

CORPORATE MANAGEMENT COMMITTEE

31 MARCH 2005

URGENT ITEM

NOTIFICATION OF DESIGNATION UNDER SECTION 52 OF THE LOCAL GOVERNMENT FINANCE ACT 1992 (CEO)

1. **Purpose of the Report**

- 1.1 The purpose of this report is to advise Members of the notification received from the Office of the Deputy Prime Minister (ODPM) and to authorise an appropriate response.

2. **Background Information**

- 2.1 The First Secretary of State has powers under the Local Government Finance Act 1992 to prescribe the budget requirements for local authorities that breach a set of principles determined by the First Secretary of State.

3. **Report**

- 3.1 The ODPM formally notified the Council last Wednesday, 23 March, that it had decided to designate the Authority pursuant to Section 52(D) of the Local Government Act 1992, which may in turn lead to "capping" for the Council's 2005/06 budget requirement, or "nomination" in order to set a maximum budget requirement for the subsequent financial year. This was copied electronically to all Councillors on 23 March. A copy of the formal letter is attached.
- 3.2 The Council has twenty-one days from date of receipt of the letter, to challenge the proposed maximum budget requirement of £8,193,000. Alternatively, if the Council does not wish to challenge the maximum budgetary requirement the Authority is required to write accepting the maximum amount stated within the same twenty-one day period. The subsequent action is outlined in page 2 of the attached letter.
- 3.3 The Council's approved Five Year Financial Forecast assumes a series of stepped increases in Council Tax from a very low base, a major programme of net revenue reductions and a phased run down in revenue reserves, in order to move to a more balanced position on income and expenditure at the end of the forecast period. In cash terms, the recently approved Council Tax increase for 2005/06 equates to 34p per week at Band D. Should a Capping Order subsequently be confirmed, the Council would be required to reduce its budget requirement by 9.9% or the equivalent of 16p per week at Band D.

4. **Resource Implications**

- 4.1 At this stage it is by no means certain that a Capping Order will subsequently be confirmed. However should this occur there will be significant costs associated with rebilling, an estimate of which must be provided to ODPM.
- 4.2 Whilst it is hoped the representation that can be made by the Council will result in the Government discontinuing its actions to seek to prescribe a maximum budget requirement for the Council, it has to be recognised that any capping or nomination will have a major impact upon the Council's medium term financial strategy.

5. **Summary**

- 5.1 It is proposed that the Council seek to challenge the maximum amount proposed as the budget requirement (£8,193,000) within the twenty-one days provided and furnish the supporting documentation as requested by the Secretary of State. Authority is therefore

requested to settle the detailed form of the representation in consultation with the Chairman and Vice Chairman of the Committee.

OFFICERS' RECOMMENDATION that -

- (i) the Council formally challenge the maximum amount proposed as the budget requirement for the Council detailed in the ODPM's letter of 23 March 2005; and**
- (ii) the Chief Executive, in consultation with the Director of Finance, Director of Administration & Leisure and the Chairman and Vice Chairman of this Committee, be authorised to settle the detailed form of the representation to the Office of the Deputy Prime Minister.**

(TO RESOLVE)

Background Information

Five Year Financial Forecast
ODPM letter of 23 March 2005