

Kensington & Chelsea's reserves prove people don't want...

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It is quite interesting to note that there is [quite widespread anger](#) that Kensington and Chelsea council has reserves available for it to use of £274 million according to its last accounts.

As a matter of fact local authorities need reserves. They are solely dependent upon revenues they can raise from local taxes, central government and the supply of services. They can borrow, but only with difficulty in most cases. And the reality is that they face unpredictable demand for their services and central government has a poor record of responding to their needs in times of crisis. So, they have reserves. These are, literally, a contingency fund for the unforeseen.

Kensington and Chelsea has made this fact visible and it seems that people do not like it. What they resent is that they have paid tax without a purpose. But let me put this in context. All that the council is doing is what George Osborne wanted to do with government and which the Tory right still wants. It is living within its means. It is balancing books. It is building the roof for the rainy day whilst the sun shines. It is being a good householder. This is prudence at work. And people resent it.

And the answer is that they are right to do so. Why, they ask, should government save for us? The sentiment that has been hit upon is the feeling that this is government taking people's money and putting it out of action. And that is right. That is exactly what running a government surplus, at any level, does. It takes money out of the economy and enforces saving and the result is less economic activity than there should be.

So what to do about it? At local level it is hard to know what to do, especially as the government is determined to cut the central government lifeline on which local authorities have been able to rely on occasion. Only having access to emergency support funding would remove the need for reserves.

At central government level the answer is to take note, and realise that not only is there no need to run a surplus, but that people would be offended if the government

did that. Or to put it another way, Osborne was always wrong and austerity now needs to be put to bed forever. Government is not a household and should not be run as one. The lesson needs to be learned.