

**Kennet District Council**

**Council Meeting – 22<sup>nd</sup> February 2005**

**LEADER'S SPEECH TO THE COUNCIL**

**AN INTRODUCTION TO THE RECOMMENDED COUNCIL TAX**

Madam Chairman, Members -

May I outline the procedures leading up to the Council Tax recommendation from the Joint Executive Committees' meeting held on 1<sup>st</sup> February.

Members will be aware that it was recognised at an early stage that 2005/06 would represent yet another challenging year for which to prepare a revenue budget, and that the Council, as has become the norm, approved the appointment of a Budget Reductions Sub Committee charged with making recommendations on how to achieve a balanced budget within the parameters set by the Council's medium-term financial strategy.

The scale of the task set for the Budget Reductions Sub Committee can be illustrated with the following pressures on the revenue budget:

The cost of inflation £439,000 (equivalent to £14.62 at Band D council tax).

The cost of meeting recycling and other government-imposed targets £213,000 (equivalent to £7.09 at Band D council tax).

Other expenditure increases £62,000 (equivalent to £2.07 at Band D council tax).

The total of increased costs, (mostly outside the Council's control) is therefore £714,000, equivalent to £23.78 at Band D council tax. That figure compares to additional income from a 12% council tax increase of £410,000. The difference between planned council tax increase and additional costs was thus £304,000.

Of course, the situation was actually worse than is implied by that gap of £304,000. Members will recall that in setting its council tax for 2004/05 the Council relied heavily on the use of revenue reserves in order to avoid being capped and the Budget Reductions Sub Committee had, therefore to eliminate the reliance on reserves as well as meeting additional costs.

The budget upon which this council tax recommendation is based includes reduced reliance on revenue reserves of £393,000 when comparing the budgets for 2004/05 and 2005/06.

With a combination of increased income from investments, increased Government Grant, and recommended increases in income from rents and charges, and staff reductions, the Budget Reductions Sub Committee did construct a budget strategy that produced a balanced budget, assuming a 12% council tax increase.

I have mentioned increased Government Grant. That grant for 2005/06 increased by just £132,000, a completely inadequate sum when measured against the cost pressures placed on the Council, much of which is Government imposed.

Once again, therefore, the Council was faced with the need to increase council tax considerably even after increasing charges and reducing costs – to use a colloquial expression – a “triple-whammy” indeed.

Of course, having worked to achieve a balanced budget with an assumed council tax increase of 12% it became apparent that such a council tax increase would potentially place the Council on a collision course with the National Government, which in the person of the Local Government Minister is demanding a 5% council tax increase, backed up with the threat of capping.

Today I will not rehearse again the painful consequences of being capped – they are well known to Members. Neither will I indulge in futile protestations about the unfairness of it all. Instead I would ask Members, if they would, to look at our position through the eyes of the Minister. I am convinced that he would find it incomprehensible that Kennet should impose a council tax increase of 12% or even 9.9% and risk capping when he sees that we have an estimated £3.8m in revenue reserves at the end of 2005/06, and that level of reserves is actually £219,000 more than we had been estimating for the end of 2004/05. Of all the arguments for and against increases above 5% that for me is the most convincing.

On the one hand therefore, we have a threat of capping if we impose a council tax increase in excess of 5%, and on the other hand we have a balanced budget assuming a 12% council tax increase. The only sensible way to resolve the position in the view of the Councils Executive Committees is to once again withdraw money from revenue reserves and impose a 5% council tax increase.

Before finishing, Madam Chairman, I must just add that although much of what I have said relates to percentage increases, the reality is that the amount of money we are discussing is minimal in cash terms. Even a 12% council tax increase would only amount to an additional 26p per week for a Band D householder. A 5% increase produces an increase of just 11p per week, this equals £5.72 for a whole year

Indeed the whole proposed bill for 2005/06 for a Band D property, at £117.84, is just £2.27 a week and this must represent fantastic value for money for the residents of Kennet when you look at the range and quality of services provided for that amount.

Madam Chairman -

I move the recommendation at Minute no. 4 of the meeting of the Joint Executive Committees' held on 1<sup>st</sup> February.

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