



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

Meeting of: Audit Committee

Date: 30 January 2023

Wards: All

Council Taxbase 2023/24 and 2022/23 Collection Fund Forecast

1. Synopsis

- 1.1 This report covers the council taxbase estimate for the financial year 2023/24, as well as the council tax forecast for the current financial year 2022/23.
- 1.2 The council taxbase in 2023/24 is a 2.13% increase compared to 2022/23. The main drivers of this net increase are marginal growth in the number of dwellings in the borough combined with decreases in 25% Single Person Discount (SPD) and Council Tax Support (CTS) caseload.
- 1.3 Underlying this 2.13% increase, gross taxbase growth through new properties in the borough is only 0.27%. This relatively flat position in the gross taxbase continues to be monitored closely to help inform future year taxbase projections in the council's medium-term financial strategy (MTFS).

2 Recommendations

- 2.1 To approve the council taxbase for the whole area for 2023/24 of 81,882.2 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.2** and **Appendix A**)
- 2.2 To note that the 2023/24 taxbase maintains the balanced budget position for 2023/24 and will be fully incorporated in the final version of the 2023/24 budget report and council tax calculations to be considered by the Executive on 9 February 2023 and Full Council on 2 March 2023. (**Paragraph 6.1**).
- 2.3 To approve that the council taxbase for meeting the special expenses issued by the Lloyd Square Garden Committee for 2023/24 shall be 44.1 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.8** and **Appendix B**)
- 2.4 To note the council tax forecast for 2022/23 and distribution of this in 2023/24 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 being worked up ahead of the 31 January 2023 statutory submission deadline and will be reflected in the final version of the budget report to the Executive on 9 February 2023 and Full Council on 2 March 2023.

4 Council Tax Base Estimate 2023/24

- 4.1 The primary basis for the taxbase calculation, as set out in regulations, is the number of dwellings on the Valuation Office Agency Council Tax Valuation List as at 30 November 2022, adjusted for exemptions, discounts, and disabled relief at the same date.
- 4.2 The calculation for the council's whole area for 2023/24 is detailed at **Appendix A** and summarised in **Table 1** on a 'Band D equivalent' (average) basis.

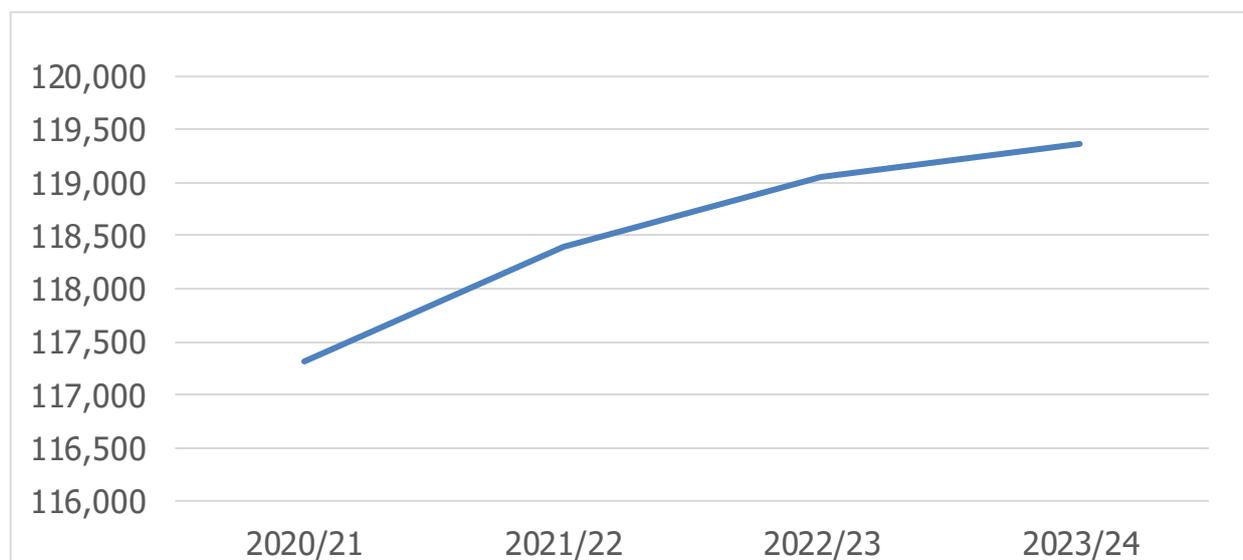
Table 1: Summary of Change in Taxbase for Council's Whole Area

	2022/23	2023/24	Change	Change
	Band D	Band D	Band D	%
	Equivalent	Equivalent	Equivalent	
Number of Dwellings	119,045	119,364	319	0.27%
Exemptions and Disabled Relief	-6,514	-6,527	-13	0.20%
Total Chargeable Dwellings	112,531	112,837	306	0.27%
Discounts (mainly Single Person Discount)	-10,167	-9,480	687	-6.76%
Total before CTS and Local Discounts	102,364	103,360	996	0.97%
Council Tax Support and Local Discounts	-19,706	-18,946	760	-3.86%
Total Adjusted Dwellings	82,658	84,415	1,757	2.13%
Less Allowance for Non Collection	-2,480	-2,532	-52	2.10%
Net Taxbase (to 1 decimal place)	80,177.9	81,882.2	1,704	2.13%

- 4.3 The taxbase calculation prudently makes no projection for additional properties that may be added to the Valuation List between 30 November 2022 and the end of the 2023/24 financial year. Any additions will be reflected in future year (2024/25 onwards) taxbases once confirmed. This approach 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 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 2023/24 at current levels.

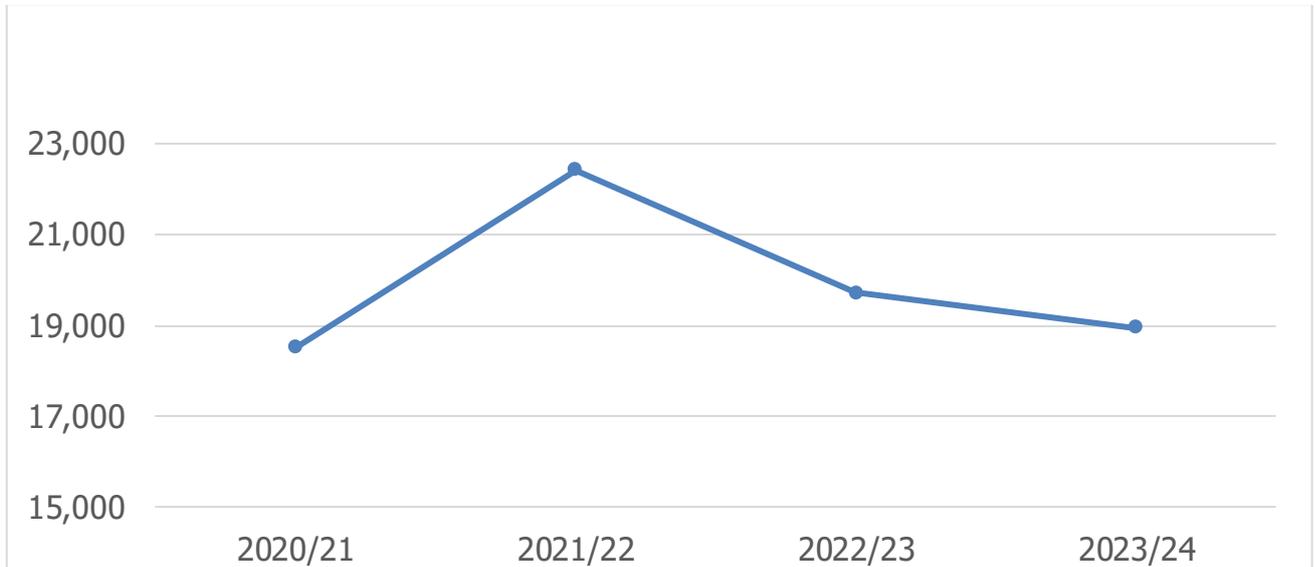
- 4.5 The taxbase adjustment for the cost of Council Tax Support reflects the council's 2023/24 scheme agreed by Full Council on 8 December 2022.
- 4.6 The budgeted collection rate for 2023/24 continues to be estimated at 97.0%. This is the percentage of 2023/24 council tax bills that the council is budgeting to receive over time (as opposed to the cash collection in-year), including in subsequent financial years.
- 4.7 This gives a net council taxbase of 81,882.2 in 2023/24, which is a 2.13% increase compared to 2022/23.
- 4.8 The council taxbase calculation for the Lloyd Square Garden area for 2023/24 is set out at **Appendix B**. Applying a collection rate of 97.0% results in a Lloyd Square taxbase figure of 44.1.
- 4.9 The four charts below illustrate the change in the number of dwellings, total exemptions and total discounts (mainly SPD) from the 2020/21 taxbase to 2023/24 taxbase. Whilst there has been a continued, albeit small, increase in gross dwellings in the borough (**Figure 1**), the variables of Council Tax Support (**Figure 2**), 25% discounts (**Figure 3**) and exemptions (**Figure 4**) are having a greater impact on the overall taxbase level.

Figure 1 – Gross Dwellings (Band D Equivalent)



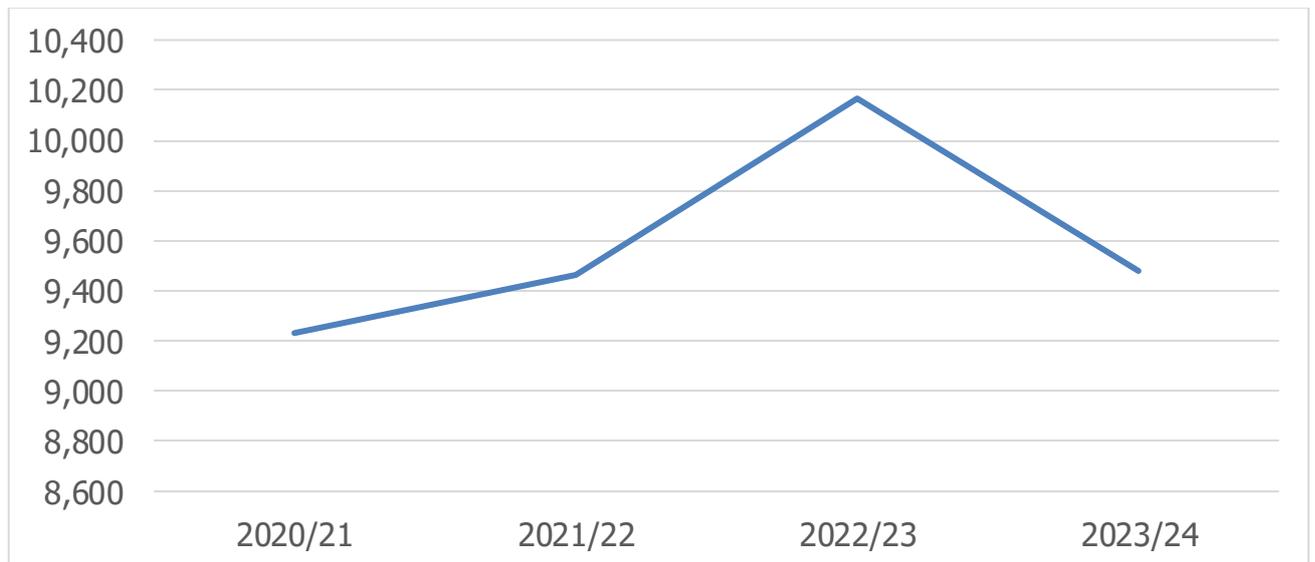
- 4.10 The reduction in the impact of Council Tax Support (CTS) (**Figure 2**) from pandemic levels is likely due to macro-economic factors and welfare reforms. The caseload increased significantly during the pandemic and has slowly receded as the economy moved to recovery. This reduction in the impact of Council Tax Support is despite the enhancement of the working-aged scheme in 2022/23 from 91.5% to 95% support.

Figure 2: Council Tax Support and Local Schemes (Band D Equivalent)



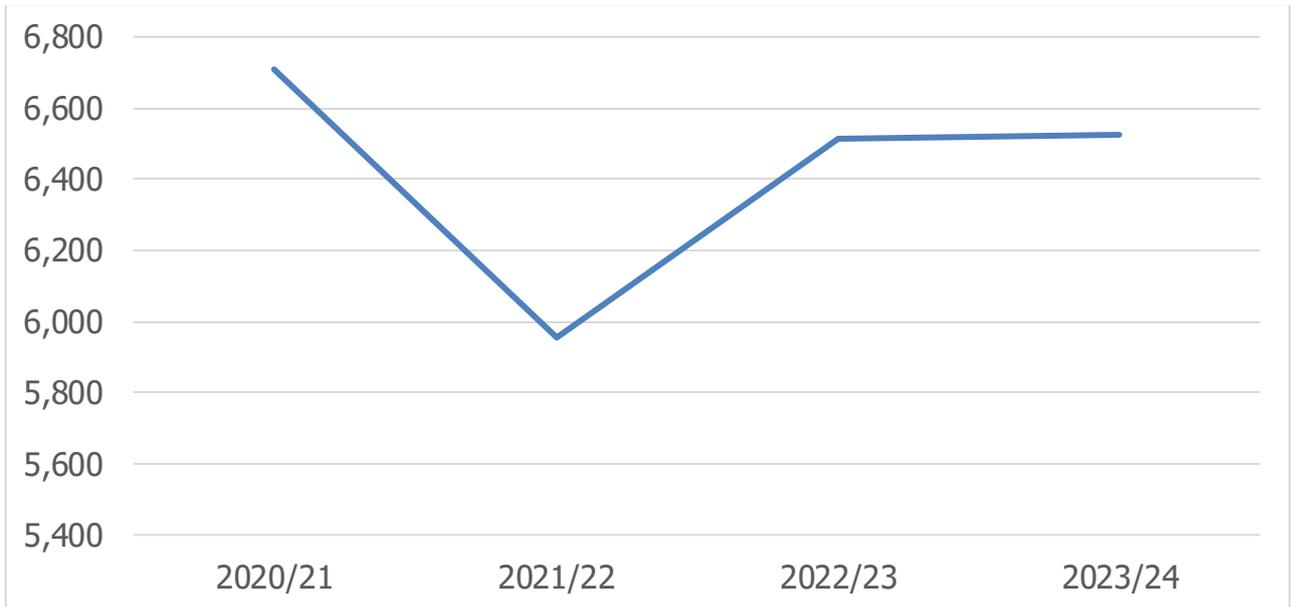
4.11 There is a downwards trend on 25% discounts (**Figure 3**), mainly single person discounts, which had previously accelerated during the pandemic. The decrease over the past year is likely to be attributable in part to higher demand for flat shares in London following the return to more office-based working. The council undertakes regular reviews of all residents in receipt of the 25% discounts and works with partners to assess the legitimacy of discount entitlement to prevent/reduce fraudulent claims.

Figure 3: Total 25% Discounts (Band D Equivalent)



4.12 With the return to class and in-person teaching at universities within and in the vicinity of the borough, the demand for student residencies has gradually increased and is slowly moving towards pre-pandemic level. An impact of the pandemic was fewer students living in the borough and therefore fewer student exemptions from council tax. The trend is now shifting with a steady increase in demand for student residencies across the borough over the last two years (**Figure 4**).

Figure 4: Total Exemptions (Band D Equivalent)



5. Council Tax Forecast 2022/23

5.1 The latest 2022/23 Collection Fund forecast for council tax, which is subject to change between now and the end of the financial year, is a £4.350m surplus. This comprises a £0.979m in-year surplus and a prior year surplus of £3.370m brought forward from 2021/22 (detailed at **Appendix C**).

- 5.2 The forecast in-year Collection Fund surplus of £0.979m is due to the following variances:
- Lower than budgeted single person discount and council tax support scheme costs contributing to net additional council tax income of £1.406m.
 - A £0.977m improvement in forecast collection compared to assumptions around collection losses when setting the 2022/23 taxbase.
 - Offset by a £1.404m payment to the council's General Fund and the GLA in relation to the forecast Collection Fund surplus as part of the 2022/23 budget setting in January 2022.

5.3 The distribution of the forecast Collection Fund surplus at the end of 2022/23 in the 2023/24 budget 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 2022/23 Council Tax (Surplus)/Deficit

			Total £m
Total Forecast (Surplus)/Deficit for the year			(0.979)
Prior Year (Surplus)/Deficit Brought Forward			(3.370)
Total (Surplus)/Deficit to be distributed in 2023/24			(4.350)
	Islington Council £m	GLA £m	Total £m

One-third of 2020/21 Exceptional Balance (Final share of 3-year spreading)	0.478	0.130	0.608
Remainder of (Surplus)/Deficit	(3.811)	(1.147)	(4.958)
Total (Surplus)/Deficit in 2023/24 Budget	(3.333)	(1.016)	(4.350)

5 Implications

Financial Implications

- 5.1 The financial implications of this report, which maintains the balanced budget position for 2023/24, will be incorporated in the final version of the 2023/24 budget report and council tax calculations to be considered by the Executive on 9 February 2023 and Full Council on 2 March 2023.
- 5.2 Every 1% increase in the council taxbase equates to approximately £1.1m additional net council tax income for the council.
- 5.3 The movement in the underlying taxbase will be monitored closely as part of 2023/24 budget monitoring to help inform the future year (2024/25 onwards) taxbase projections in the council's medium-term financial strategy.

Legal Implications

- 5.4 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).
- 5.5 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).
- 5.6 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.
- 5.7 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)).

- 5.8 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.
- 5.9 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:

- 5.10 This report does not have any environmental implications.

Equality Impact Assessment

- 5.11 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.
- 5.12 An Equality Impact Assessment has not been completed because this report in itself does not have any such implications.

6 Reason For Recommendations

- 6.1 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 2023/24

Appendix B – Lloyd Square Garden Area Council Tax Base 2023/24

Appendix C – Council Tax Forecast 2022/23

Background papers: None

Final report clearance:

	Dave Hodgkinson, Corporate Director of Resources	Date

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