. The GLA will be notified of this position.

Table 1: 2021/22 Budgetary Impact of Council Tax Forecast

	Islington Council £	GLA £	Total £
Residual 2019/20 Surplus	589,134	160,878	750,012
Less: 1/3 of 2020/21 Exceptional Deficit (as spread over 3 years)	477,714	130,452	608,166
Net Council Tax surplus to reflect in 2021/22 Budget	111,420	30,426	141,846

- 5.4. Under the government's COVID support package, 75% of any Collection Fund loss in 2020/21 will attract government compensation. It is assumed that this means that the council will receive government grant, spread over the 3 years 2021/22 to 2023/24, for 75% of the exceptional deficit. This would equate to government grant of £0.358m per annum in the years 2021/22 to 2023/24 (£1.075m in total). The GLA would similarly receive government grant compensation for their share of the exceptional deficit. However, the actual government grant compensation will depend on the final outturn position in the 2020/21 Statement of Accounts.

6. IMPLICATIONS

Financial Implications

- 6.1. The financial implications of this report will be incorporated in the final version of the 2021/22 budget report and statutory council tax calculations to be considered by the Executive on 11 February 2021 and Full Council on 25 February 2021.
- 6.2. The budgetary impact of the projected increase in the cost of local council tax support during 2021/22 is expected to be offset by the Local Council Tax Support (LCTS) grant (£3.6m indicative allocation for the council) announced in the provisional local government finance settlement.

Legal Implications

- 6.3. The council, as billing authority, is required to calculate the amount which will be its council taxbase for the next financial year by 31 January of the preceding financial year. (Section 31B of the Local Government Finance 1992 Act (as amended) and the Local Authorities (Calculation of council tax Base) Regulations 2012).
- 6.4. The council must make similar calculations in relation to any items of expenditure which relate to a part only of the council's area. This enables the council to collect, as council tax, the contributions of the local residents for these expenses. In Islington, the expenses of meeting the special levy issued by the Lloyd Square Garden Management Committee qualify and the council can take such expenses into account in calculating its budgetary requirements provided it has defined them as "special expenses" in a resolution in force at the time it calculates such requirements (Section 34 of the 1992 Act and the 2012 Regulations).
- 6.5. The precepting authorities must be notified by the council of its council taxbase calculation for the next financial year between 1 December and 31 January of the preceding financial year to enable those authorities to calculate their budgetary requirement for the next financial year and the precept they will issue to the council before 31 March. If the council fails to comply with the end of January deadline, the regulations prescribe a notional formula for the precepting authorities to use in default, which will bind the council. Similar rules require the precepting authorities to notify the council of relevant prescribed information between 1 and 31 December of the preceding financial year.
- 6.6. The calculation of the council taxbase may, but no longer has to, be approved by full council. It may be approved by a council committee or sub-committee, but not by the Executive (Section 84 of the Local Government Act 2003 and Regulation 4(9) to (11) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended)).
- 6.7. The council must set the council tax for the next financial year before 11 March of the preceding financial year (although it will not be invalid merely because it is set on or after that date). Before the council can decide this amount, it has to complete a further series of statutory calculations to establish its budgetary requirements for the next financial year. Again, these calculations under Section 31A-36 of the 1992 Act need to be made before 11 March of the preceding financial year and are usually made at the same time as the council tax is set.
- 6.8. The council, as billing authority, must estimate for each financial year whether there is a surplus or deficit in its Collection Fund. Any surplus or deficit in respect of council tax must be shared between the council and its relevant major precepting authorities and the council is required to inform them should this be applicable (The Local Authorities (Funds) (England) Regulations 1992).

Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

- 6.9. This report does not have any environmental implications.

Resident Impact Assessment

- 6.10. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 6.11. A Resident Impact Assessment has not been completed because this report in itself does not have any such implications.

7. REASON FOR RECOMMENDATIONS

- 7.1. The council is required to set a council taxbase for the next financial year and estimate the surplus or deficit on its Collection Fund for the current financial year.

Appendices:

Appendix A – Islington Whole Area council tax Base 2021/22

Appendix B – Lloyd Square Garden Area council tax Base 2021/22

Appendix C – Council Tax Forecast 2020/21

Background papers: None

Final report clearance:

Signed by:		
	Dave Hodgkinson, Corporate Director of Resources (Section 151 Officer)	Date

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Legal Implications Author:

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