

TENDRING DISTRICT COUNCIL

REPRESENTATION TO THE LYONS INQUIRY

Background

The Tendring District is located in the north-eastern part of the County of Essex. It covers a large rural area of about 338 square kilometres and has a population of around 140,000 concentrated mainly in the coastal towns of Clacton, Walton and Frinton and the port of Harwich.

The district has a sea frontage of over 60 kilometres. Clacton, Frinton and Walton are long established holiday resorts catering for significant numbers of summer visitors and tourism is a key local economic factor. Harwich is an important port for ferry traffic. Coastal erosion is also a significant issue. The most deprived area (Jaywick) presents major problems with poor housing and infrastructure.

Balance of Funding

Tendring District Council like all other local authorities raises funding from a number of sources. For 2005/06 it has gross expenditure of **£77.294m** (after internal recharges and adjustments) which is funded as follows: -

Source of Income	£m	% of total funding
Fees and charges	7.478	9.7
Grants and subsidy	42.150	54.5
Rents, interest etc	10.997	14.2
Revenue support grant	6.231	8.1
Share of non domestic rate pool	4.069	5.3
Surplus on collection fund	0.120	0.1
Council Tax	6.249	8.1
TOTAL	77.294	

It can be seen that the amount of funding which is wholly within the remit of the Council to set locally is limited to fees and charges. Council tax increases are constrained by capping, the level of housing rent increases is constrained by formula and interest is subject to the market rates prevailing at any one time. The Council is reliant on Government and other external bodies for **67.9%** of its income.

In particular, because of the level of funding met through Formula Grant, any rise in expenditure has a disproportionate effect on council tax through the gearing effect. An additional increase of just **1%** in the final net budget set for 2005/06 would have required Tendring to increase the Band D council tax by **7.4%** over 2004/05 which would have resulted in the authority being capped. The actual increase for 2005/06 was **4.6%**.

Council Tax

Tendring District Council has for many years had a low council tax and low council tax rises when compared to other shire district authorities. An analysis of the past 5 years Band D council tax sets out the position.

<i>Year</i>	<i>All Shire Districts average £</i>	<i>Essex Districts average £</i>	<i>Tendring DC £</i>
1999/00	99	108	90
2000/01	104	115	94
2001/02	111	123	99
2002/03	120	133	108
2003/04	129	143	111
2004/05	137	151	120
2005/06 (provisional)	142	158	126

During this period Tendring District Council has set a council tax which, on average, is around £10 to £20 below that for all other district councils and £20 to £30 below that of the other district councils in Essex. For 2005/06 the provisional figures are **£16.00** and **£32.00** respectively.

Local Government Finance Settlement

Tendring's low rate of council tax not only affects the ability of Tendring District Council to raise local revenue but also impacts on the amount of funding we receive from Central Government. Since the amount of income to be raised from council tax assumed within the Local Government Finance Settlement is so much higher than Tendring District Council's actual level it impacts upon the amount of Revenue Support Grant which we receive. In 2005/06 the assumed income by Government from council tax was **£9.122m** whereas the actual projected income is only **£6.249m**. The assumed level of income from council tax is some **£2.873m** or **46%** higher than the actual.

In addition the mechanism for floor adjustments means that Tendring, in 2005/06, suffered a reduction of **£235,000** in its final Revenue Support Grant compared to the grant allocation before the floor adjustment.

Future Years

As part of its 2005/06 Financial Strategy and budgetary processes, Tendring has carried out a robust review of the financial situation it faces over the next 4 years. Tendring District Council provides similar services to other Essex Districts and faces similar cost pressures (many of which result from Government initiatives). Tendring is also recognised as having factors that increase the cost of providing services in the area including a high proportion of elderly people together with pockets of significant deprivation (eight of Tendring's wards are in the top 10% of the most deprived areas in the East of England Region). These pressures lead to an ongoing funding shortfall of between **£2m - £3m**.

Conclusion

Despite scarce resources (financial and manpower) the Council has achieved a Good CPA rating, has been awarded Investors in People and is meeting its Gershon efficiency targets. However, the Council faces substantial cost pressures and needs a substantial increase in its funding base in order to be able to deliver on our aims and priorities.

It can be seen that with a low council tax, the constraints of capping, the restraints of the Local Government Finance Settlement and the existing balance of funding position Tendring has very few options for raising additional revenue. In light of this we would make the following representations: -

- A shift in the balance of funding which could be raised locally would assist Tendring if this reduced the current gearing effect and provided the opportunity to increase our revenue base. However, the impact of increasing fees and charges or business rates (if returned to local control) on the local community and commercial sector would have to be borne in mind.
- Whilst we would welcome business rates being brought back into local control and the opportunity to raise additional revenue through this source, some equalisation methodology would be necessary. At present Tendring pays about **£19m** into the NNDR pool. As part of the formula grant Tendring itself receives NNDR of **£4m**. However, it is estimated that when the NNDR relating to the County and Police and Fire Authorities are taken into account the total NNDR coming back into the district through the grant system is around **£50m** because of the size of the population in the County.
- We would welcome any mechanism which provided the opportunity to raise additional council tax either by way of a review of the banding or by way of a model which supplemented Council Tax through an additional funding stream. However, it is important that any further funding stream does not disadvantage local residents. Furthermore it should not be overly burdensome in terms of administration otherwise this might negate the impact of any additional revenue raised.