

COUNCIL TAX 2005/06 – UPDATE ON GOVERNMENT ANNOUNCEMENTS

1 SUMMARY

- 1.1 This report covers the draft announcement relating to the financial support from the Government in relation to 2005/06

2 INTRODUCTION

- 2.1 On Thursday 2nd December the Chancellor announced that an additional £1b would be added to the national settlement for Councils. This is the figure that the Local Government Association identified as the amount needed to keep Council Tax below 10%.

- 2.2 Later the detailed settlement for individual authorities was announced. In that statement funding for Rochford District Council is as follows: -

2004/05	£3.491m
2005/06	£3.694m

This is an increase of £203,000 or 5.8%

- 2.3 This increase includes the resources announced by the Government of £1b extra to keep Council Tax down. Although the increase of 5.8% may appear significant it should be remembered that it is an increase from a low base. Rochford is currently the lowest funded council in Essex and one of the lowest funded Councils in England. In addition, in previous years the Government has withheld around £200,000 per year from this Council under the floors and ceilings adjustments. For 2005/06 this will be around £138,000.
- 2.4 The need for Council Tax increase is not determined by a single year's settlement. The Council has a five year budget strategy in line with best practice and it is the needs of the five year projections, which shape the requirements for Council Tax. The current strategy proposes a tax increase of 9% for 2005/06 as well as an increase in Government funding. The funding announcement is not sufficient to cover the loss of revenue if Council Tax is restricted to a lower level than 9%.
- 2.5 It also has to be remembered that the majority of current and future spending requirements relate to Government requirements not local decisions.

For example, looking at the forward budget strategy the Council needs to react to Government targets relating to: -

- Recycling
- E-government
- The Freedom of Information Act
- Liquor licensing
- Planning
- Thames Gateway
- New Civil Contingencies legislation
- New requirements for Housing Benefits administration
- New requirements relating to homelessness

In addition, the Council needs to invest in services which Government Inspectors view as requiring improvements and to build capacity.

- 2.6 All this points to the need for the Council to increase spending on services and keep the planned increase in Council Tax of 9%, which equates to less than £14 per year for 2005/06. However, the Council has to take account of the way that the Government intends to use its capping powers. Here the Government has announced that it expects Council Tax to be kept at a figure significantly less than the average increase for 2004/05 of 5.9%. To achieve this they are prepared to use the capping powers.
- 2.7 The dilemma for the Council is, therefore, how to protect existing services and how to deliver new Government requirements with funding that remains one of the lowest in Essex and with restrictions on the increase in Council Tax.
- 2.8 In addition, the Government wants all Councils to make savings over the next three years. These are branded as efficiency savings and are covered by the Gershon review. However, Rochford is the lowest spending council in Essex and therefore logically, as the lowest spending council, will have far more difficulty in meeting these target reductions than a council that is spending a higher amount per head of population. Yet the savings requirements will be the same for all District Councils. The impact on Rochford will, therefore, be higher.
- 2.9 In summary: -
- Government funding is an increase of 5.8%. This is not sufficient to keep Council Tax at a lower level and deliver the services required.
 - Government requirements add significantly to the need for Council Tax to increase by 9% for 2005/06. These pressures remain.
 - Government will use its capping powers to restrict Council Tax to a much lower percentage, therefore creating a funding gap.

- Government will require savings to an already low budget over the next three years.

2.10 The Council will, therefore, have to have adopt a strategy that deals with all these issues

- The Council will probably have to set a Council tax at a restricted level.
- Target savings will have to be built into the budget strategy to meet Gershon targets and to balance the budget.
- New items, including Government requirements, will be significantly restricted.

2.11 It is likely that this revised strategy, with the combination of limitation to funding and reductions in expenditure, could lead to reductions in current service delivery in addition to the restriction on new items. To deliver the new strategy the Council will have to determine the priorities for all services within the resources available.

3 RISK IMPLICATIONS

3.1 All the Council services rely on the resources within the budget strategy. The resultant budget must be achievable and meet the priorities of the Council.

4 RECOMMENDATION

4.1 It is proposed that the Committee **RESOLVES**

- (1) To receive this report
- (2) To request officers to provide full budget projections and options for priorities for the Members awayday on the 15th January

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Background Papers:-

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