

LOCAL GOVERNMENT INFORMATION UNIT
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Capping usurps local democracy

The Local Government Information Unit (LGIU), the local democracy think tank, has criticised today's Government's announcement that it intends to cap nine local authorities in 2005/06.

Local Government Minister Nick Raynsford stated today that Aylesbury Vale, Daventry, Hambleton, Huntingdonshire, Mid Bedfordshire, North Dorset, Runnymede, Sedgemoor and South Cambridgeshire are to have their budgets capped in 2005/06.

Dennis Reed, LGIU Chief Executive, said: " "In these nine local authorities ministers have decided to usurp the role of local electors in holding councillors to account and will subject local service-users to cuts and local council taxpayers to the costs of rebilling.

"Capping remains a crude instrument based on dubious criteria. Some councils, often with their reserves depleted and with no record of high spending, get caught simply because their council tax increase is inflated by factors such as changes in government grant distribution, rising costs and new obligations imposed, but not fully funded, by Whitehall.

"This situation is largely a consequence of local government's present reliance on Whitehall grant for three quarters of its funding. Small changes in central government grant distribution, or in local spending plans, have a disproportionate effect on council tax bills.

"There is mounting public concern about what will happen to council tax bills from 2007 if the present property revaluation is not followed swiftly by radical reform from Sir Michael Lyons' review into the balance of local government funding. This review must aim at making the council tax fairer, perhaps with extra bands at the top and bottom of the system and regional banding; and to relieve some of the pressure that has accumulated upon domestic council taxpayers by having most revenue raised locally from a broader range of sources.

"Another merit of such reforms is that they should relieve ministers of their annual dilemma over capping and allow local government to operate according to local priorities, subject to local accountability. There would also be no further need for 'one off' emergency measures to top up Whitehall funding or special discounts for pensioners.

"If ministers feel able to reassure council taxpayers about what the next few years has in store, an early statement of intent on what ministers want to come out of the Lyons review would be in everyone's interest. It would also be in tune with the encouraging recent statements from the Office for the Deputy Prime Minister (ODPM) about the future direction of local government reform."