

**CORPORATE SERVICES POLICY ADVISORY COMMITTEE****13 JULY 2022****Item 13 - Medium Term Financial Strategy – Additional Information**

In response to a request from a member of the Committee, this paper presents the information contained in Table 5 of the report using an alternative assumption whereby there are no Council Tax increases. See below and overleaf for a commentary on the figures.

	23/24	24/25	25/26	26/27	27/28
	£m	£m	£m	£m	£m
<b>Scenario 1 – Limited flexibility, economy recovers</b>					
Total Resources <sup>1</sup>	46.4	47.1	48.3	50.0	52.1
Predicted Expenditure <sup>2</sup>	47.9	50.2	51.9	54.1	55.8
Budget Gap	-1.5	-3.1	-3.6	-4.1	-3.7
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required <sup>3</sup>	-1.1	-2.4	-2.9	-3.4	-3.0
<b>Scenario 2 – Some flexibility, economy recovers</b>					
Total Resources	46.7	47.5	48.8	50.4	52.6
Predicted Expenditure	47.9	50.2	51.9	54.1	55.8
Budget Gap	-1.2	-2.7	-3.1	-3.7	-3.2
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-0.8	-2.0	-2.4	-3.0	-2.5
<b>Scenario 3 – Some flexibility, continued stagflation</b>					
Total Resources	46.7	48.1	49.7	51.3	53.0
Predicted Expenditure	47.9	51.6	54.9	58.7	62.2
Budget Gap	-1.2	-3.5	-5.2	-7.4	-9.2
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-0.8	-2.8	-4.5	-6.7	-8.5
<b>Scenario 4 – Limited flexibility, continued stagflation</b>					
Total Resources	46.4	47.5	48.7	50.0	51.3
Predicted Expenditure	47.9	51.6	54.9	58.7	62.2
Budget Gap	-1.5	-4.1	-6.2	-8.7	-10.9
Existing Planned Savings	0.4	0.7	0.7	0.7	0.7
Savings Required	-1.1	-3.4	-5.5	-8.0	-10.2

**Notes**

- Resources comprise Council Tax, retained Business Rates and Other Income.
- Predicted expenditure comprises the cost of services and finance costs.
- A negative figure represents the amount of savings required to balance the budget; a positive figure represents a budget surplus.
- All scenarios incorporate the assumption that fees and charges are increased in line with inflation to the extent that the Council has the flexibility to do so. However, there is no increase in Council Tax, with the increased income each year deriving simply from the increase in the Council Tax base.

## Appendix 2 – Item 17 – Medium Term Financial Strategy

### Commentary

As compared with the figures set out in the original report to the Committee, this indicates that if there were no increases in Council Tax, additional savings would be required in each scenario as follows:

	23/24	24/25	25/26	26/27	27/28
	£m	£m	£m	£m	£m
<b>Scenario 1</b>	-0.3	-0.7	-1.2	-1.6	-2.0
<b>Scenario 2</b>	-0.9	-1.3	-1.7	-2.2	-2.7
<b>Scenario 3</b>	-0.9	-1.7	-2.3	-3.0	-3.6
<b>Scenario 4</b>	-0.3	-0.7	-1.1	-1.5	-2.0

**Scenario 1 and Scenario 4** are those where there is limited flexibility, ie it is assumed that the government keeps the Council Tax referendum limit at 2% in spite of inflation being much higher. In this case, the difference between a zero increase and 2% is **£0.3 million** in 2023/24, increasing in subsequent years. In other words, **an additional £300,000 savings would need to be found in 2023/24.**

For every year that the policy of no council tax increases is sustained, the cumulative amount of savings required would increase, with **£2 million additional savings to be found in 2027/28.** This is in addition to the savings required as identified in the original report to members.

Note that the annual increase is geometrical, not linear, because if Council Tax is increased every year, as in the base assumptions, and as has been the case until now, the starting point for Council Tax income before any further increase is always higher than in the previous year.

**Scenario 2 and Scenario 3** are those where there is more flexibility for local authorities, with the Council Tax referendum limit being increased to 5% in 2023/24. This means that there is a bigger gap, namely **£0.9 million**, between the assumed level of Council Tax income in the projections and that which we would receive if Council Tax were frozen. In other words, **an additional £900,000 savings would need to be found in 2023/24.**

Again, these scenarios continue to require more savings to be found, as the gap between the flexibility allowed by central government and the self-imposed straitjacket of a council tax freeze is greater. For every year that the policy of no council tax increases is sustained, the cumulative amount of additional savings required would increase, with **£2.7 million additional savings to be found in 2027/28 in Scenario 2 and £3.6 million additional savings to be found in 2027/28 in Scenario 3.**

The position is worse in Scenario 3 than in Scenario 2, because the effect is combined with continued stagflation in the national economy.

### Fees and charges

The alternative projections presented above show a nil increase in Council Tax. However, they do still show inflationary increases in fees and charges (eg for Parking and Planning Fees). Note that if a similar approach was adopted with fees and charges, Council budgets would have to be reduced still further.