

RUNNYMEDE BOROUGH COUNCIL

MEETING OF THE COUNCIL

21 JULY 2005

SUPPLEMENTARY SUMMONS

By reason of special circumstance, namely the need to set a new budget within 21 days of issue of the anticipated Statutory Instrument, the Mayor is of the opinion that this item should be considered as a matter of urgency under Section 100B of the Local Government Act 1972 and in accordance with Standing Order 10.4.

AMENDED BUDGET FOR THE 2005/06 FINANCIAL YEAR (DF)

(Ref: Minutes of Corporate Management Committee, February 2005, page 656, para. 502 and March 2005, page 977, para. 641)

1. Purpose of Report

1.1 To set an amended budget and Council Tax for the 2005/06 financial year following the issue of a capping order

2. Background Information

2.1 On 23 March 2005 the Minister of State for Local and Regional Government announced that the Government had decided to designate Runnymede Borough Council pursuant to Section 52(D) of the Local Government Act 1992. This was the first stage in a process that would lead to a maximum budget requirement being imposed on the Council's 2005/06 budget (popularly known as "capping") or "nomination" whereby a maximum budget requirement would be imposed by the Government for the subsequent financial year. The Council was given 21 days to challenge this decision.

2.2 The Council submitted a formal appeal against the capping announcement on 12 April 2005 and this was followed by a meeting with the new Minister for Local Government, Phil Woolas, on 23 May 2005. Representations against capping were made in particular on the following grounds:-

- Runnymede received an "Excellent" Comprehensive Performance Assessment (CPA) score and Ministers had originally undertaken not to cap excellent Authorities.
- Runnymede is responsive to community needs and is delivering services demanded by residents. ODPM Residents' Satisfaction Survey showed that Runnymede was 5th in the country in 2003/04 (2nd in 2001/02).
- Runnymede's grant has reduced in real terms by 29% since 1995/96 and tax rises have been necessary to offset the loss of grant.
- Runnymede's tax increases are part of a well publicised long-term financial strategy to manage through these external challenges. The Council's financial prudence has been consistently endorsed in the external auditor's Annual Management Letter.
- Runnymede's Council Tax of £117.99 is 8th lowest in the country. It is £64 less than the Assumed National Council Tax and £52 less than the average. It is also below the capping criteria used in 2004/05.
- Runnymede's tax increased by 34 pence per week. The overall Band D tax for the area increased from £1,136.88 to £1,192.95 (an increase of £56.07, or 4.93%). While Runnymede Borough Council's element of the tax increased by 17½%, this was small both in absolute terms and as a proportion of the overall bill.
- There are no parishes in Runnymede so Runnymede's tax of £117.99 pays for all local services in the area. No allowance for this is made in the capping criteria or when comparing with others.
- Runnymede has a record of levying amongst the lowest district Council Tax in the country over the last 13 years.

2.3 South Cambridgeshire District Council, another authority to be capped, have sought permission to apply for judicial review of the proposal, and their application was to be heard

on Monday 25 July. Members may recall that leading Counsel had advised Runnymede that the prospects of success for such action were negligible. Officers will report further on the outcome of the South Cambridgeshire case and on whether there may be any issues of relevance to this authority.

3. Report

- 3.1. The Office of the Deputy Prime Minister has issued a draft Statutory Instrument which designates the Council's budget for the 2005/06 financial year. This requires the Council to set a budget requirement that is no more than £8,193,000. This represents a reduction of £271,400 on the budget requirement that was approved at the Council's budget meeting on 15 February 2005. This will have the effect of reducing Runnymede's portion of the Band D Council Tax from £117.99 to £109.65, a reduction of £8.34. The Council is under a duty to make substitute calculations within 21 days. Parliament is expected to debate the Order on Wednesday 20 July and this report has been written on the assumption that the final Statutory Instrument will be issued immediately thereafter.
- 3.2. Although the immediate consequence of capping is a reduction in the 2005/06 budget of £271,400, the long-term implications are much more severe. The Council's financial strategy has involved stepped increases in the Council Tax along with revenue reductions in order to bring expenditure and income into balance over five years. Increasing the Council Tax to £117.99 in 2005/06 and £141.57 in 2006/07 was a key element of this strategy. Capping not only requires the Council to reduce this year's tax but also rules out similar increases in future. The effect will be to increase the annual savings target by £800,000 in order to avoid a budgetary deficit over the next five years.
- 3.3. As far as the current financial year is concerned, in order to set a lower budget requirement for the year the Council has the choice of increasing its withdrawal from working balances or reducing its net expenditure. Officers recommend that the Council reduces its net expenditure by not making a backfunding contribution to the Surrey Pension Fund.
- 3.4. The original budget makes provision for a backfunding contribution of £441,000 to be made to the Surrey Pension Fund in 2005/06 (see the Budget Book, page 236). This figure was based on the draft actuarial valuation of the Surrey Pension Fund reported to the Corporate Management Committee in December 2004 (page 472, minute 379). Subsequently, the Director of Finance asked the Actuary to phase in this backfunding requirement in order to provide the Council with some budgetary flexibility should it be capped. Accordingly, the Actuary's final valuation statement specified a backfunding contribution of nil in 2005/06, £220,500 in 2006/07 and £441,000 in 2007/08 and this was reported to Committee on 3 March 2005 (page 831, minute 556).
- 3.5. The advantage of not making a backfunding contribution in 2005/06 is that this will enable the Council to reduce its budget without increasing its use of working balances. This will help to deal with the major challenge presented by the Council's new savings target (£2.8 million is 25% of the Council's net General Fund expenditure). The disadvantage is that this simply defers the backfunding problem.

Rebilling

- 3.6. The capping order requires the Council to issue new bills to Runnymede's 32,500 taxpayers. The cost of this exercise (including the cost of software, printing and postage) is estimated to be £36,000. An increase in the Council Tax Collection budget is requested to cover these additional costs.

Budgetary implications

- 3.7. Table 1 below summarises the budgetary implications of these changes.

Table 1: Proposed budget amendments to achieve the capped budget requirement

	£
Corporate Management Committee	
Council Tax Collection - cost of rebilling	36,100
Employer's Costs - delete pension backfunding	-441,000
NET EXPENDITURE ON SERVICES	-404,900
Reduced use of working balance	133,500
BUDGET REQUIREMENT	-271,400

- 3.8 Appendix 'A' shows the effect of these changes on the General Fund Summary Revenue Account. The original budget is shown alongside for comparison.

The Borough's Basic Amount of Council Tax 2005/06

- 3.9 The calculation of the Council's basic amount of Council Tax is made by deducting from the Budget Requirement the external support that will be received from the Government, together with the deficit on the Collection Fund. The result is divided by the Council Tax Base of 32,547. The calculation is set out below.

Table 2: Calculation of Runnymede's Basic Amount of Council Tax

	£
Budget Requirement	8,193,000
<u>Less</u> Formula Grant	- 4,635,900
<u>Add</u> Collection Fund deficit	11,700
	3,568,800
<u>Divided by</u> Council Tax Base	÷ 32,547
Basic amount of Council Tax for the Borough	£109.65

- 3.10 The Basic Amount of Council Tax of £109.65 equates to the charge on properties in Band D. The effect on each of the valuation bands is as follows:-

Table 3: Impact of the new Council Tax on each Band

Band	A	B	C	D	E	F	G	H
Proportion	6/9ths	7/9ths	8/9ths	9/9ths	11/9ths	13/9ths	15/9ths	18/9ths
Amount	£73.10	£85.28	£97.47	£109.65	£134.02	£158.38	£182.75	£219.30

- 3.11 Table 4 compares the capped Council Tax for each band with the original Council Tax for 2005/06.

Table 4: Capped Council Tax compared with Runnymede's original Council Tax

Band	A	B	C	D	E	F	G	H
Proportion	6/9ths	7/9ths	8/9ths	9/9ths	11/9ths	13/9ths	15/9ths	18/9ths
Original Tax	£78.66	£91.77	£104.88	£117.99	£144.21	£170.43	£196.65	£235.98
Capped Tax	£73.10	£85.28	£97.47	£109.65	£134.02	£158.38	£182.75	£219.30
Difference	£-5.56	£-6.49	£-7.41	£-8.34	£-10.19	£-12.05	£-13.90	£-16.68

Setting the overall Council Tax

- 3.12 In accordance with section 30 of the Local Government Finance Act 1992, the Council in its capacity as billing authority is required to set an amount of Council Tax for each of the valuation bands which is an aggregate of the amounts set by the Borough Council, the County Council and the Police Authority.

- 3.13 The Council Tax relating to Surrey County Council and the Surrey Police Authority is unaffected by the capping order. The total Council Tax is therefore as follows:-

Band	A	B	C	D	E	F	G	H
Proportion	6/9ths	7/9ths	8/9ths	9/9ths	11/9ths	13/9ths	15/9ths	18/9ths
	£	£	£	£	£	£	£	£
Runnymede BC	73.10	85.28	97.47	109.65	134.02	158.38	182.75	219.30
Surrey County	613.80	716.10	818.40	920.70	1,125.30	1,329.90	1,534.50	1,841.40
Surrey Police	102.84	119.98	137.12	154.26	188.54	222.82	257.10	308.52
	£789.74	£921.36	£1,052.99	£1,184.61	£1,447.86	£1,711.10	£1,974.35	£2,369.22

- 3.14 The recommendations dealing with the precepting decisions of Surrey County Council and the Surrey Police Authority and the overall Council Tax for 2005/06 are set out below.

OFFICERS' RECOMMENDATION that -

- i) **the amended 2005/06 Budget be approved;**
- ii) **the following amounts be now calculated by the Council for the year 2005/06 in accordance with sections 32 to 36 of the Local Government Finance Act 1992:-**
- (a) **£50,736,800** being the aggregate of the amounts which the Council estimates for the items set out in section 32(2)(a) to (e) of the Act.
- (b) **£42,543,800** being the aggregate of the amounts which the Council estimates for the items set out in section 32(3)(a) to (c) of the Act.
- (c) **£8,193,000** being the amount by which the aggregate at ii)(a) above exceeds the aggregate at ii)(b) above, calculated by the Council, in accordance with section 32(4) of the Act, as its budget requirement for the year.
- (d) **£4,624,200** being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund calculated in accordance with section 33(1 and 3) of the Act.
- (e) **£109.65** being the amount of ii)(c) above less the amount at ii)(d) above, all divided by the Council Tax Base of 32,547 calculated in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.
- f) **Runnymede Borough Council**
Valuation Bands
- | A | B | C | D | E | F | G | H |
|--------|--------|--------|---------|---------|---------|---------|---------|
| £73.10 | £85.28 | £97.47 | £109.65 | £134.02 | £158.38 | £182.75 | £219.30 |
- (being the amounts calculated by the Council in applying the figure set out at ii)(e) to the formula in section 36(1) of the Act) as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.
- iii) **it be noted that for the year 2005/06, Surrey County Council has stated the following amounts in precepts issued to the Council in**

accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Precepting authority - Surrey County Council

Valuation Bands

A	B	C	D	E	F	G	H
£613.80	£716.10	£818.40	£920.70	£1,125.30	£1,329.90	£1,534.50	£1,841.40

- iv) it be noted that for the year 2005/06, Surrey Police Authority has stated the following amounts in precepts issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Precepting authority - Surrey Police Authority

Valuation Bands

A	B	C	D	E	F	G	H
£102.84	£119.98	£137.12	£154.26	£188.54	£222.82	£257.10	£308.52

- v) having calculated the aggregate in each case of the amounts at (ii)(f),(iii) and (iv) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amount of Council Tax for the year 2005/06 for each of the categories of dwellings shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£789.74	£921.36	£1,052.99	£1,184.61	£1,447.86	£1,711.10	£1,974.35	£2,369.22

Background Papers

2005/06 Budget Book.

Letter from ODPM dated 7 July 2005.