

## Formula Grant

- 1.1 The minister for Local Government made the Local Government Finance Report announcement on 6<sup>th</sup> December 2007.
- 1.2 The provisional settlement is difficult for Northampton Borough Council, being well below inflation in all years and a real terms decrease in funding.

### 1.3 Table E1 – Provisional Grant Allocations and Increases 2008-11

	2008/09	2009/10	2010/11
Formula Grant (Provisional)	£18.743m	£18.842m	£18.936m
Percentage Increase	1.2%	0.5%	0.5%
Floor	1.0%	0.5%	0.5%
Status	Above Floor	Above Floor	Floor

- 1.4 The authority is above the floor for 2008/09, which was set at 1%. This means that the authority had its increase scaled back by £121k to pay for the floor. For 2009/10 the authority is only marginally above the floor, and the impact of the scaling is therefore a loss of £9k.
- 1.5 In 2010/11 the authority is below the floor and receives just under £80k to bring its increase to the 0.5% minimum increase for shire districts.
- 1.6 Shire districts fared the worst nationally compared to all other types of local authority. This is illustrated in Table E2 below.

### 1.7 Table E2 – National Increases in Grant for 2008/09

	Formula Grant (Provisional)	% Increase
Education Authorities	£17.139bn	4.3%
Police Authorities	£7.447bn	2.8%
Fire Authorities	£1.027bn	2.4%
Shire Districts	£1.875bn	1.7%

- 1.8 The population figures used in the calculation are based on revised mid 2004 estimates and historic trends for the 5 years before and do not reflect the recent ONS revisions, which put the mid 2006 population at 200,100 people whereas the formula grant for 2008/09 is based on 197,184 people. The authority is therefore unfunded for 3,000 people that it is serving.

- 1.9 For 2008/09 58% of the council's funding is to be provided through formula grant, with the remainder coming from local council tax.
- 1.10 As part of the pre budget report the Chancellor announced that he expected council tax increases to be well below 5%. This view was re-iterated by the minister this morning. A 1% increase at NBC for 2008/09 would generate approximately £120k.