

Response of Northampton Borough Council on the Provisional Local Government Settlement 2008-11

Introduction

Northampton Borough Council welcomes the certainty provided by the provisional three-year settlement for 2008-11 announced in December 2007.

The borough is the largest non-metropolitan district in England, and is growing rapidly due to its successful response to the Government's growth agenda.

In terms of the draft settlement, the authority does have significant concerns in a number of areas relating to the draft settlement in particular the way in which it has impacted on non-metropolitan districts and growth authorities.

In summary our concerns relate to:

- The total amount of funding allocated to districts each year and the corresponding levels of the grant floor.
- The population projections used in the formula calculations each year.
- The fixed costs calculations for years 2 and 3.

Funding Allocations and Grant Floors

The funding allocation for districts is exceptionally low, and this is reflected in the grant floor levels, which are materially below the level of inflation. This authority receives an increase of 1.2% for 2008/09 and just 0.5% for each of the two following years, and the floors for districts are so low that in years 1 and two the authority is above the floor and has been scaled back. In 2008/09 the amount of the scaling alone is equivalent to 1% on council tax.

The borough council recognises the importance of making efficiency savings, however had anticipated that these would be available to ease pressure on the council tax increase, and not to compensate for exceptionally low formula grant levels.

The low levels of grant increase and floors for the majority of district authorities are such that the impact will, of necessity, fall on the council tax increase and service cuts for the majority of district authorities.

It must be recognised that a number of the services that are essential for delivering sustainable growth, such as economic development, are delivered by district authorities. However, the low priority that the settlement seems to give to EPCS services like this appear to contradict the Government's declared commitment to delivering sustainable housing (and related population) growth. This is further compounded by the considerably lower levels of investment in LABGI during the CSR2007 period, and the fact that

district authorities will not be able to compensate for this through supplementary business rates.

It is essential that the Government revisits the allocation of funding given to district authorities for the next three years and ensures that appropriate levels of funding are made available.

Population Projections

Northampton Borough Council is a 'growth authority' and has responded well to the Government's targets for housing development and is already incurring the population growth that this has generated. We therefore have serious concerns over the population data and forecasts that have been used in the draft settlement.

Figures of 197,184, 197,567, and 197,999 have been used in the draft settlement. These compare to ONS revised mid year population figures for 2004 of 195,800 and 2005 of 197,300 (ONS Table T08) 200,100 for mid 2006 (ONS Table T09). These revised mid year population estimates were published by the ONS in August 2007.

Note that the figure for mid 2006 is materially higher than any of the population figures used in the provisional settlements for the next three years and the figures indicate a much faster rate of population increase than has been projected in the population figures used in the settlement. In terms of the draft settlement this relates to about 3,000 people for whom the council is not being funded in 2008/09 (approximately £285k).

This could make a very material difference to the amount of grant the authority is awarded, which in turn could impact positively on the service cuts and level of council tax increase the council is facing. We therefore believe that it is important that the population forecasts used in the settlement be revised to reflect the ONS' own data relating to 2005 and 2006.

Taxbase Projections

The population issue is compounded by the fact that there is a mismatch between the calculation of the projected taxbase and that of the projected population. As it currently stands the population in the provisional settlement increases by 1.1%, 0.2% and 0.2% respectively for each year (taking the 2007/08 settlement population figure as the base), whereas the taxbase increases by 1.23% each year from the October 2007 CTB1.

The discrepancy in the rates of increase of these key drivers to the formula grant shows a lack of consistency. The effect is to penalise growing authorities unfairly as their population growth is not appropriately recognised in parts of the formula based on population but they are penalised for it in other parts of the formula that are based on taxbase.