

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet
AUTHOR/S: Chief Executive

08 February 2007

**CAPITAL AND REVENUE ESTIMATES,
COUNCIL TAX AND PRUDENTIAL INDICATORS
- ADDITIONAL INFORMATION ON THE MEDIUM TERM FINANCIAL STRATEGY**

Purpose

1. To appraise Members of an alternative to the Medium Term Financial Strategy (MTFS) included on the agenda as item 5, appendix C. This is being submitted for information only – no decision is being taken on the MTFS at this meeting and there is no change to the recommended budget and council tax for 2007/08.

Background

2. The MTFS was approved by Council in November 2006 based on the 2006/07 original estimates updated for known variations. Now that the estimates for 2007/08 have been compiled, including additional reductions in expenditure which were not anticipated, there is a firmer base for future projections and consideration of alternative options.

Considerations

3. The MTFS approved by Council in November and the council tax being recommended to Council this month are on the basis of a 4.9% increase in the council tax having regard to the statements made by the Minister for Local Government. When announcing the Local Authority Finance Settlements, the Minister stated in December 2005 that “we expect to see the average council tax in England in each of the next two years to be below 5%” and in November 2006 that “we expect to see the average council tax in England to be below 5 per cent”.
4. In March 2006, the Minister took the view “that authorities’ 2006/07 budgets are excessive if they show:
 - An increase of more than 6% in their budget requirement compared with 2005/06; and
 - If their council tax has increased by more than 5% in the same period”.

Options

5. On the basis of 2006/07, an authority can exceed one of the capping criteria but not both.
6. Appendix C enclosed with the agenda met both criteria for the years 2008/09 to 2012/13. Attached to this note is Appendix C1 which includes additional expenditure / less savings of around £0.150 million per annum for the years 2008/09 to 2012/13 in order to increase the budget requirement (net expenditure financed from government grant and council tax) to the limit of 6%.

7. Meeting one of the criteria allows the other criteria to be exceeded and Appendix C1 shows increases in the council tax ranging from 7.5% in 2008/09 to 6.5% in 2012/13.
8. To assist with comparing Appendices C and C1, the amount being appropriated to/from the General Fund balance has been kept the same in both Appendices. Alternatively, instead of additional expenditure / less savings, the amount could be added to balances on the basis that it will be needed when balances start reducing by £0.8/1.0 million from 2010/11 onwards. In 2012/13, the amount generated by the higher council tax of £0.773 million offsets the appropriation from balances of £0.792 million resulting in a balanced budget for that year.

Implications

9. The implications are:
 - (a) The option in Appendix C1 allows for additional expenditure / less savings than planned, met by a higher council tax. The higher rate of increase in the council tax will allow the Council to provide a range and quality of services more comparable to other shire districts (or add to balances) and yet the projected council tax in 2012/13 of £142.25 is still below the shire district average (excluding parishes) of £147.29 for 2006/07;
 - (b) The capping criteria are announced after councils have set their budgets and council taxes and the Government does not give any advance notification of the criteria. The Government may change the criteria from one year to the next as happened in 2005/06 when this Council relied on one of the previous year's criteria of its council tax being below average, this criteria was not included and the Council was capped; and
 - (c) In 2008/09, this Council may be the only authority in the country setting its council tax to increase by more than 5% and as such the Government may feel compelled to make an example of it.
10. This strategy has a high risk of South Cambridgeshire becoming the only council to be capped twice.
11. The risk may become more assessable in March/April 2007 when the Minister makes his decision on whether to cap any council. However, it may be that all councils are not considered to be setting excessive budgets and council taxes and that no councils are capped. It is not clear if the Minister has to announce the capping criteria even if he is not proposing to cap any council.

Conclusions/Summary

12. The views of the leader and Cabinet are sought as to whether this option should be included for consideration on the next occasion that the MTFs is submitted for formal approval.

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