

Local Government Information Unit

NEWS RELEASE

RELEASE IMMEDIATE: 8 July 2004

Capping on local democracy

The Local Government Information Unit (LGIU), the local democracy think tank, has condemned the Government's announcement to proceed with the capping of five local authorities in 2004/5.

Following the appeals process that took place after the Government's April decision to cap six councils, it was announced by Local Government Minister Nick Raynsford today (Thursday 8 July) that Nottingham City Council, Torbay Council, Herefordshire Council, Shepway Council and Fenland Council are to have their budgets capped in 2004/06. A sixth local authority in Telford and Wrekin has been taken out of 'in year' capping for 2004/05, but remains earmarked for capping in 2005/06.

One fire authority is to be capped in 2004/05, with four others and three police authorities earmarked for capping in 2005/06. Council taxpayers will now have to be rebilled not just in the five local authorities being capped this year, but also in the councils covered by the fire authority being capped in 2004/05.

Dennis Reed, LGIU Chief Executive, said: "It is welcome that ministers will allow local democracy to prevail in Telford and Wrekin this year. This case was the most ridiculous in terms of the cost of rebilling outweighing any saving to their council taxpayers.

"However, if cost was the Government's grounds for this decision, Nottingham City Council was not far behind Telford and Wrekin is exposing the ludicrous nature of capping. Nottingham are now having to spend £250,000 rebilling their council taxpayers in order to save £180,000 from their budget and £1.75 for their average council tax payer.

"In these five local authorities ministers have decided to usurp the role of local electors in holding councillors to account. This decision is designed to meet ministers' public relations needs at the expense of local democracy and local services. Ministers have painted themselves into a corner over capping, while central government policy has created the upward pressure on the council tax. Now local communities will suffer to get them out of it.

"Capping is 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.

"This situation is largely a consequence of local government's 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."

ENDS

For further information contact:

Kevin Morton Tel. 020 7554 2858; Mobile 07958 314846; E mail
kevin.morton@lgiu.org.uk

Mary Wimbury Tel. 020 7554 2845; Mobile 07958 521344; E mail
mary.wimbury@lgiu.org.uk

Notes to Editors

1. Originally founded in 1983 to campaign against ratecapping, 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. 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.

3. The Office of the Deputy Prime Minister's latest statement of capping can be found at
<http://www.odpm.gov.uk/pns/DisplayPN.cgi?pn_id=2004_0159>.