

APPENDIX A : MEDIUM TERM INFLUENCES AND KEY FACTORS

Grant Funding

The Government distributes over £49bn to local authorities in England each year, primarily on the basis of population. The focus for population growth is expected to remain in the rural parts of the East Midlands Region over the next 15 years – with the most rapid growth in Lincolnshire. However, the East Midlands Region is expected to age at a different rate from the UK as a whole over the period. The Region is expected:-

- to continue to have a bigger than average proportion of its population in the 45 – 60/65 years age group over the next 20 years;
- to face a decline in the proportion of its population in the 25-44 years age group over the period; and
- to face an increase in the proportion of its population in the 59 / 64 Years and Over age group.

South Holland is also a lagging Rural Area. There are two main issues for South Holland – our population is growing rapidly but projections are based on historic figures so do not accurately reflect our true position; therefore we do not receive adequate grant funding. Secondly the ONS methodology accepts that 'migration' is the most difficult part of the population estimate process. It is this area that we believe to be flawed and inequitable. Migrant workers have become an increasingly visible social group within South Holland over the past few years, this results in demands on the Council which are not reflected in the grant formulae.

Investment Income

One of the most significant factors outside of the Council’s control is interest rates, investment income will be closely monitored and our strategy will need to be tailored as over the years we will become less reliant upon investment income, as our cash balances diminish, Sensitivity analysis is also undertaken on our interest estimates to assess the impact of balance and base rate changes.

Sensitivity Matrix for South Holland District Council						
Average rate of return (% p.a)	Average Cash Balance					July 06
	6.8m	7.3m	7.8m	8.3m	8.8m	
5.25%	(14k) 346k	12k 372k	39k 399k	66k 426k	93k 453k	360k
4.75%	(48k)	(24k)		25k	49k	
	312k	336k	360k	385k	409k	
4.25%	(82k)	(60k)	(38k)	(17k)	5k	
	278k	300k	322k	343k	365k	

	05/06 Actual	06/07 Forecast	07/08 Forecast
Cash and Investments 1st April	12,266,000	15,062,000	7,808,000
Average cash and Investments	19,276,776	16,405,370	7,535,865
Maximum cash and Investments	23,304,539	23,943,305	7,808,000
Interest rate expected		4.60%	4.79%
Interest rate achieved	4.72%		
Base rate average	4.50%	4.50%	4.69%

Internal Drainage Boards

- Internal Drainage Boards place levies on the authority, and this is funded through grant allocation. A scaling factor reduces grant entitlement – this has fallen from full funding to 87% in six years. All other scaling factors except one are 99%+
- The distribution formulae have now become less transparent, so we are unable to ascertain the level of re-imburement. The IDBs themselves are under financial pressures and face cuts in funding. The size of the deficit nationally and locally is growing. There is recognition of the need to spend but services are inadequately funded nationally.

Impact on Council Tax and Other Services

- The deficit is met from Council Tax and a substantial proportion for some districts – up to 8.2% of District Council Tax.
- Growth in deficit is now seriously affecting other service developments such as recycling, affordable housing, environment, leisure.
- Failure to meet the levy could impair flood prevention with greater potential for flood events.
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	Actual 2005/06 £	Estimate 2006/07 £	%
North Level IDB	113,583	113,474	(0.1)
South Holland IDB *	967,741	994,838	2.8
Welland and Deepings	632,039	660,503	4.5
Kings Lynn Consortium	19,854	20,354	2.5
Black Sluice IDB *	107,794	109,045	1.2
Total	1,841,011	1,898,214	3.1

Pension Fund Contributions

Legislation requires councils to make good any deficit to their employees' pension fund. The Government is also in the middle of a major pensions review. No increase in employer contribution rates have been factored into the plan. The last triennial review of the Lincolnshire Fund was based on the position as at 31st March 2004, with next formal review at 31st March 2007. Employer contribution rates being set for the three years commencing 1st April 2005. An increase in contribution rates has been calculated and built into the forward estimates

2004-05	13.8%
2005-06	17.8%
2006-07	20.6%

Key Issues

We have also identified a number of key areas that will have an impact on our Financial Plan, these areas are currently being project managed and will be costed and incorporated into our future plans:

- **LPSA2** – We are supporting a number of targets:
 - Promoting the achievement of young people aged 13-19 through an increase in the number of accredited awards
 - Reduce emergency hospital admissions as a result of a fall
 - Improve household income for retired people through increased take up of Pension Credit, Council Tax and Housing Benefit
 - Increase the number of new vacancies created and safeguarded by Lincolnshire County Council, all seven district councils and Job Centre Plus for a minimum of 6 months as measured by Tracktivity data
 - Increase the number of successfully completed accredited qualifications by adults
- **Planning Delivery Grant** – there are new Government proposals clarification is needed on long term costs of preparing the Local Development Framework, Future Grants and expenditure plans – lead Steve Williams Head of Planning & Development
- **LAA** – A Local Area Agreement is a three year agreement between partners to deliver priorities for local people. Through shared vision, pooled funding, better coordination and innovation it aims to drive measurable improvements in public services, better access, customer satisfaction and greater efficiency across the county.

Lincolnshire is developing its LAA in 2006-07. The LAA is centred on four service blocks:

- Healthier communities and older people

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- Children and young people
 - Safer and stronger communities
 - Economic development and enterprise.
 - Local Area Agreements will be managed through pooled budgets – lead David Fannin Assistant Chief Executive
- **De-criminalisation of car-parking** - The budget assumption is that across the county this will be self financing. In our case this will require subsidy from the County for several years. – lead Andrew Petcher.
- **CDRP** - clarification is need on long term projects, costs and timings – lead David Fannin
- **Shared Services** - clarification is need on long term costs, savings and timings – lead Tim Leader
- **Electoral Reform** - The Electoral Administration Act introduces major changes to elections and electoral registration which has budgetary implications for the council. To fund the extra costs they have agreed to pay this amount to the ODPM and local authorities will receive an additional allocation of RSG in 2006-07 and 2007-08.

The main areas where we will encounter additional costs under the proposed legislation are:

- Registration - there will be a requirement to make house to house enquiries during the annual canvass.
 - Ballot Papers - ballot papers will be required to be watermarked instead of the use of the official mark.
 - Polling Hours - hours of poll for all elections will be changed to 7am to 10pm, increasing hall hire and staff costs.
 - Postal Votes - the signature and date of birth on the postal voting statement (Declaration of Identity) will be required to be checked to ensure they correspond with the signature and date of birth on the application form/registration form. In addition returned postal votes will have to be bar-coded in to enable a marked postal voters list to be produced. – lead Jim Scarsbrook
- **Leisure Options Appraisal** – the Director of Rural Services will carry out a Leisure Management Options Appraisal to identify and consider the options available to the Council for the management of the leisure facilities when the current contract expires on 31st December 2008.
- **Partnership frameworks** – we need to utilise the Bridge performance measurement framework to assess the value of external partnership funding – lead David Fannin
- **EU Expansion** – the inward migration into Lincolnshire brings additional demands on the Council, we will need to assess which service areas will be affected as the same rights are extended to migrant workers as those of the indigenous population – lead Kim Warren
- **Climate Change** - rising global temperatures will bring changes in weather patterns, rising sea levels and increased frequency and intensity of extreme weather events – lead Steve Williams.

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- **Non emergency contact number** – South Holland District Council along with councils across the whole of Lincolnshire and Lincolnshire Police are bidding to be part of a second wave of partnerships to introduce 101. Citizens in Lincolnshire will be able to call 101 for advice, information and action on community safety and anti-social behaviour issues. It will make it easier for the community to call to report issues; help us respond more efficiently and work closer with the police and other organisations, as well as, free up the 999 service to handle real emergencies. It is a round-the-clock service seven days a week – lead Steve Lerner.