

Representation to the Lyons Inquiry

The Council, in setting its budget for 2005/2006, has requested that a representation be made to the Inquiry expressing the Council's concern with regard to the present system for the allocation of Revenue Support Grant.

The Council's circumstances are a useful case study in relation to how grant distribution affects Council Tax levels. Since Council Tax was introduced in 1993 Havant Council's budget, despite many new responsibilities arising from legislation and additional costs, has increased by less than inflation as measured through the Retail Prices Index. In the same period the government grant to Havant has reduced by approximately 15% compared with an inflation increase, which equates to a loss of £1.5 million on a total budget of about £15 million. If this lost grant were to be restored by central government Havant could actually reduce the Borough part of council tax bills by over 20%. The overall Council Tax in the Borough has increased by 131% since 1993.

This "gearing effect", whereby every year the Council Tax increase has to be higher than the spending increase, because the government grant increase does not cover increased costs and responsibilities, should be removed. Shifting the balance of funding towards more local funding would help achieve this.

Councillors were, I know, also very frustrated by the Council Tax Capping regime during council tax setting this year. Our residents have been given a chance to have their say about the budget and question Executive councillors about the way the council's finances are organised during two public consultation events. These events and previous postal surveys indicate that most people do want the Council to maintain its services and they do understand how government funding has impacted upon the Council Tax since 1993. Capping, in the way now applied by government, diminishes local democracy and the fact that the rules are decided after all authorities have set their budget is evidence of the current centralist approach.

It has been clear for many years that the Revenue Support System favours those authorities that have significant property assets that earn income. It cannot be equitable that Wandsworth's Council Tax in 2004/2005 is £600.96 compared with the highest at £1,375.76. This Council is not prosperous in terms of either capital or revenue resources and has some significant areas of deprivation. The level of tax charged by Wandsworth could not be achieved in this area without massive cuts in services.

An emerging concern is how the forthcoming revaluation of domestic property will be taken into account in grant distribution. Many authorities, such as Havant, receive only "floor" grant increases rather than formula based changes which distorts the resource equalisation inherent in the system.

We would be grateful, therefore, if the Inquiry could consider how the grant system can be reformed as well as the need for a significant shift in the balance of funding.

Nigel Smith
Head of Resources
Havant Borough Council
12 April 2005