

Report of: Corporate Director of Resources
Meeting of: Audit and Risk Committee
Date: 29 January 2024

Council Taxbase 2024/25 and 2023/24 Collection Fund Forecast

1. Synopsis

- 1.1 This report covers the council taxbase estimate for the financial year 2024/25, as well as the council tax forecast for the current financial year 2023/24.
- 1.2 The net council taxbase in 2024/25 shows a 0.39% decrease compared to 2023/24. The key contributing factors for the decrease in the taxbase are a rise in students exemptions and 25% single person discounts (SPDs).
- 1.3 The gross taxbase growth in 2024/25 through new properties in the borough is only 0.61%. Although this is higher than the 0.27% growth in new properties in 2023/24, the gross taxbase remains relatively flat year-on-year. This continues to be monitored closely to help inform future year taxbase projections in the council's medium-term financial strategy (MTFS).
- 1.4 A key element of the council's overall funding is the amount of income raised from council tax. Islington's council tax requirement for 2024/25 is a combination of the average taxbase, expressed in terms of Band D equivalent properties (as set out in this report for 2024/25), multiplied by the relevant basic Band D council tax which will be recommended for agreement by Full Council on 29 February 2024.

2. Recommendations

- 2.1 To approve the council taxbase for the whole area for 2024/25 of 81,564.7 Band D equivalent properties after adjusting for the collection rate of 97%. (**Paragraph 4.7** and **Appendix A**)
- 2.2 To approve the council taxbase consistent with meeting the special expenses issued by the Lloyd Square Garden Committee for 2024/25. This is 43.4 Band D equivalent properties after adjusting for the collection rate of 97%. (**Paragraph 4.8** and **Appendix B**)
- 2.3 To note the council tax forecast for 2024/25 and distribution of this in 2024/25 between the council and Greater London Authority (GLA). (**Paragraph 5.1** and **Table 2**)
- 2.4 To note that the 2024/25 taxbase estimate for 2024/25 will be fully incorporated in the final version of the 2024/25 budget report and council tax calculations to be considered by the Executive on 8 February 2024 and Council on 29 February 2024. (**Paragraph 6.1**)

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 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 2024 statutory submission deadline and will be reflected in the final version of the budget report to the Executive on 8 February 2024 and Council on 29 February 2024.

4. Council Tax Base Estimate 2024/25

- 4.1 The primary basis for the taxbase calculation, as set out in regulations, is the number of dwellings on the Valuation Office Agency (VOA) council tax valuation list as at 30 November 2023, adjusted for exemptions, discounts and disabled relief at the same date.
- 4.2 The calculation for the council's whole area for 2024/25 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

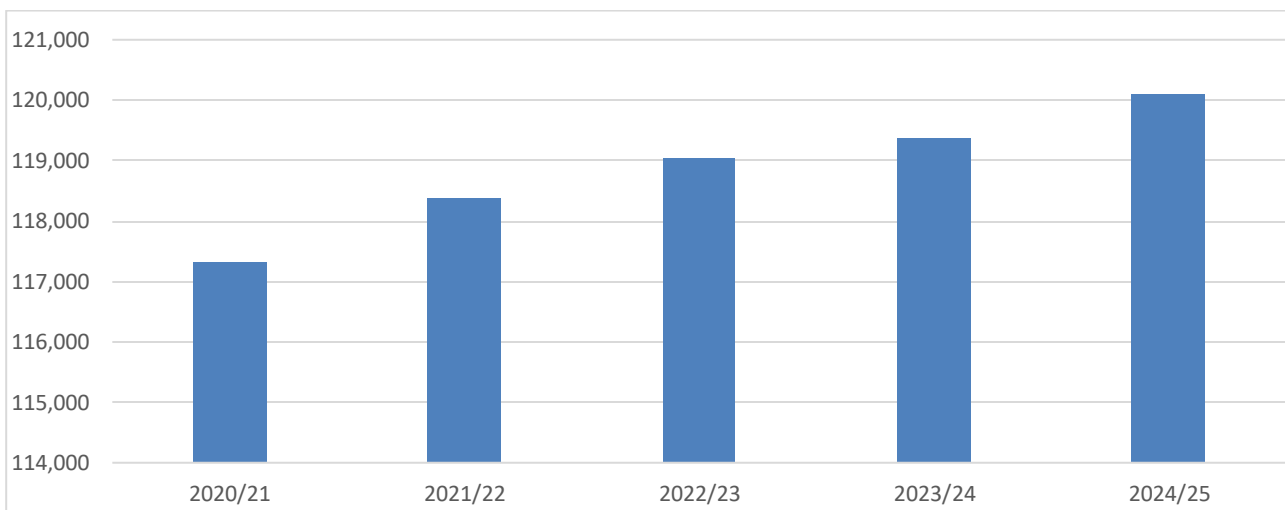
	2023/24 Band D Equivalent	2024/25 Band D Equivalent	Change Band D Equivalent	Change %
Number of Dwellings	119,364.4	120,096.8	732.4	0.61%
Exemptions and Disabled Relief	(6,527.0)	(7,333.6)	(806.6)	12.36%
Total Chargeable Dwellings	112,837.4	112,763.2	(74.2)	(0.07%)
Discounts	(9,480.0)	(9,880.1)	(400.1)	4.22%
Total Before CTS & Local Discounts	103,357.4	102,883.1	(474.3)	(0.46%)
Council Tax Support and Local Discounts	(18,945.7)	(18,795.6)	150.1	(0.79%)
Total Adjusted Dwellings	84,411.7	84,087.5	(324.2)	(0.39%)
Less Allowance for Non-Collection	(2,529.5)	(2,522.8)	6.7	(0.51%)
Net Taxbase (to 1 decimal place)	81,882.2	81,564.7	(317.5)	(0.39%)

- 4.3 The taxbase calculation prudently makes no projection for additional properties that may be added to the valuation list between 30 November 2023 and the end of the 2024/25 financial year. Any additions will be reflected in future years (2025/26 onwards) once confirmed.
- 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 be continued in 2024/25 at current levels.
- 4.5 The taxbase adjustment for the cost of council tax support has been estimated based on the latest cost of the existing scheme in 2023/24. On 14 December 2023, Full Council agreed a new banded council tax support scheme for 2024/25. The new scheme is expected to be broadly cost neutral to the existing scheme.
- 4.6 The budgeted collection rate for 2024/25 continues to be estimated at 97.0%. This is the percentage of 2024/25 council tax bills that the council is budgeting to receive 'over time' (as opposed to the cash collection in 2024/25). The in-year collection rate for 2022/23 was 94.37%

and 94.10% in 2021/22. The collection rate will need to be reviewed going forward, but the recent improvement of 0.27% is currently at an insufficient level to support raising the 'over time' collection rate above the current estimate of 97.0%.

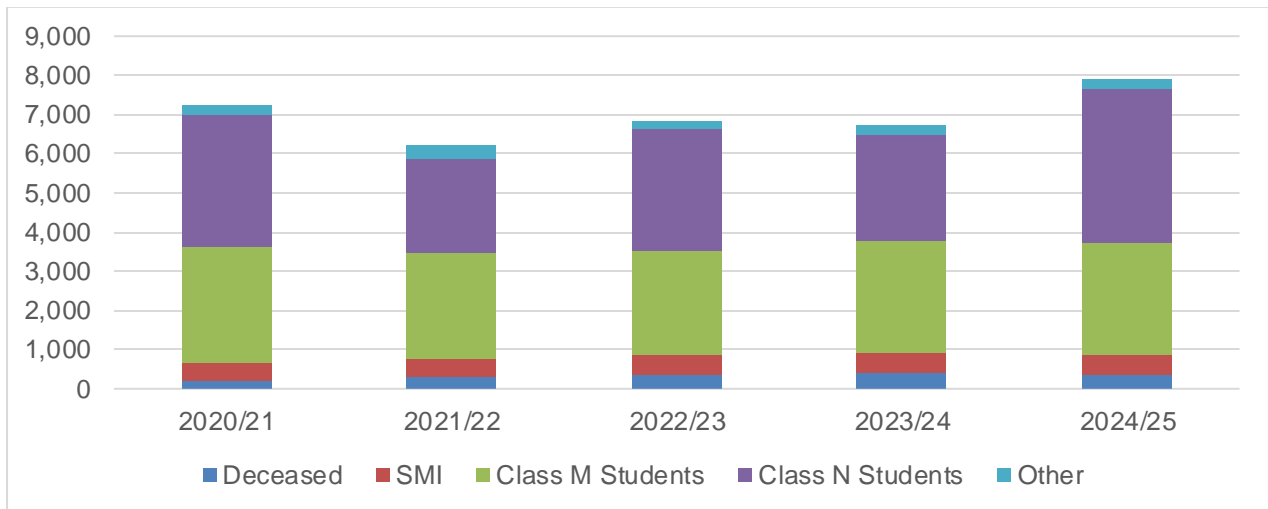
- 4.7 This gives a net council taxbase of 81,564.7 in 2024/25, a decrease of 317.5 (-0.39%) compared to the 2023/24 taxbase of 81,882.2.
- 4.8 The council taxbase calculation for the Lloyd Square Garden area for 2024/25 is set out at **Appendix B**. Applying a collection rate of 97.0% results in a Lloyd Square taxbase figure of 43.4. This is a decrease of 0.7 (-1.6%) compared to the 2023/24 Lloyd Square taxbase of 44.1.
- 4.9 The primary reason for the decrease in the 2024/25 taxbase is due to a 12.36% increase in exemptions compared to 2023/24. This has been particularly driven by a rise in student exemptions for Band A properties, which have increased by 51.7% compared to last year.
- 4.10 The charts below illustrate the change in the number of gross dwellings (**Figure 1**), total exemptions by type (**Figure 2**) and total discounts (**Figure 3**), from the 2020/21 taxbase (pre-pandemic) to the 2024/25 taxbase.
- 4.11 **Figure 1** shows that there has been a continued, small increase in gross dwellings in the borough over recent years. This relatively flat position in the gross taxbase continues to be monitored closely to help inform future year taxbase projections in the council's MTFs.

Figure 1 – Gross Dwellings (Band D Equivalent)



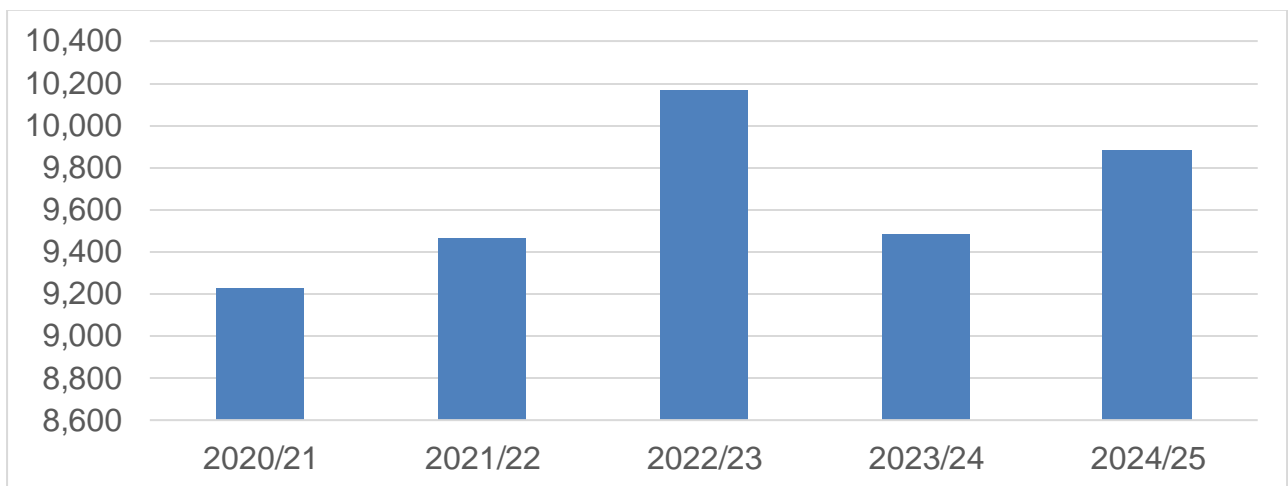
- 4.12 Total dwellings with exemptions (**Figure 2**) continue to rise across the borough. The overall exemptions between 2023/24 to 2024/25 have increased by 12.36%. The graph details exemptions awarded by the council classified as:
- Deceased
 - Severe mentally impaired (SMI)
 - Student exemptions (Class M - accommodation owned or managed educational establishments and Class N – other properties that are solely occupied by full time students).
 - Other

Figure 2: Total Exemptions by Type



- 4.13 The primary driver of the increase in exemptions is student discounts. In particular, Class N exemptions have increased due to a delay in the submission of evidence to confirm the eligibility of student discounts in respect of the properties owned by Chapter King’s Cross Limited (730 units), GS Holloway Road Limited Partership (190 units) and Yugo Students Limited (184 units). These had been previously treated as standard dwellings for taxbase purposes.
- 4.14 There is an upward trend in 25% discounts (**Figure 3**), mostly made up of SPDs. The council undertakes regular reviews of all residents in receipt of the 25% discount and works with partners to assess the legitimacy of discount entitlement.

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



5. Council Tax Forecast 2023/24

- 5.1 The latest 2023/24 Collection Fund forecast for council tax, which is subject to change between now and end of the financial year, is a +£3.086m deficit (Islington share +2.348m, GLA share +£0.738m). This is summarised at **Table 2** and comprises a +£1.652m in-year deficit and a +£1.434m deficit relating to prior years.

Table 2: Distribution of Forecast 2023/24 Council Tax (Surplus)/Deficit

	Islington Council's Share £m	GLA's Share £m	Total £m
2022/23 (@January 2023) Budgeted (Surplus)/Deficit Estimate for distribution in 2023/24 Budget	(3.333)	(1.016)	(4.349)
Actual 2022/23 Outturn Position	(2.242)	(0.673)	(2.915)
Variance between Forecast and Actual 2022/23 Outturn Position	1.091	0.343	1.434
Forecast In-Year 2023/24 (Surplus)/Deficit	1.257	0.395	1.652
Total (Surplus)/Deficit in 2024/25 Budget	2.348	0.738	3.086

5.2 In January 2023, a -£4.349m surplus for 2022/23 was estimated. However, at the end of 2022/23 the actual surplus was -£2.915m, giving the +£1.434m deficit relating to prior years.

5.3 The forecast in-year council tax deficit of £1.652m (detailed at **Table 3**) is due to the following variances:

- Additional gross council tax income of -£1.114m, mainly due to new dwellings in the borough.
- Higher than budgeted council tax exemptions which has adversely impacted the forecast by +£5.133m, mainly because the council had to retrospectively award exemptions for student accommodations, as set out earlier in this report.
- Higher than budgeted council tax discounts (mainly SPDs) adversely impacting the forecast by +£0.737m.
- Lower than budgeted costs of the council tax support scheme, -£0.512m
- A -£2.592m improvement in forecast collection compared to assumptions around collection losses when setting the 2023/24 taxbase.

Table 3: Forecast In-Year Council Tax (Surplus)/Deficit

	Original 2023/24 Budget £m	Current 2023/24 Forecast £m	In-Year Variance £m
Gross Council Tax Income	(216.596)	(217.710)	(1.114)
Exemptions and Disabled Relief	11.843	16.976	5.133
Discounts	17.195	17.932	0.737
Council Tax Support	34.375	33.863	(0.512)
Net Council Tax Income	(153.183)	(148.939)	4.244
Budgeted Payment to Islington General Fund and GLA	148.588	148.588	0.000
Collection Losses	4.595	2.003	(2.592)
Budgeted January 2023 Surplus to Islington General Fund and GLA	4.350	4.350	0.000
Total Expenditure	157.533	154.941	(2.592)
Net (Surplus)/Deficit for the Year	4.350	6.002	1.652

6. Implications

Financial Implications

- 6.1 The financial implications of this report, which maintains the balanced budget position for 2024/25, will be incorporated in the final version of the 2024/25 budget report and council tax calculations to be considered by the Executive on 8 February 2024 and Council on 29 February 2024.
- 6.2 The impact of the one-off council tax deficit on the council's 2024/25 budget will be fully offset by a drawdown from the Core Funding earmarked reserve set aside for this purpose. This reserve was in part built up from council tax surpluses in prior years, so this is essentially a timing difference rather an overall call on the council's reserves.
- 6.3 The movement in the underlying taxbase will be monitored closely as part of 2024/25 budget monitoring to help inform the future year (2025/26 onwards) taxbase projections in the council's MTFS.

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 on 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 2024/25

Appendix B – Lloyd Square Garden Area Council Tax Base 2024/25

Background papers: None

Final report clearance:

Signed by:		
	David Hodgkinson, Corporate Director of Resources	Date

Responsible Officers:

David Hodgkinson, Corporate Director of Resources

Paul Clarke, Director of Finance

Report Authors:

Khogen Sutradhar, Finance Manager – Collection Fund

Tony Watts, Strategic Finance Manager – MTFS

Martin Houston, Assistant Director – Corporate Finance

Legal Implications Author:

Sonal Mistry, Senior Lawyer (Governance)