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From: Nick Holmes [mailto:nick.holmes@bradford.gov.uk]

Sent: 12 April 2005 09:05

To: 'SirMichaelLyons@lyonsinquiry.org'

Cc: Cllr Margaret Eaton; Philip Robinson; Debbie Hogg; Steve Morris

Subject: Officer Submission on behalf of Bradford MDC

Bradford has been represented at a regional meeting of the Lyons Inquiry and has followed the debate through various bodies, including the LGA and SIGOMA. This has allowed us to confirm that many of our concerns are similarly reflected in the views and the representations of others. For this reason, we are not making a detailed representation to the Inquiry, rather we would like to reinforce certain key points.

We broadly concur with the submission proposed by SIGOMA which has the following as its key messages

- Fundamental to an improved system of local government funding is a fairer distribution of resources to those less able to raise resources locally.
- Locally raised resources can only be truly local if control over decisions on the use of those resources is at the discretion of the local authority.
- If the council tax is to be retained then consideration needs to be given to
 - Increases in the number of bands
 - Changes to the multipliers to improve progressiveness
 - Reforms to the existing benefits system to improve the rate of take up
- The current gearing effect is unsustainable and penalises those less able to afford to pay for services
- The current system provides little clarity on accountability over the impact of decisions
- The potential flexibility that might be achieved through the use of a number of taxes is to be supported. However, it will still remain that the more wealthy authorities will have the capacity to generate the most from whatever tax is used.

It is this final aspect, together with the fair distribution of resources, which we would like to reinforce through this submission.

As assessed through the government's formula spending calculations, Bradford has a high spending need. Its FSS for 2005-6 is £622.7m which makes it the fifth largest of the 36 metropolitan authorities.

Against this, Bradford has a low council tax base. At 3.4:1, the ratio of its population to its taxbase places it in 30th position in terms of metropolitan districts. About 90% of its properties are in band D or below and almost 45% of properties are in band A.

It is unlikely that Bradford's situation will improve through any of the current proposals for change.

In 2003-4, Bradford collected around £103m from business ratepayers. In the same year it received £136m as its share of the redistributed national non-domestic rate income. The relocalisation of business rates could have a significant impact on this authority.

The introduction of new council tax bands at the top and bottom of the present scale are more likely to result in a dilution of Bradford's council tax base (through properties falling into new lower bands) than an increase (from the elevation of current band H properties to new higher bands). Whilst this can only be conjecture, its likelihood is supported through a comparison of the present number of band A properties (87,822) with the band H properties (251).

Similarly, there must be a very strong probability that the incomes of Bradford residents would be unlikely to generate high revenues from any form of local income tax.

Under the present system of local authority funding, an imbalance between a high spending requirement and a low taxbase is corrected through the equalisation mechanism within the funding calculations. Any changes to local authority finance must incorporate similar safeguards to ensure that authorities are provided with adequate levels of resources where their own capacity to generate income is limited.

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