



HEREFORDSHIRE
COUNCIL

356/05
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Leader of the Council

Councillor R.J. Phillips

Sir M. Lyons,
Lyons Inquiry into Local Government Funding,
Room 3/12,
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3rd May, 2005

Dear Sir Michael,

LYONS LOCAL GOVERNMENT FUNDING INQUIRY

Thank you very much for inviting the Council to meet you in Birmingham in February, it was a very interesting to hear the differing views on the balance of funding issue.

You will have noted at the time the views Herefordshire Council has on this challenging and complex issue. The county as you are aware is quite distinct in a number of respects, particularly in its rurality and comparatively low wage rates. The outcomes of the review are therefore very important to the Council.

Two principles which are very important to the Council are certainty in funding and a fair distribution in national funding. Resource equalisation is vital to the county as it is a significant net gainer in the redistribution of business rates. Any revised arrangements will have to at least preserve the current level of central funding to ensure there is no impact on local services.

Certainty in funding is required in order for the Council to effectively plan into the medium term. A local income tax would be beneficial during upturns in the economy but conversely the Council could be exposed to significant reductions in funding during downturns. The county's economy is also characterised by a few very large employers and in this respect the overall tax yield would be sensitive to either company failure or transfer out of the county. The current property based Council Tax offers greater certainty both in collection and overall funding.

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In saying this the Council does have concerns over the significant burden Council Tax places on household budgets, particularly on those with comparatively low incomes. An extension of the valuation bands may result in a shift of the tax liability to those on higher incomes, it considers the most beneficial solution however would be to an extension of the Council Tax Benefit framework to support the county's growing older population.

I hope you find these comments useful and I wish you all the best for the completion of your review.

Yours sincerely,



R.J. PHILLIPS
LEADER OF THE COUNCIL

