

Report title	Council Tax: Determination of Tax Base for 2025/26 and Estimated Collection Fund Surplus or Deficit at 31 March 2025
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Department	Corporate Leadership Team
Exempt?	No

Purpose of report:

To resolve

Synopsis of report:

This report sets out the calculations to determine the Council Tax base for 2025/26 and the estimated surplus or deficit on the Collection Fund at the end of 2024/25, including the respective shares notifiable to the precepting bodies.

Recommendations:

1. That the tax base (showing the estimated number of Band D equivalent dwellings within the Borough for the financial year 2025/26) be approved at 35,814.4, and
2. The estimated surplus on the collection fund for 2024/25 be declared at £924,858 to be split amongst precepting authorities as set out in the report, in accordance with the relevant statutory requirements.

1. Council Tax Base

- 1.1 The Council is required to undertake a formal calculation of its council tax base annually, in accordance with the requirements of section 31B of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 and to notify precepting bodies of this figure by 31 January.
- 1.2 The tax base is an estimate of the number of chargeable dwellings within Runnymede for the year ahead, which will be used in each preceptor's budget-setting process to determine the total amount of council tax each will expect to receive in the following year.
- 1.3 While the methodology for calculating the tax base is determined by statute, there is an element of local judgement applied in determining the final tax base. The starting point for the calculation is the statutory Council Tax Base form (CTB1) completed in October each year, which takes the number of dwellings in each tax band according to the Valuation Office's list and then applies adjustments for various discounts and exemptions and the application of the Council's Localised Council Tax Support

Scheme. The numbers of dwellings under each council tax band are then converted into an equivalent number of Band D properties to provide a single tax base figure.

- 1.4 When determining the final tax base figure to use for budget setting purposes, the Council can make judgements as to the likelihood of changes to the tax base after the point at which the CTB1 form is submitted, such as future growth or demolition, and the effect of the prevailing economic climate on housebuilding and the take up of council tax support.
- 1.5 On average the tax base reported in the CTB1 each October has grown by 1.31% per annum since October 2020, after adjusting for discounts, exemptions and the application of the Council Tax Support Scheme but before any allowance for non-collection. This is demonstrated in the following table:

	Tax base	% increase
CTB1 - Oct 20	34,706	
CTB1 - Oct 21	35,182	101.37%
CTB1 - Oct 22	35,712	101.51%
CTB1 - Oct 23	36,162	101.26%
CTB1 - Oct 24	36,557	101.09%
Average growth as per CTB1		101.31%

- 1.6 The taxbase used for budget setting for 2024/25 (before allowance for non-collection) was 36,362.4 which has proved to be a reasonable estimate given the October reported position of 36,557 and allowing for fluctuations in the base throughout the year due to additions and deletions, the provision of council tax support and the effect of premiums and discounts
- 1.7 The October 2024 CTB1 records an increase in the provision of council tax support compared to a relatively static position in the preceding years, which contributes to the reduction in growth shown in October 2024. The estimated tax base for 2025/26 should take account of potential changes to the scheme which are to be considered by the Corporate Management Committee, and subsequently Full Council, in December. The proposed changes are expected to result in an increase in support and therefore a reduction in the taxbase.
- 1.8 The tax base for 2025/26 will also be affected by changes made to the levels of discounts and premiums applied to empty properties which were approved by Full Council in December 2023. The first of these changes reduced the period for which a discount is provided for short term empty properties from 3 months to 28 days which would increase the tax base. This change was effective from 1st April 2024 and is therefore already reflected in the latest CTB1 figures which run from October 2023 to October 2024. The second change was to increase the premium on long term empty properties from 50%, to 100% if empty between 1 and 5 years, 200% if empty between 5 and 10 years and 300% if empty for more than 10 years. This change takes effect from 1st April 2025 and is therefore not reflected in the latest CTB1 figures. This change will again increase the tax base. However, the purpose of the increase in premiums is to encourage owners to bring properties back into use and it is therefore difficult to predict the final effect on the tax base as it is hoped that the number of long-term empty properties will reduce.

- 1.9 The Revenues service is also currently participating in a review of single person discounts which may see a reduction in the numbers claiming this discount and a consequential increase in the tax base.
- 1.10 Taking all of these factors into account, it is proposed to build in net growth of 130 Band D equivalents to account for a very modest increase in net dwellings due to the uncertain economic climate, an increase in council tax support due to changes in the scheme and potential increased take up of support, increased premiums on empty properties and a decrease in the application of single person discounts. This will take the CTB1 reported figure from 36,557.4 to 36,687.4.
- 1.11 The other main area to consider is the collection rate to be applied. This allowance is made to provide for the expected level of uncollectible tax. Council Tax nationally has very high levels of collection and Runnymede's own collection rates have remained consistently high, even throughout the Covid-19 pandemic, achieving 97.8% against an estimated 96%. Collection rates will inevitably come under pressure during times when rising costs of living are felt most acutely by households. Year-end collection rates for Runnymede over the past 5 years are set out below:

Year	% collection rate	YOY change
2019/20	98.44%	
2020/21	97.80%	- 0.64%
2021/22	98.29%	+0.49%
2022/23	97.91%	- 0.38%
2023/24	98.03%	+0.12%

As at October 2024, collection rates for the current year to date, were marginally below the level achieved by October 2023, at 65.79% compared to 65.87%, a decrease of 0.07%. The estimated collection rate for 2024/25 was retained at the 2023/24 level of 97.5% with actual collection rates tracking slightly above that level.

- 1.12 Given that collection rates in the current year are slightly below those of the previous year, and on-going economic pressures are likely to be experienced in 2025/26, it is proposed to retain the collection rate for tax base estimation purposes at 97.5%.
- 1.13 The combination of changes described above will result in a proposed taxbase for 2025/26 of 35,814.4 as set out in the following table:

	2023/24	2024/25	2025/26
Tax base after allowing for Council Tax Support	35,712.4	36,362.4	36,687.4
Estimated Collection rate	97.5%	97.5%	97.5%
Tax base net of non-collection estimate	34,819.6	35,453.3	35,770.2
Add Armed Forces Accommodation*	45	42.5	44.2
Total estimated tax base	34,864.6	35,495.8	35,814.4

*These properties are not subject to a collection rate reduction

2. Calculation of the Council Tax Surplus or Deficit for 2024/25

- 2.1 As the Billing Authority, the Council administers the Collection Fund on behalf of itself, Surrey County Council and Surrey Police and is responsible for collecting the total council tax due from Runnymede residents and ensuring the correct distribution of the fund between these bodies. Each year an estimate of the amount of Council Tax each will receive is made by multiplying the tax base, as set out in section 1 of this report, by the level of Council Tax each body sets for a Band D dwelling. In the following year,

the Billing Authority must estimate the amount over or under recovered against this estimate and share any surplus funds with preceptors, or recoup any deficit, in accordance with their shares.

- 2.2 The Local Government Finance Act 1992 (as amended) and the Local Authorities (Funds) (England) Regulations 1992 require the Council to determine the estimated surplus or deficit on the Collection Fund in respect of Council Tax by 15 January. This will enable the precepting authorities to factor in their share of any surplus or deficit before finalising their precepts for the following year.
- 2.3 As with determination of the tax base, the calculation of the surplus or deficit is set out in statutory regulations although some element of judgement is also required to estimate the final income position at the year-end due to the timing of the calculation.
- 2.4 The calculation is required to take account of the overall position on the collection fund, as reported in the Council's Statement of Accounts for the prior year, adjusted for payments in and out of the fund in the current year, the estimated closing position on the fund and any changes to collection rates.
- 2.5 The following tables show the estimated surplus on the Collection Fund generated in 2024/25. Based on the latest collection data, these tables show that an estimated £81,040,468 will be collected during 2024/25, compared to original estimates of £80,668,465, producing an estimated in-year surplus of £372,003.

	2024/25
	£
Due to collect as at 31 October 2024	83,118,428
Assumed collection rate	97.5%
	81,040,468
	2024/25
	£
Precepts:	
Surrey County Council	62,422,914
Surrey Police & Crime Commissioner	11,485,376
Runnymede Borough Council	6,760,175
	80,668,465
Probable tax collected	81,040,468
In-year estimated surplus / (deficit)	372,003

- 2.6 This calculation feeds into the table below and is combined with the opening balance on the Collection Fund and other payments to and from the Fund, to produce the anticipated balance at the close of 2024/25.

Estimated Surplus/Deficit calculation 2024/25		
	£	£
Balance on the Collection Fund relating to Council Tax as at 31 March 2024 after provision for bad debt		968,258
Less: Surplus paid in 2024/25 (based on forecast made in previous year)		
Surrey County Council	320,577	
Surrey Police & Crime Commissioner	59,437	
Runnymede Borough Council	35,390	<u>415,403</u>
		552,855
Add: Estimated surplus in 2024/25		372,003
		<u>924,858</u>

- 2.7 The calculation shows an estimated £924,858 surplus to be distributed to preceptors in 2025/26, allocated to preceptors based on their shares of the Council Tax during 2024/25. The following table sets out the total share of the surplus to be distributed to each authority, and to be included in their budget estimates for 2025/26.

Share of Surplus			
	2024/25 Band D Council Tax	Share	Total share to be distributed in 2025/26
	£	%	£
Surrey County Council	1,758.60	77.4%	715,674
Surrey PCC	323.57	14.2%	131,679
Runnymede BC	190.45	8.4%	77,505
	<u>2,272.62</u>		<u>924,858</u>

- 2.8 The effect on the Council's budget will be an additional £77,505 flowing into the general fund in 2025/26.

3. Policy framework implications

- 3.1 The setting of the Council Tax base and the calculation of the surplus or deficit on the Collection Fund inform the medium-term financial forecast and is an integral part of the annual budget-setting process.

4. Resource implications/Value for Money

- 4.1 The increase in the Council Tax base from 35,495.8 to 35,814.4 will increase the expected Council Tax income due to the Council by £60,680 before any increase in the actual level of Council Tax is considered. The Council will set its final Council Tax level, taking into account Government announcements on referendum limits, at its budget-setting meeting in February. An additional £77,505 will also be released into the General Fund from the Collection Fund as part of the annual surplus calculation,

providing additional resources to support the provision of services in 2025/26. The estimated surpluses due to Surrey County Council and the Office of the Police and Crime Commissioner for Surrey, will be distributed during 2025/26 alongside precept payments.

5. Legal implications

- 5.1 Under the Local Government Finance Act 1992 (as amended), the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 and the Local Authorities (Funds) (England) Regulations 1992, the Council is required to calculate its Council Tax base for the following financial year by 31st January of the preceding year, and to determine the surplus or deficit on its Collection Fund by 15th January, informing the relevant precepting bodies within 7 days of that date.

6. Equality implications

- 6.1 While Equality Impact Assessments are completed in respect of any changes to the Council's Localised Council Tax Support Scheme or to any discretionary Council Tax discount, exemption or premium, there are no direct equality implications pertaining to the technical calculations set out in this report.

7. Environmental/Sustainability/Biodiversity implications

- 7.1 There are no direct environmental, sustainability or biodiversity implications arising from this report.

8. Risk Implications

- 8.1 The risk of error in the calculation of the Council Tax base or the Surplus or Deficit on the Collection Fund is mitigated to a large extent by adherence to the relevant legislation. However, small variations in the collection rate or changes in the taxbase can have a significant financial impact, particularly for major preceptors.
- 8.2 While Council Tax is a very stable tax, there may be greater volatility in collection rates in the months ahead due to the economic conditions and the effect on residents' ability to pay their Council Tax. A prolonged period of high inflation or suppressed housing growth may restrict growth in the tax base while any increased uptake of Council Tax Support will also have a negative impact. These factors have all been considered within this report.
- 8.3 Should the actual tax base for 2025/26 prove to be lower than that estimated, or the surplus anticipated not materialise in full, then this may result in a deficit on the Collection Fund in the future, which will need to be met proportionally by each of the precepting bodies.

9. Other implications

- 9.1 Not applicable.

10. Timetable for Implementation

- 10.1 As noted in the report, the Council is required to set its tax base for 2025/26 by 31st January 2025 and declare the surplus or deficit on its collection fund by 15th January 2025. Surplus payments to preceptors will be distributed during 2025/26 alongside payment of precepts.

11. Conclusions

- 11.1 The Committee is recommended to approve a Council Tax base of 35,814.4 for the year 2025/26 and to declare a surplus on the Collection Fund of £924,858 for the year ending 31 March 2025 to be distributed in relevant proportions to preceptors during 2025/26

12. Background papers

None

13. Appendices

None