

The idea of self-sufficiency is absurd

Barry Quirk

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It is entirely rational for many individual authorities to want to be free standing from a national system of local government finance. But it is equally sensible for the government to insist that resources should have some degree of equalisation across England.

The idea that individual authorities should be afforded the status of self-sufficiency is as absurd as if the government were to say to Richard Branson that he needn't pay any income tax as he is capable of being self-sufficient.

There are two Kingstons in England. One is on the Humber, the other in West London is on the Thames. The first has 250,000 people; the second has 150,000. The first is the 15th most deprived authority area in England; the second is the 252nd.

Obviously every council wants to boost their local economies and no one wants to see resources from their areas going somewhere else. The localisation of business rates (and the New Homes Bonus) has encouraged this approach as the scale of national revenue support grant has dwindled.

Councils are increasingly thinking they are monopoly landlords seeking prime rents from businesses and developers alike.

The abolition of the old approach to local government based on a degree of resource equalisation inevitably encourages narrow "landlordism" by councils. No amount of smart economic thinking by, say Hull City Council will allow them to overcome the inherent locational advantages of those in Kingston upon Thames. What a pity that the good burghers of Kingston on the Thames appear to feel only the smallest sense of kinship with their namesakes on the Humber.

At one level the government approach is correct (it makes councils be more business savvy). But the downside is that it may encourage the worst form of "rent seeking" behaviour. Having regional pools that balances business rate incomes (and in my view New Homes Bonus) should mitigate this.