

The costs of freezing council tax in Hampshire County Council

Cllr Tony Ludlow

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The Conservatives had proposed that they raise the HCC element of Council Tax by 1.9%. The Liberal Democrats proposed that there should be no rise at all for one year. Our aim was to act quickly to achieve the greatest effect.

In this section, I calculate the additional cost of freezing the council tax rather than increasing it by 1.9%.

I shall use the term *Budget book* or occasionally *Budget book 2009/10* to refer to *Hampshire County Council Revenue Budget 2009/10, Provisional Budget 2010/11 and 2011/12 and Capital Program 2009/10 to 2011/12* which is available from HCC.

The cost of the Conservatives' proposals is shown on page A2 of the Budget book. A number of different ways of displaying the costs are used.

The information we really want is given in the row labelled "Council Tax per Band D Dwelling" (underlined twice). For the year 2009/10, this is shown to be £1,018.17 in column 3.

The figure for the preceding year is given in column 1.

Let D_{08} and D_{09} be the cost per Band D dwelling in the two years 2008/09 and 2009/10. Comparing the figures shows that the rise is 1.9%, as claimed.

$$\frac{D_{09}}{D_{08}} 100 = \frac{1018.17}{999.00} 100 = 1.9\% \quad (1)$$

Turning now to the row labelled "Precept — Met by The Council Tax Payers" (on page A2) it is tempting but wrong to conclude that freezing tax would reduce the value in 2009/10 to that in 2008/09. The problem is that the number of houses increases between 2008/09 and 2009/10, and this increases the council revenue even if there is no change in tax rate.

Fortunately, the number of dwellings, or households, is provided in the row between the two that we have already looked at. Let H_{08} and H_{09} be the number of households taxed at the *start* of the financial years 2008/09 and 2009/10 respectively.

Then, the ratio

$$\frac{H_{09}}{H_{08}} = \frac{500,602.94}{497,559.97} = 1.006116 \quad (2)$$

is a useful value because it gives us a way of calculating the effect of extra houses.

Now we can turn back to the row labelled “Precept — Met by The Council Tax Payers” (on page A2). If we now let P_{08} and P_{09} be the total precept for years 2008/09 and 2009/10. Then,

1. the precept at the start of 2008/09 is:

$$P_{08} = \text{£}497,062,000, \quad (3)$$

2. the precept if there is housing growth but no increase in tax rate is:

$$P_{08} \frac{H_{09}}{H_{08}} = \text{£}500,101,920 \quad (4)$$

3. the precept from extra houses *and* an increase in tax rate of 1.9% is given by:

$$1.019P_{08} \frac{H_{09}}{H_{08}} = \text{£}509,699,000 \quad (5)$$

Finally, the difference between (4) and (5) shows the extra precept that Council would get with the Conservative proposals.