



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

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	31 January 2022	<b>Error!</b> Reference source not found.	All
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## COUNCIL TAXBASE 2022/23 AND 2021/22 FORECAST

### 1. SYNOPSIS

- 1.1 This report covers the council taxbase estimate for the financial year 2022/23, as well as the council tax forecast for the current financial year 2021/22.
- 1.2 There is a headline council taxbase increase of 3.14% in 2022/23, recouping the majority of the 4.29% reduction experienced in 2021/22. The reasons for this increase are two-fold. Council tax support caseload has stabilised since the sharp increase at the start of the pandemic and has not increased to the extent estimated at 2021/22 budget setting. Also, council tax collection has marginally improved since the last financial year, albeit still below the pre-pandemic level.
- 1.3 However, underlying this position, there is a 0.59% decrease in the council taxbase before changes in council tax support and collection losses are taken into account. This is predominantly due to a significant increase in student exemptions (with many students returning to student accommodation in the 2021/22 academic year) and growth in single person discounts over the past year. This will be monitored closely as part of 2022/23 budget monitoring in order to inform future year taxbase projections in the council's medium-term financial strategy.

### 2. RECOMMENDATIONS

- 2.1 To approve that the council taxbase for the whole area for 2022/23 shall be 80,177.9 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.10** and **Appendix A**)
- 2.2 To note that the 2022/23 taxbase maintains the balanced budget position for 2022/23 and will be fully incorporated in the final version of the 2022/23 budget report and council tax calculations to be considered by the Executive on 10 February 2022 and Full Council on 3 March 2022. (**Paragraph 6.1**).

- 2.3 To approve that the council taxbase for meeting the special expenses issued by the Lloyd Square Garden Committee for 2022/23 shall be 44.3 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.12** and **Appendix B**)
- 2.4 To note the council tax forecast for 2021/22 and distribution of this in 2022/23 between the council and Greater London Authority (GLA). (**Paragraph 5.3** and **Table 2** 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. The council has delegated responsibility for determining the council taxbase to its Audit Committee.
- 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 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 estimate to central government. This is currently being worked up ahead of the 31 January 2022 statutory submission deadline and will be reflected in the final version of the budget report to the Executive on 10 February 2022 and Full Council on 3 March 2022.

### **4 COUNCIL TAX BASE ESTIMATE 2022/23**

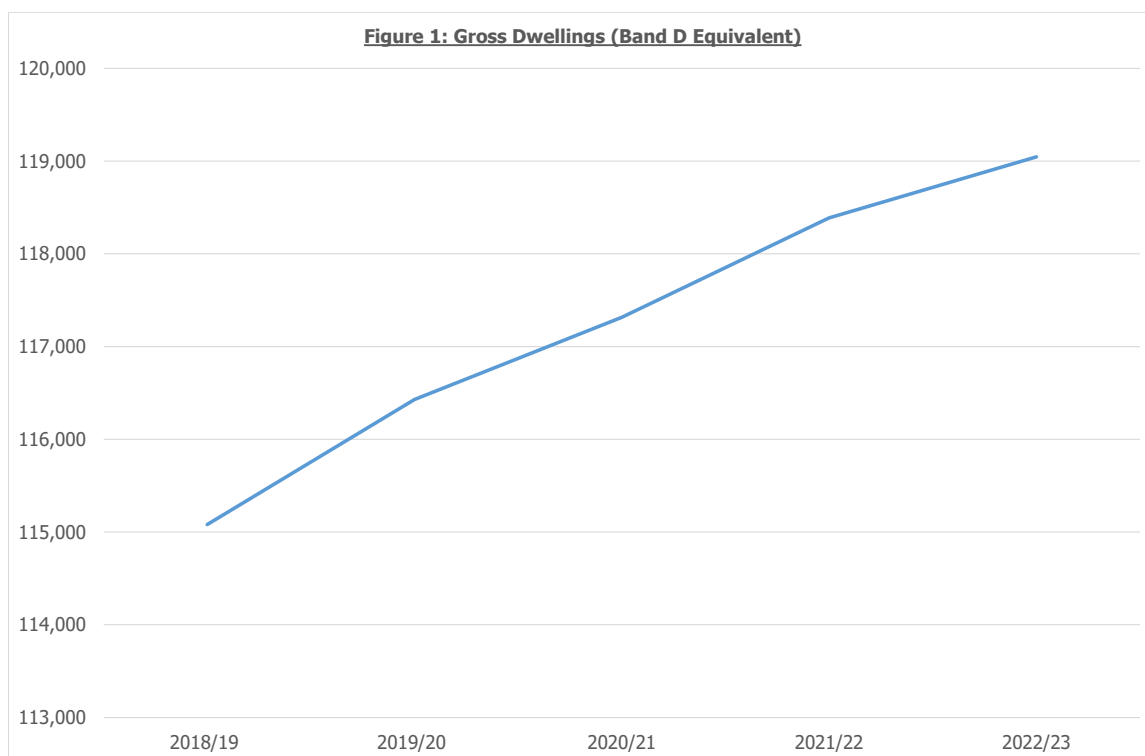
- 4.1 The primary basis for the taxbase calculation, as prescribed in regulations, is the number of dwellings on the Valuation Office Agency Council Tax Valuation List as at 30 November 2021, adjusted for exemptions, discounts and disabled relief at the same date.
- 4.2 The calculation for the council's whole area for 2022/23 is detailed at **Appendix A** and summarised in **Table 1** on a 'Band D equivalent' (average) basis.

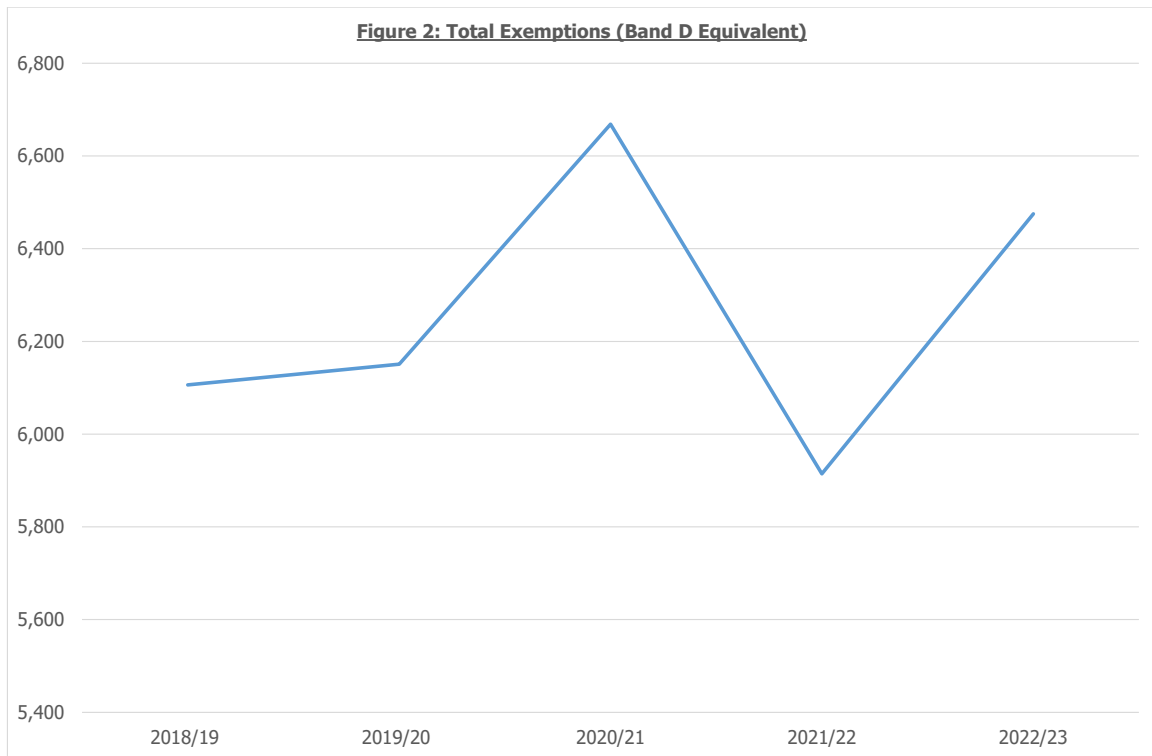
**Table 1: Summary of Change in Taxbase for Council's Whole Area**

	<b>2021/22 Band D Equivalent</b>	<b>2022/23 Band D Equivalent</b>	<b>Change Band D Equivalent</b>	<b>Change %</b>
Number of Dwellings	118,387	119,045	658	+0.56%
Exemptions and Disabled Relief	(5,955)	(6,514)	(559)	+9.39%
<b>Total Chargeable Dwellings</b>	<b>112,432</b>	<b>112,531</b>	<b>99</b>	<b>+0.09%</b>
Discounts (namely Single Person Discounts)	(9,466)	(10,167)	(701)	+7.40%
<b>Total before CTS &amp; Local Discounts</b>	<b>102,966</b>	<b>102,364</b>	<b>(602)</b>	<b>-0.58%</b>
Council Tax Support and Local Discounts	(22,409)	(19,706)	2,703	-12.06%
<b>Total Adjusted Dwellings</b>	<b>80,557</b>	<b>82,658</b>	<b>2,101</b>	<b>+2.61%</b>
Less Allowance for Non-Collection	(2,819)	(2,480)	2,817	-12.05%

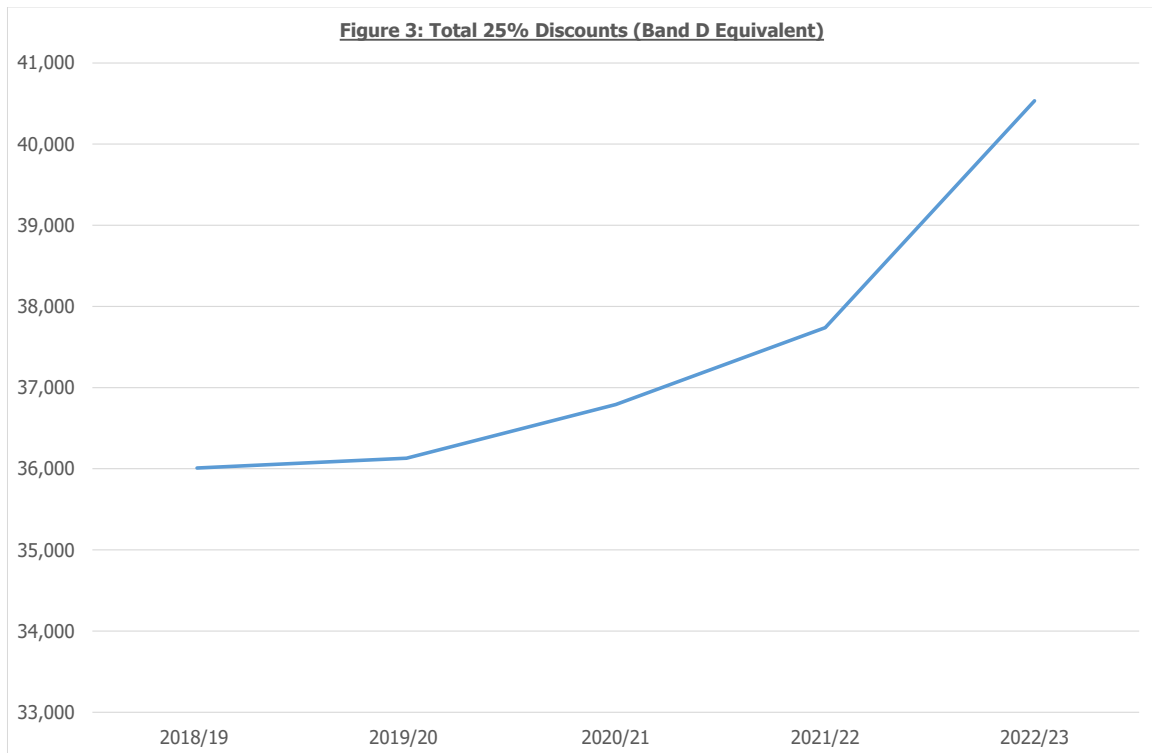
<b>Net Taxbase (to 1 decimal place)</b>	<b>77,737.1</b>	<b>80,177.9</b>	<b>2,441</b>	<b>+3.14%</b>
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- 4.3 The taxbase calculation prudently makes no projection for additional properties that may be added to the Valuation List between 30 November 2021 and the end of the 2022/23 financial year. Any additions to the taxbase will be reflected in future year (2023/24 onwards) taxbases once confirmed. This reflects significant uncertainty around the completion timing of new developments and the expectation that a significant proportion of new dwellings will be eligible for exemptions and/or discounts, thereby diminishing the net addition to the taxbase.
- 4.4 The three charts below illustrate the change in the number of dwellings, total exemptions and total 25% discounts between the 2018/19 and 2022/23 taxbase. Whilst there has been a continued, albeit declining, increase in gross dwellings in the borough (**Figure 1**), the fluctuating effect of exemptions (**Figure 2**) and steep increase in 25% discounts (**Figure 3**) is having a greater impact on the overall taxbase level.



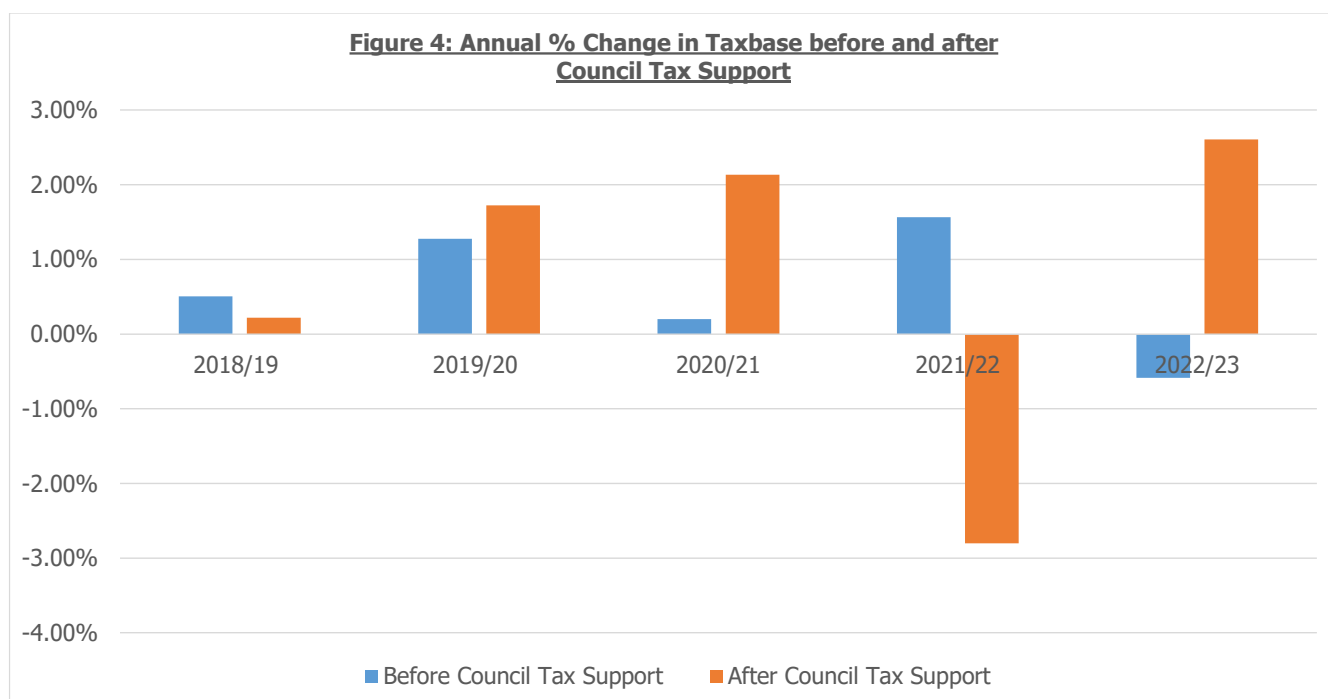


4.5 The recent year-on-year fluctuation within exemptions can be logically explained by the impact of the COVID-19 pandemic on student residents. An impact of the pandemic was fewer students living in the borough in the 2020/21 academic year and therefore less student exemptions from council tax. With universities having returned to some degree of face-to-face learning in the 2021/22 academic year, there has been a corresponding movement back towards pre-pandemic exemption levels.



4.6 The upwards trend on 25% discounts (namely single person discounts) appears to have started before the pandemic and accelerated over the past year. Anecdotal evidence from other London boroughs suggests this could be linked to: (a) the typically smaller size of new dwellings being built; and (b) relocation of families out of inner London, as reflected in declining pupil numbers, freeing up smaller properties to be occupied by single adult households.

- 4.7 It is assumed that existing locally agreed council tax reliefs for care leavers up to the age of 25, foster carers and Shared Lives carers will continue in 2022/23 at current levels.
- 4.8 The taxbase adjustment for the cost of council tax support reflects the council's 2022/23 scheme agreed by Full Council on 9 December 2021 (including the expansion of working aged support from 91.5% to 95%) and the current level of caseload. As part of setting the 2021/22 council tax base in January 2021, with all the uncertainty of a second national lockdown and the furlough scheme due to end on 31 March 2021, it was prudently assumed that caseload would significantly increase during 2021/22. This increase has not materialised, thereby giving rise to a favourable movement of 13.53% on the council tax support element of the taxbase.
- 4.9 The budgeted collection rate for 2022/23 is estimated at 97.0% (an increase of 0.5% from the 2021/22 rate of 96.5%). This is the percentage of 2022/23 council tax bills that the council is budgeting to receive over time, including in subsequent financial years. The 97.0% estimate is a judgment based on an incremental improvement in collection in the current financial year compared to 2020/21. However, council tax collection remains below the pre-pandemic level when the budgeted collection rate was 98.0%.
- 4.10 Before budgeted losses for non-collection, there is a 2.61% increase in the council taxbase in 2022/23. Applying a collection rate of 97.0% gives a net council taxbase figure of 80,177.9. This equates to a 3.14% increase compared to 2021/22. This follows a 4.29% taxbase decrease in 2021/22 (compared to 2020/21), so the taxbase remains below pre-pandemic levels in 2022/23.
- 4.11 Behind this headline increase, the underlying taxbase before council tax support and budgeted collection losses has decreased by 0.59% in 2022/23. The annual percentage taxbase change before and after council tax support for the years 2018/19 to 2022/23 is depicted in **Figure 4**. The movement in the underlying taxbase will be monitored closely as part of 2022/23 budget monitoring in order to inform the future year (2023/24 onwards) taxbase projections in the council's medium-term financial strategy.



- 4.12 The council taxbase calculation for the Lloyd Square Garden area for 2022/23 is set out at **Appendix B**. Applying a collection rate of 97.0% results in a Lloyd Square taxbase figure of 44.3.

## **5 COUNCIL TAX FORECAST 2021/22**

5.1 The latest 2021/22 Collection Fund forecast for council tax, which is subject to change between now and the end of the financial year, is a £0.795m surplus. This comprises a £1.839m COVID-19 related deficit brought forward from 2020/21 and a £2.634m in-year surplus (detailed at **Appendix C**).

5.2 The forecast in-year Collection Fund surplus of £2.634m is due to:

- Lower than budgeted council tax support costs of £5.327m – As explained earlier in this report, this is due to council tax support caseload stabilising and not increasing to the extent estimated at 2021/22 budget setting.

Partially offset by:

- An adverse net movement of £2.551m in the wider taxbase position – largely attributable to increased student exemptions and single person discounts.
- £0.142m payment to the council’s General Fund and the GLA in relation to the forecast Collection Fund surplus as part of 2021/22 budget setting in January 2021.

5.3 The distribution of the forecast Collection Fund surplus is outlined in **Table 2** based on prescribed accounting requirements, including the three-year phasing of 2020/21 Exceptional (COVID-19) Deficits.

**Table 2: Distribution of Forecast 2021/22 Council Tax (Surplus)/Deficit**

			<b>Total £m</b>
Total Forecast (Surplus)/Deficit			<b>(0.795)</b>
Add back 1/3 2020/21 Exceptional Balance (2023/24 element due to three-year phasing)			<b>(0.608)</b>
<b>Total (Surplus)/Deficit to be distributed in 2022/23</b>			<b>(1.403)</b>
	<b>Islington Council £m</b>	<b>GLA £m</b>	<b>Total £m</b>
1/3 of 2020/21 Exceptional Balance (2022/23 element due to three-year phasing)	0.478	0.130	<b>0.608</b>
Remainder of (Surplus)/Deficit	(1.566)	(0.446)	<b>(2.012)</b>
<b>Total (Surplus)/Deficit in 2022/23 Budget</b>	<b>(1.088)</b>	<b>(0.316)</b>	<b>(1.403)</b>

## **6 IMPLICATIONS**

### **Financial Implications**

6.1 The financial implications of this report, which maintains the balanced budget position for 2022/23, will be incorporated in the final version of the 2022/23 budget report and council tax calculations to be considered by the Executive on 10 February 2022 and Full Council on 3 March 2022.

- 6.2 Every 1% increase in the council taxbase equates to approximately £1.0m additional net council tax income for the council.
- 6.3 The movement in the underlying taxbase will be monitored closely as part of 2022/23 budget monitoring in order to inform the future year (2023/24 onwards) taxbase projections in the council's medium-term financial strategy.

### **Legal Implications**

- 6.4 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).
- 6.5 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).
- 6.6 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.
- 6.7 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)).
- 6.8 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.
- 6.9 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:**

- 6.10 This report does not have any environmental implications.

### **Equality Impact Assessment**

- 6.11 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.

6.12 An Equality 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 2022/23

Appendix B – Lloyd Square Garden Area Council Tax Base 2022/23

Appendix C – Council Tax Forecast 2021/22

**Background papers:** None

Final report clearance:

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

### **Report Author:**

Martin Houston, Strategic Financial Advisor

### **Legal Implications Author:**

Peter Fehler, Director of Law and Governance