

Local Government Information Unit

NEWS RELEASE

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Local government will not take this cap

The Local Government Information Unit (LGIU), the local democracy think tank, has attacked as "farcical" the Government's announcement that capping powers are to be used against six local authorities in 2004/5.

After months of speculation and repeated threats from ministers, it was announced by Local Government Minister Nick Raynsford in the House of Commons today (Thursday 29 April) that Telford and Wrekin Council, Nottingham City Council, Torbay Council, Herefordshire Council, Shepway Council and Fenland Council are to have their budgets capped in 2004/05. One fire authority is to be capped in 2004/05, with four others and three police authorities earmarked for capping in 2005/06.

After the appeals process has been completed, it could mean that it will be July before the six councils capped in the current financial year finally resolve their 2004/05 budgets. This uncertainty will lead to greater difficulty in tax collection and the prospect of cuts in services being imposed midway through the financial year. Council taxpayers will have to be rebilled not just in the local authorities being capped this year, but also in the councils covered by the fire authority being capped in 2004/05. Many councils that collect precepts for the fire and police authorities earmarked for capping in 2005/06 face a similar exercise next year.

The LGIU has posed five questions for ministers on the implications of capping.

1. Would ministers undertake the less popular task of telling capped councils exactly what local frontline services should be slashed?
2. Where would capping leave the idea of 'active citizenship' if it is ministers rather than local electors who hold councillors to account?
3. What would all the rhetoric about 'new localism' mean if even a council rated as 'excellent' by Audit Commission inspection is having its local budget priorities overruled by Whitehall?
4. The domination of central government spending priorities over local ones has already led to the gross underfunding of certain areas of council spending across the country, such as highways and environmental services. How will further central direction through capping and the imposition of more cuts improve this?

5. How will capping police and fire authorities assist in meeting Government objectives for increasing police numbers and fighting crime, or with modernising the fire service?

Dennis Reed, LGIU Chief Executive, said: "It is farcical that council taxpayers under these capped local authorities stand to pick up the £7 million wasted on the cost of being rebilled, as they wait for their local services to be savaged, in order to cut council tax bills that central government policy has pushed upwards.

"If ministers insist on capping these local authorities, the cost of rebilling their council taxpayers ought to come from Whitehall's public relations budget, given that the whole charade is a cynical piece of spin designed to meet ministers' short term political needs at the expense of local democracy and local services. Ministers have painted themselves into a corner over capping. Now local communities will suffer to get them out of it.

"Capping remains a crude instrument based on dubious criteria. Some councils with no record of high spending have been caught simply because their council tax increase this year was pushed up by factors such as changes in government grant distribution, rising costs such as those of reorganisation and new obligations imposed by ministers, but not fully funded. Often with their reserves depleted, these councils were left with no alternative but a higher council tax.

"One of the local authorities being capped is rated by the Audit Commission as 'excellent' in its management. The extra 'freedoms and flexibilities' that such councils were promised, such as not being capped, means little if they cannot even set their own budgets free from central control freakery.

"With recent findings by the Audit Commission, confirmed by our own research, highlighting central government policy as the chief cause of council tax increases, the LGIU will support local authorities in the campaign against capping. It is important for those who rely on local services, over-pressured council tax payers, and the principle of local democracy, for ministers to abandon capping and get on with the job of reforming local government finance.

"This situation is largely a consequence of councils' present reliance on Whitehall grant for three quarters of their funding. Small changes in Whitehall grant distribution, or in local spending plans, have a disproportionate effect on council tax bills. If the council tax was fairer and most council revenue was to be raised locally from a broader range of sources, ministers would find their dilemmas over capping receding. Moreover, local democracy would be stronger.

"This is not about being tough or soft on local authorities. It is a question of whether holding councillors to account is a job for local electors or for central government."

ENDS

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Notes to Editors

1. Originally founded in 1983 to campaign against the ratecapping regime that was established in the 1984 Rates Act, the Local Government Information Unit (LGIU) is Britain's foremost independent local democracy think tank, campaigning to extend local authority best practice, freedoms and responsibilities. The LGIU is working to influence the debate on local government modernisation. The LGIU and its sister organisations The Education Network (TEN) and the Democratic Health Network (DHN) provide research, policy briefings, information, advice, training and lobbying services to local authority and trade union affiliates. Previous LGIU news releases and statements can be viewed at www.lgiu.gov.uk <<http://www.lgiu.gov.uk>>.

2. Dennis Reed, Chief Executive of the LGIU, can be contacted on 020 7554 2837 or 07860 381038.

3. A PDF version of Settling the Account - Local Government Funding Investigated, published by the LGIU in January, can be downloaded from www.lgiu.gov.uk/pdfs/downloads_pdf/Funding.pdf. This research highlighted the long-term trends that caused the council tax crisis and the longstanding underfunding of local government services.

4. A pamphlet on reforming the council tax, published in March by the LGIU and the New Policy Institute (NPI), entitled Council tax: the answer?, can be downloaded from http://www.lgiu.gov.uk/pdfs/downloads_pdf/LGIUTAX.pdf.

5. The Audit Commission's December 2003 report into the causes of the council tax increases in 2003/04 can be downloaded from <http://www.audit-commission.gov.uk/Products/NATIONAL-REPORT/2301C12C-A495-4C17-AA67-1813C49D48EC/CouncilTaxIncreasesReport.pdf>.