

Council Tax: Determination of Tax Base for 2023/24 and Estimated Collection Fund Surplus or Deficit at 31 March 2023. (Amanda Fahey, Assistant Chief Executive)

Synopsis of report:

This report sets out the calculations to determine the Council Tax base for 2023/24 and the estimated surplus or deficit on the Collection Fund at the end of 2022/23, 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 2023/24) be approved at 34,864.6, and**
- 2. The estimated surplus on the Collection Fund for 2022/23 be declared at £2,663,804 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 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 (CTB) form 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 CTB form is submitted, such as future growth or demolition, increased take up of Council Tax support and the estimated level of non-collection.
- 1.5 Given the difficult economic conditions, it is likely that housing growth will be impacted and that the numbers of residents seeking help with their Council Tax bills will rise. Revisions to the Council Tax Support Scheme, considered at full Council on 8th December, may also result in an increase in the amount of support being provided, due to simplification of the process combined with lowering the minimum

amount of support that can be awarded under each claim, although this may in some part be offset by other changes to the scheme.

- 1.6 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 however will inevitably come under pressure as the economy moves into recession. Year-end collection rates for Runnymede over the past 3 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%

As at October 2022, collection rates for the current year were marginally below the level achieved by October 2021, at 66.23% compared to 66.75%, a decrease of 0.51%

- 1.7 Given that collection rates in the current year are behind those of the previous year, and additional pressures are likely to be experienced in 2023/24, it is proposed to estimate the collection rate for tax base estimation purposes at 97.5%. In addition, it is assumed that new growth in the tax base will be offset by increases in Council Tax support payments, so no amendments have been made to the CTB form stated figures. This provides a tax base for 2023/24 of 34,864.6 as set out below.

	2021/22	2022/23	2023/24
Tax base after allowing for Council Tax Support	34,750	35,182	35,712.4
Collection rate	96%	98%	97.5%
Tax base net of non-collection estimate	33,360	34,478	34,819.6
Add Armed Forces Accommodation*	44	46	45
Total estimated tax base	33,404	34,524	34,864.6

*These properties are not subject to a collection rate reduction

2. Calculation of the Council Tax Surplus or Deficit for 2022/23

- 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 in accordance with their shares or recoup any deficit.
- 2.2 The Local Government Finance Act 1992 (as amended) requires 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. Further complexity has been added under amendments to the regulations due to coronavirus, where the impact of anticipated deficits relating to 2020/21 were allowed to be spread across the next three financial years. The calculation in this report includes the final unwinding of this support measure.
- 2.5 The tables below show the estimated surplus on the Collection Fund generated in 2022/23. Based on latest collection data, these tables show that an estimated £73,421,811 will be collected during 2022/23, compared to original estimates of £72,552,531, producing an estimated surplus of £869,279. This is largely due to the increase in Council Tax base as more dwellings become liable for council tax.

	2022/23
	£
Due to collect as at 31 October 2022	74,920,215
Assumed collection rate	98%
	<u>73,421,811</u>

	2022/23
	£
Precepts:	
Surrey County Council	56,149,488
Surrey Police & Crime Commissioner	10,204,259
Runnymede Borough Council	6,198,784
	<u>72,552,531</u>
Probable tax collected	73,421,811
In-year estimated surplus	<u>869,279</u>

- 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 2022/23.

Estimated Surplus/Deficit calculation 2022/23		
	£	£
Balance on the Collection Fund relating to Council Tax as at 31 March 2022 after provision for bad debt		3,192,946
Less: Surplus paid in 2022/23 (based on forecast made in previous year)		
Surrey County Council	1,076,376	
Surrey Police & Crime Commissioner	200,533	
Runnymede Borough Council	121,512	1,398,421
		<u>1,794,525</u>
Add: Estimated surplus in 2022/23		869,279
Estimated surplus at 31 March 2023 for distribution in 2023/24		<u>2,663,804</u>

- 2.7 The calculation shows an estimated £2,663,804 surplus to be distributed to preceptors in 2023/24. The spreading adjustment relating to deficits generated during the coronavirus pandemic are allocated to preceptors based on their shares of the Council Tax during 2020/21, while the balance is spread in shares relating to 2022/23. 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 2023/24.

	2020/21 Band D Council Tax		Share of spreading adjustment (deficit)		2022/23 Band D Council Tax		Share of Surplus	Total share to be distributed in 2023/24
	£	%	£	£	%	£		
Surrey County Council	1,511.48	77.45%	(394,447)	1,626.39	77.4%	2,455,725	2,061,278	
Surrey PCC	270.57	13.86%	(70,611)	295.57	14.1%	446,288	375,677	
Runnymede BC	169.59	8.69%	(44,258)	179.55	8.5%	271,107	226,849	
	<u>1,951.64</u>		<u>(509,316)</u>	<u>2,101.51</u>		<u>3,173,120</u>	<u>2,663,804</u>	

- 2.8 The effect on the Council's budget will be an additional £226,849 flowing into the general fund in 2023/24.

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 form part of the budget-setting process and inform the medium-term financial forecast which supports the production of the Medium-Term Financial Strategy.

4. Resource implications

- 4.1 The increase in the Council Tax base from 34,524 to 34,864.6 will increase the expected Council Tax income due to the Council by £61,155 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 £226,849 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 2023/24. The estimated surpluses due to Surrey County Council and the Office of the Police and Crime Commissioner for Surrey, will be distributed during 2023/24 alongside Precept payments.

5. Legal implications

- 5.1 Under the Local Government Finance Act 1992 (as amended) and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 the Council is required to calculate its Council Tax base for the following financial year by 31 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 discounts, exemptions or premium, there are no direct equality implications pertaining to the 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 assessment

- 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 worsening economic conditions and the effect of the cost-of-living crisis on residents' ability to pay their Council Tax. A drawn-out recession and/or a crash in house prices may restrict growth in the tax base while an increased uptake for 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 2023/24 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 Preceptors.

9. Conclusions

- 9.1 The Committee is recommended to approve a Council Tax base of 34,864.6 for the year 2023/24 and to declare a surplus on the Collection Fund of £2,663,804 for the year ending 31 March 2023, to be distributed in relevant proportions to Preceptors during 2023/24.

(To resolve)