



Office of the
Deputy Prime Minister

Creating sustainable communities

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Dear Sir,

I am writing to inform the authority that the First Secretary of State has formed the opinion that the amount calculated by the authority as its budget requirement for 2005/06 is excessive, and that the First Secretary of State has decided to "designate" the authority pursuant to section 52D(2)(a) of the Local Government Finance Act 1992 ("the Act"). This letter is written in accordance with section 52E of the Act and should be treated as notification under that section.

Designation is a means of initiating a process which may lead either to the First Secretary of State setting a maximum budget requirement for Runnymede Borough Council ("capping") for 2005/06 or to nomination. Nomination is a means of initiating a process which may lead either to the First Secretary of State setting a maximum budget requirement for ("capping") an authority for 2006/07 at the time of the next local government settlement or setting a notional budget requirement for 2005/06 which will be used in any future capping comparisons with that year. This letter sets out the legal requirements with regard to this process and also explains how the authority can make representations to the First Secretary of State before any final decisions are taken.

The set of principles determined for the authority under section 52B of the Act are that an authority's budget requirement is excessive if:

- (a) an authority has increased its budget requirement by more than 6% between 2004/05 and 2005/06; and
- (b) an authority has increased its council tax by more than 5½% in the same period.

The amount which the First Secretary of State proposes should be the maximum for the amount calculated by Runnymede Borough Council as its budget requirement for the financial year 2005/06 is £8,193,000. This is also the target amount for the financial year 2005/06, that is the maximum amount which the authority could calculate as its budget requirement without its being judged excessive in accordance with the principles set out above. For the avoidance of doubt, the First Secretary of State expects the amount calculated by the authority as its budget requirement for the year to be equal to or less than that target amount in the financial year 2005/06.

The authority has 21 days, beginning with the day of receipt of this letter, within which to inform the First Secretary of State by notice in writing that it wishes to challenge the amount stated.

Challenging the maximum amount

If the authority wishes to challenge the maximum amount proposed as the budget requirement, the authority should set out in a notice, in writing, the maximum amount it believes should be stated under section 52E(2)(d), together with its reasons. The authority should also provide three copies of all of the information requested in the schedule to this letter within the 21 days deadline. The notice and information should be sent to me at the above address.

After he has considered the reasons set out in the authority's notice and any additional information that has been provided, the First Secretary of State will either:

- a) make an order, subject to the approval of the House of Commons, under section 52F(4) stating the amount which the amount calculated by the authority as its budget requirement for the year 2005/06 is not to exceed; or
- b) cancel the designation and notify the authority in writing of the cancellation of designation as regards 2005/06 in accordance with section 52F(11) and nominate the authority under section 52D(2)(b) instead.

If the First Secretary of State decides at that stage to nominate the authority he will have two options. These are:

- a) to designate the authority for 2006/07 and determine the maximum for the amount to be calculated by the authority as its budget requirement for that year (section 52M); or
- b) to determine a notional amount to be calculated by the authority as its budget requirement for 2005/06 (section 52N), which will be used in any future capping comparisons with that year.

The nominated authority will be notified of the First Secretary of State's decision in writing and will be given an opportunity to challenge or accept this in accordance with sections 52M, 52N and 52Q as relevant.

Accepting designation

If Runnymede Borough Council does not wish to challenge the maximum budget requirement of £8,193,000 the authority should write to the First Secretary of State informing him that the authority accepts the maximum amount stated in this letter, within 21 days, beginning with the day of receipt of this letter. The First Secretary of State will then serve a notice on the authority confirming this in accordance with section 52G(2). On receipt of this notice, the authority will need to make substitute calculations for its budget requirement in 2005/06 in accordance with section 52I.

If the authority requires any further information regarding the contents of this letter please do not hesitate to contact me or Robert Crangle at the same address, on 020 7944 3054, e-mail: Robert.Crangle@odpm.gsi.gov.uk.

Yours faithfully

S. L. Cloughton

Stephen Cloughton
Signed by authority of the First Secretary of State

Information specified by the Secretary of State for the purposes of section 52F of the Local Government Finance Act 1992

1. Reports to and minutes of the budget and council tax setting meetings of the authority, its executive, committees of the authority and committees of the executive, as the case may be.
2. The report of the authority's chief finance officer made in accordance with section 25 of the Local Government Act 2003.
3. Reports to and minutes of the meetings of the authority, its executive, committees of the authority and committees of the executive, as the case may be, relating to the authority's determination of its affordable borrowing limit under section 3 of the Local Government Act 2003.
4. The authority's most recent statement of accounts, and in addition, if no audit opinion has been given on that statement, its latest statement of accounts with an audit opinion.
5. The authority's most recent annual audit and inspection letter; and any public interest reports from its auditor under section 8 of the Audit Commission Act 1998 received since 1st January 2002.
6. Information on rebilling costs as set out in the questionnaire at the annex to this schedule.