

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 14 July 2005
AUTHOR/S: Finance and Resources Director

CAPPING OF COUNCIL TAX 2005/06

Purpose

1. To advise Members formally of the latest developments on the proposed capping of the Council Tax for 2005/06 and to seek approval for additional expenditure.

Effect on Corporate Objectives

2.

Quality, Accessible Services	If the authority's Council Tax is capped at the level proposed by the Office of the Deputy Prime Minister (ODPM), the effect on the Council's services, corporate objectives and priorities will be substantial.
Village Life	
Sustainability	
Partnership	

Background

3. The report to Cabinet on 14 April 2005 on Capping of Council Tax 2005/06 stated that:
 - a) the Council had received a letter dated 23 March 2005 from the ODPM informing the Council that its budget requirement for 2005/06 of £13,942,650 is excessive and that the Council had been designated, designation being the initial stage in the capping procedures. The principles for designation are a 6% increase in the budget requirement and a 5.5% increase in the Council Tax. The maximum amount proposed by the First Secretary of State was £10,350,000, a reduction of 25.76% on the budget set by the Council of £13,942,650; and
 - b) the designation was challenged in the letter dated 12 April 2005 from the Chief Executive to the ODPM where it was stated that the maximum amount should be the original budget figure of £13,942,650.

Considerations

4. On 24 May, the then Leader, Councillor Mrs Spink, the Resources and Staffing Portfolio Holder, the Chief Executive and the Finance and Resources Director were invited and went to London to meet Mr Phil Woolas, the Minister for Local Government, and officers from the ODPM and to present the Council's case for not being capped.
5. On 7 July, a letter was received from the ODPM stating that the Secretary of State has decided to proceed to cap the Council and, subject to the approval of the House of Commons, he intends to set the maximum amount at £11,350,000 rather than the £10,350,000 originally proposed. A copy of the Minister's statement to the House is

attached as **Appendix A** in which he states “we are setting a higher cap than originally proposed (for South Cambridgeshire) to provide the authority with more time in which to end its reliance on surplus balances. Our expectation is that by using a combination of savings and reserves this year and beyond, it will be able to budget prudently in future. I am satisfied that all authorities will be able to provide a good service and deliver all of their statutory functions within the revised maximum budgets.”

6. The draft Order (statutory instrument) is due to be debated by the House of Commons on 20 July. The House breaks for summer recess on 21 July.
7. A maximum amount of £11,350,000 is a reduction of 18.60% on the original budget of £13,942,650 and the reduction of £2,592,650 would have to be met from a reduction in the expenditure estimates and/or an increase in the use of reserves.
8. On 7 July, the same day that the letter was received from the ODPM, the Council notified the ODPM that the Council intends to seek permission judicially to review the determination and the lawfulness of the draft Order and requesting that no Order relating to the Council be laid before the House of Commons and/or an undertaking to withdraw any Order already laid and/or an undertaking not to make an Order.
9. On 11 July, the ODPM responded with the Secretary of State resisting and denying the contention that he acted unlawfully and refusing to withdraw the draft Order or remove the name of the Council from that Order.
10. The stages in the judicial review process are as follows:
 - papers have been filed with the High Court applying for the matter to be expedited with the utmost urgency;
 - they have been considered by a Judge and the Judge made a decision on Wednesday 13 July to hold an oral hearing on Monday 18 July to hear the Council’s application for a stay of the Order being debated in Parliament on 21 July. The application for permission to judicially review the Secretary of State’s decision on capping has not been dealt with substantively at the time of writing this report.

Options

11. These will be considered at the special meeting of Cabinet on 21 July as part of the report on Policy and Financial Review.

Financial Implications

12. The financial implications for the General Fund and the Council Tax will be considered at the special meeting of Cabinet on 21 July as part of the report on Policy and Financial Review.
13. The initial stages of the application to seek judicial review are likely to cost several thousand pounds. If the judicial review proceeds to the Court and the Council loses its case, it will have to bear both its own costs and those of the ODPM and total costs could, therefore, be up to £100,000.
14. If the application fails and the Council is capped, there will also be the costs of rebilling which have been estimated at up to £75,000, including £16,000 for the rebilling module for the Council Tax computer system. The rebilling module will take

one month to deliver and, as a contingency, approval is being sought to order the software now to avoid a one month delay in rebilling if the Council is capped.

Legal Implications

15. If an Order which includes this Council is approved by resolution of the House of Commons, then as soon as reasonably practicable after the Order is made, the Secretary of State shall serve on the Council a notice stating the maximum amount. The Council will then have a period of 21 days to make substitute calculations regarding the budget requirement and the Council Tax. The intention is that these will also be reported to Cabinet on 21 July for a recommendation to Council on 28 July.

Staffing Implications

16. Payroll costs are the largest item in the Council's budget and if the Council is capped and has to find substantial budget reductions, it is regrettable but inevitable that the termination of some contracts of employment may have to be considered. Staff have been kept informed of the latest developments by e-mail and by invitations to meetings held by the Leader and the Finance and Resources Director.

Risk Management Implications

17. In the report to Cabinet on 12 May, Council Tax capping was ranked as very high likelihood and catastrophic impact.

Consultations

18. Local Members of Parliament, Cambridgeshire Horizons and other organisations have been canvassed for their support.

Conclusions/Summary

19. Members will be updated verbally at the meeting on the latest developments.

Recommendations

20. Cabinet is requested:
 - a) to recommend to Council that approval is given for expenditure outside the budgetary framework of up to £175,000 and
 - b) to approve that the Council Tax rebilling software can be ordered with immediate effect.

Background Papers: the following background papers were used in the preparation of this report:

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