

OFFICE OF THE DEPUTY PRIME MINISTER

Council Tax Capping 2005/06

The Minister for Local Government (Mr Phil Woolas): On 23 March, my rt. hon. Friend, the Member for Greenwich and Woolwich, made a statement to the House, announcing that the Government was “designating”, under the Local Government Finance Act 1992, nine local authorities which had set excessive budgets for 2005/06, with a view to capping them in year (*Official Report, columns 883-892*).

The authorities were given 21 days in which to challenge the maximum budgets we proposed to set for them in 2005/06 and to provide us with information we had requested. All nine authorities challenged their proposed maximum budgets and Ministers have met delegations from all nine authorities to hear their cases in person.

Having carefully considered the representations made to us, both orally and in writing, and having taken into account all relevant information, I can now announce how we intend to proceed.

I am laying before the House today for its approval, a draft order setting the following maximum budgets for eight of the designated authorities in 2005/06:

Aylesbury Vale	£18,363,000
Daventry	£7,779,000
Hambleton	£7,397,000
Huntingdonshire	£15,160,000
Mid Bedfordshire	£11,193,000
North Dorset	£5,912,000
Runnymede	£8,193,000
South Cambridgeshire	£11,350,000

In all but one of these cases, the maximum budget is the same as we proposed in March. The exception is South Cambridgeshire, for which we are setting a higher cap than originally proposed to provide the authority with more time in which to end its reliance on surplus balances. Our expectation is that by using a combination of savings and reserves this year and beyond, it will be able to budget prudently in future. I am satisfied that all the authorities will be able to provide a good service and deliver all of their statutory functions within the revised maximum budgets.

I am cancelling the designation of Sedgemoor District Council and nominating the authority instead with a proposed notional budget for 2005/06 of £11,974,169. This is the authority's actual budget for 2005/06 less special expenses in the Bridgwater area. We accept that the authority made a genuine mistake in thinking that special expenses did not count against its budget for capping purposes and in believing that its council tax increase was within the "less than five per cent" average which the Government had said that it was expecting nationally. This does not mean that the authority has been "let off". The setting of the proposed notional budget, which is subject to the consideration of any challenge made by the authority, would mean that the authority could not include these special expenses in the baseline against which future increases were measured for capping purposes. This does not set a precedent for our treatment of special expenses in future capping rounds and authorities should be in no doubt that these legally form part of an authority's own budget requirement.

We are writing to all nine authorities today informing them of our decisions. Subject to approval by the House of the draft order laid before it today, the eight designated authorities will need to set revised budget requirements for 2005/06 and rebill their council-tax payers for a lower council tax for 2005/06. Sedgemoor District Council now has 21 days in which to challenge its notional budget.

We are keeping our promise to act on excessive council-tax increases. Given that we have increased funding to local government by 33 per cent in real terms since 1997, and that all authorities have received formula grant increases either in line with or above inflation in all of the last three years, there is no excuse for excessive council tax increases. We will not hesitate to use our capping powers in future years to deal with excessive increases if this proves necessary.