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| DECISION-MAKER: | EXECUTIVE DIRECTOR ENABLING SERVICES & S151 OFFICER | | |
| SUBJECT: | COUNCIL TAX BASE 2025/26 | | |
| DATE OF DECISION: | 22 JANUARY 2025 | | |
| REPORT OF: | MTFS & Revenue Manager | | |
| <u>CONTACT DETAILS</u> | | | |
| Executive Director | Title: | Executive Director Enabling Services & S151 Officer | |
| | Name: | Mel Creighton | Tel: 023 80833528 |
| | E-mail: | Mel.Creighton@southampton.gov.uk | |
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STATEMENT OF CONFIDENTIALITY

Not Applicable

BRIEF SUMMARY

The report discusses two areas, the setting of the council tax base for 2025/26 and an estimate of the Collection Fund Council Tax position at the end of the financial year.

1. THE SETTING OF THE COUNCIL TAX BASE FOR THE CITY OF SOUTHAMPTON FOR 2025/26

Council tax legislation sets out a procedure to be followed to set the council tax each year. The stages are

- i. Calculate the tax base;
- ii. Calculate the amount to be raised from the council tax; and
- iii. Divide the amount to be raised by the tax base to calculate the council tax rate for the year.

2. COLLECTION FUND SURPLUS/DEFICIT 2024/25

Each billing authority is required to estimate the level of surplus or deficit on the Collection Fund at the end of the financial year in order that this amount can be included in the calculation of the council tax for the coming financial year.

The estimate for council tax must be made and notified to all precepting authorities by 15 January each year (or the first working day thereafter if it falls on a weekend). This has been completed and is included in this report for information.

RECOMMENDATIONS:

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| | (i) | It is recommended that the Executive Director Enabling Services & S151 Officer: |
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| | | Approves the amount calculated by Southampton City Council as its Council Tax Base for the year commencing 1 April 2025 as 67,345 equivalent Band D dwellings. |
| | (ii) | Notes the estimated Collection Fund cumulative council tax deficit for 2024/25 is £0.55M, of which Southampton City Council's share is £0.46M. |
| REASONS FOR REPORT RECOMMENDATIONS | | |
| 1. | | The report and recommendations have been prepared as part of the statutory requirement to set the Council Tax Base for the year commencing 1 April 2025. |
| ALTERNATIVE OPTIONS CONSIDERED AND REJECTED | | |
| 2. | | No alternative options are relevant to this report. |
| DETAIL (Including consultation carried out) | | |
| | | <u>THE SETTING OF THE COUNCIL TAX BASE FOR THE CITY OF SOUTHAMPTON FOR 2025/26</u> |
| 3. | | Council Tax legislation sets out a procedure to be followed to set the council tax each year. The stages are <ul style="list-style-type: none"> i) Calculate the tax base; ii) Calculate the amount to be raised from the council tax; and iii) Divide the amount to be raised by the tax base to calculate the council tax rate for the year. |
| 4. | | This report deals with the first of those stages. The Council has delegated authority to the Executive Director Enabling Services & S151 Officer, following consultation with the Deputy Leader and Cabinet Member for Finance & Corporate Services, to approve the Council Tax Base for the City Council (Officer Scheme of Delegation 7.6). It is a legal requirement that the tax base is calculated and approved by 31 st January each year. |
| 5. | | The Council Tax Base has two components. The first is an estimate of the number of equivalent Band D dwellings within the city that will be subject to a Council Tax charge in 2025/26, adjusted to reflect the local Council Tax Reduction Scheme. |
| 6. | | The second component is an estimate of the proportion of those charges that the City Council expects to collect, both during the year and in future years. |
| 7. | | This calculation needs to allow for both bad debts eventually written off and variations in the estimates for exemptions, discounts, new and demolished properties. |
| 8. | | The Council Tax collection rate for 2025/26 is 98.25%, which is the proportion of charges for that year expected to be collected during the year and in future years. This is the same rate as for 2024/25. |
| 9. | | The calculations in Appendix 1 set out the total level of discounts and exemptions that are expected to be granted in the year and premiums that are expected to be applied in the year in order to come to a total equivalent number of dwellings. This includes the estimated impact of charging a premium on second homes that was consulted upon as part of the 2024/25 budget process and approved by Full Council in March 2024. The Council then makes assumptions about the number of new and demolished properties during the |

| | year to give a revised total number of properties that equates to 93,852 for 2025/26. | | | | | | | | | | | | |
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| 10. | The Council Tax Base needs to be adjusted for the local Council Tax Reduction Scheme, which has been analysed across the property Bands accordingly to give a reduced Council Tax Base of 82,984. | | | | | | | | | | | | |
| 11. | This figure is then converted into a Band D equivalent figure by applying the ratios shown in Appendix 1. This equates to 68,545. The Collection Rate percentage outlined in Paragraph 8 is then applied to this figure to give the final Council Tax Base of 67,345. This is an increase of 356 (0.5%) compared with the 2024/25 Council Tax Base, mainly as a result of introducing premiums on second homes. | | | | | | | | | | | | |
| 12. | The Tax Base, once determined, is notified to the Fire and Police authorities to inform their funding calculations for 2025/26. | | | | | | | | | | | | |
| <u>COUNCIL TAX COLLECTION FUND SURPLUS/DEFICIT 2024/25</u> | | | | | | | | | | | | | |
| 13. | Each billing authority is required to estimate the level of surplus or deficit on the council tax element of the Collection Fund at the end of the financial year in order that these amounts can be included in the calculation of the council tax for the coming financial year. | | | | | | | | | | | | |
| 14. | These estimates must be made by the 15 January each year (or the first working day thereafter if it falls on a weekend) and then be notified to all precepting authorities. | | | | | | | | | | | | |
| 15. | Appendix 2 shows a revised estimate of the council tax element of the Collection Fund surplus/deficit and is summarised in Table 1 below. | | | | | | | | | | | | |
| <u>Table 1 Estimated council tax surplus/deficit 2024/25</u> | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 20%; text-align: center;">£M</th> </tr> </thead> <tbody> <tr> <td>Net income and expenditure for 2024/25</td> <td style="text-align: center;">0.49</td> </tr> <tr> <td>Contribution towards previous year's estimated deficit</td> <td style="text-align: center;">(1.18)</td> </tr> <tr> <td>Estimated surplus for the year</td> <td style="text-align: center;">(0.69)</td> </tr> <tr> <td>Deficit brought forward from 2023/24</td> <td style="text-align: center;">1.24</td> </tr> <tr> <td>Estimated deficit carried forward</td> <td style="text-align: center;">0.55</td> </tr> </tbody> </table> | | | £M | Net income and expenditure for 2024/25 | 0.49 | Contribution towards previous year's estimated deficit | (1.18) | Estimated surplus for the year | (0.69) | Deficit brought forward from 2023/24 | 1.24 | Estimated deficit carried forward | 0.55 |
| | £M | | | | | | | | | | | | |
| Net income and expenditure for 2024/25 | 0.49 | | | | | | | | | | | | |
| Contribution towards previous year's estimated deficit | (1.18) | | | | | | | | | | | | |
| Estimated surplus for the year | (0.69) | | | | | | | | | | | | |
| Deficit brought forward from 2023/24 | 1.24 | | | | | | | | | | | | |
| Estimated deficit carried forward | 0.55 | | | | | | | | | | | | |
| Numbers in the table are rounded | | | | | | | | | | | | | |
| 16. | This deficit will be shared between the precepting authorities as shown in Table 2: | | | | | | | | | | | | |
| <u>Table 2 Council tax estimated deficit shares 2024/25</u> | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 20%; text-align: center;">£M</th> </tr> </thead> <tbody> <tr> <td>Southampton City Council</td> <td style="text-align: center;">0.46</td> </tr> <tr> <td>Hampshire and IOW Police & Crime Commissioner</td> <td style="text-align: center;">0.07</td> </tr> <tr> <td>Hampshire and IOW Fire & Rescue Authority</td> <td style="text-align: center;">0.02</td> </tr> <tr> <td>Total estimated deficit to be recouped in 2025/26</td> <td style="text-align: center;">0.55</td> </tr> </tbody> </table> | | | £M | Southampton City Council | 0.46 | Hampshire and IOW Police & Crime Commissioner | 0.07 | Hampshire and IOW Fire & Rescue Authority | 0.02 | Total estimated deficit to be recouped in 2025/26 | 0.55 | | |
| | £M | | | | | | | | | | | | |
| Southampton City Council | 0.46 | | | | | | | | | | | | |
| Hampshire and IOW Police & Crime Commissioner | 0.07 | | | | | | | | | | | | |
| Hampshire and IOW Fire & Rescue Authority | 0.02 | | | | | | | | | | | | |
| Total estimated deficit to be recouped in 2025/26 | 0.55 | | | | | | | | | | | | |
| 17. | The City Council's £0.46M share of the deficit will be taken into account in setting the council tax for 2025/26. | | | | | | | | | | | | |

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| RESOURCE IMPLICATIONS | |
| <u>Capital/Revenue</u> | |
| 18. | The revenue implications are contained in the main report and there are no capital implications. |
| <u>Property/Other</u> | |
| 19. | None. |
| LEGAL IMPLICATIONS | |
| <u>Statutory power to undertake proposals in the report:</u> | |
| 20. | The Local Authorities (Funds) (England) Regulations 1992. The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. |
| <u>Other Legal Implications:</u> | |
| 21. | None |
| RISK MANAGEMENT IMPLICATIONS | |
| 22. | <p>There is a risk that each of the components that comprise the tax base – number of dwellings, number of discounts, premiums and exemptions, additional net dwellings, reduction as a result of the Local Council Tax Support Scheme and collection rate may be different to what has been assumed. For example, a 5% increase in Council Tax Support claimants compared to what has been estimated would reduce the tax base by 379 Band D equivalents (after applying the estimated collection rate), which equates to £0.69M based on the current £1,812.69 Band D charge; a 1% reduction in the collection rate would reduce the tax base by 685 Band D equivalents, which equates to £1.24M based on the current Band D charge.</p> <p>Any difference between the actual and estimated tax base for 2025/26 will contribute to a surplus or deficit on the Collection Fund at the end of the year, which will need to be taken into account in setting the council tax for 2026/27. Any difference between the estimated deficit on the council tax element of the Collection Fund for 2024/25 and the outturn position would also need to be taken into account in setting the council tax for 2026/27.</p> |
| POLICY FRAMEWORK IMPLICATIONS | |
| 23. | The report has been prepared in accordance with the statutory requirements with respect to the setting of the Council Tax Base for 2025/26 and the estimation of the surplus/deficit on the council tax element of the Collection Fund for 2024/25. |

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| KEY DECISION? | Yes |
| WARDS/COMMUNITIES AFFECTED: | All |
| <u>SUPPORTING DOCUMENTATION</u> | |
| Appendices | |

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| 1. | Council Tax Base 2025/26 |
| 2. | Council Tax Estimated Surplus/Deficit 2024/25 |

Documents In Members' Rooms

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| 1. | None |
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Equality Impact Assessment

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| Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out. | No |
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Privacy Impact Assessment

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| Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out. | No |
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Other Background Documents

Other Background documents available for inspection at:

| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
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