

## Local Services and Council Tax 2008-09

Our Council Tax is shared out between the local authorities of Dacorum Borough, Herts County, and the Herts Police Authority. This year it was in the proportions of 12%, 78%, and 10% respectively. It then becomes one of three financial streams which make up the income of a local authority budget :

1. Local fees and charges, 2. Council Tax, and 3. Central Government grants.

The difference between these is the way in which the money is collected, and the way it is distributed. 1 and 2 are collected and spent locally, 3 is collected through general taxation, and then apportioned out to the various local authorities.

Examination of our local authority budgets shows that Council Tax constitutes only a minor part of the total budget, 30% at most, while the Central Government contribution to the Borough is 45%, to the County it is 64%, to the Police it is 66%. These large contributions give Central Government a substantial degree of control of local authority policies.

The taxation debate should be not only about the size of the Council Tax, but also about the powers exercised by Central Government through the grant system.

### 1. Dacorum Borough Budget for 2008/09

The numbers are taken from the booklet **Your Council Tax 2008-2009**.

(The title belies the substance of the publication.)

	Gross Cost (£million)	Income (£million)
Central & Corporate Services	5.8	
Cultural Services	2.6	
Waste Mgmt and Street Cleansing	7.8	
Economic Devlpt & Regeneration	3.3	
Landscape & Playing Fields etc	2.6	
Other Environmental Services	3.6	
Planning and Development	4.0	
Highways, Roads, Transport etc	3.5	
Social Services & Youth	3.0	
Housing	68.4	
Fees and Charges (local)		16.6
Interest from investments (local)		2.6
Reserves + Transfer from Housing (local)		6.0
Housing Rents (local)		23.8
<b>Council Tax</b>		<b>9.0</b>
Housing Grant (Centrl Govt)		36.1
Revenue Grant (Centrl Govt)		9.6
Other Grants (Centrl Govt?)		0.9
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<b>Totals</b>	<b>104.6</b>	<b>104.6</b>
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#### Comment

The three income streams are:

Local Finance 47% (£m 49.0), Central Government 45% (£m 46.6), and Council Tax 8% (£m 9.0).

While Local Finance makes the largest contribution, Central Government is close behind, mostly due to the Housing Grant component. Rents are locked into this grant so that the sum of the two is equal to a value determined by a Whitehall formula, returning an amount which is about £9 million short of the Housing costs, a shortfall which necessarily affects other items in the Budget.

Although Council Tax, which contributes no more than 8% to the Budget, is the most visible component and has become the whipping boy, it is the Housing grant which deserves the greater attention.

## 2. Herts County Budget for 2008/09

The numbers are taken from the leaflet **Council tax information 2008-2009**.

(The format used in this booklet differs from that of the Borough in that Net Costs are given, but I have omitted them as these do not distinguish between the values of Fees/Local Charges and the values of grants. Also, the Dedicated Schools Grant (DSG) and 'other grants' are shown in the same category as Reserves etc, so I have re-formatted these so as to show clearly the Central Government source of the DSG.)

The County budget covers services provided to all nine Districts or Boroughs which make up the County, so the Dacorum share may be presumed to be a ninth of each item.

	Gross Cost (£million)	Income (£million)
Adult Care Services	345.4	
Children, Schools and Families	1,046.3	
Libraries etc and Learning	24.1	
Environment	161.2	
Fire and Rescue	43.7	
Other services	23.8	
Central items	68.6	
Notional adjustments	-71.7	
Schools grant (Centrl Govt)		621.5
Other grants (Centrl Govt?)		251.9
Central Government (grant)		170.8
<b>Council Tax</b>		<b>476.5</b>
Fees and charges (local)		111.3
Collection fund (local?)		2.7
Use of Reserves (local)		6.7
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<b>Totals for services</b>	<b>1,641.4</b>	<b>1,641.4</b>
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### Comment

The three income streams are:

Central Govt 64% (£m1,044.2), Council Tax 29% (£m476.5), Local finance 7% (£m120.7)

The Central Government contribution is the dominant factor, with the Schools grant being the largest component; it is stated that the Schools grant is paid direct to schools, but this still means that Herts educational policy is largely determined by Whitehall.

Although the County receives the largest share of the Council Tax, more than double that amount, 64% of the Budget, is borne by general taxation.

### 3. Herts Police Budget 2008/09

The numbers are taken from the leaflet **Policing in Dacorum (2008/09)**. Despite the implication that all this budget is devoted to Dacorum, staffing and policing priorities are discussed at County level, and the figures are in fact County-wide values, which means that Dacorum gets about a ninth of these services.

	Gross Cost £million	Income £million
Police officers and staff	166.4	
Supplies, services, premises, vehicles, financing	30.1	
Police Authority	1.1	
Central Government Funding (grant)		117.7
Other Government Grants		13.0
<b>Council Tax</b>		<b>60.2</b>
Fees and Charges (local)		2.9
Partner Funding (local)		2.2
Collection Fund (local?)		0.3
Use of Reserves (local)		1.3
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<b>Totals</b>	<b>197.6</b>	<b>197.6</b>
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#### Comment

The three income streams are:  
Central Govt 66% (£m130.7), Council Tax 30% (£m60.2), Local Finance 3% (£m6.7).

Council Tax constitutes only 30% of the gross cost, little more than for County services, and Central Government is still the major policy determining factor.

### 4. Conclusion

Thus it can be seen that local services are financed more by Central Government, up to 66%, than by local retained revenue. This means that a majority of services are controlled by Central Government formulae.

Centralisation of local authority finance was instituted by the Heath government in the 70s as a move towards efficiency, but it has the drawbacks of lack of adaptability to changing local circumstances, lack of scrutiny, and it acts as a brake on local initiative.

The reason for this weak level of local control is that almost all taxes, including those collected at local level such as business rates, go directly to Central Government. Only the local finance that is retained by local councils, such as Fees / Charges, and the Council Tax, gives them some power to control local policy.

One way to rebalance the political control would be to allow business rates to be retained by counties. This would yield a similar amount to Council Tax; the Government grant element would of course be reduced correspondingly. That would still allow Central Government the power, perhaps 30% of budget, that is needed to assist the poorer counties, but would free most local authorities from domination by Central Government.