

# MEDIUM TERM FINANCIAL STRATEGY 2011-2016

**Contents:**

- Section 1.0** Overview
- Section 2.0** Principles
- Section 3.0** Components
- Section 4.0** Value for Money and Efficiency

Working draft

## Section 1.0 Overview

### Introduction

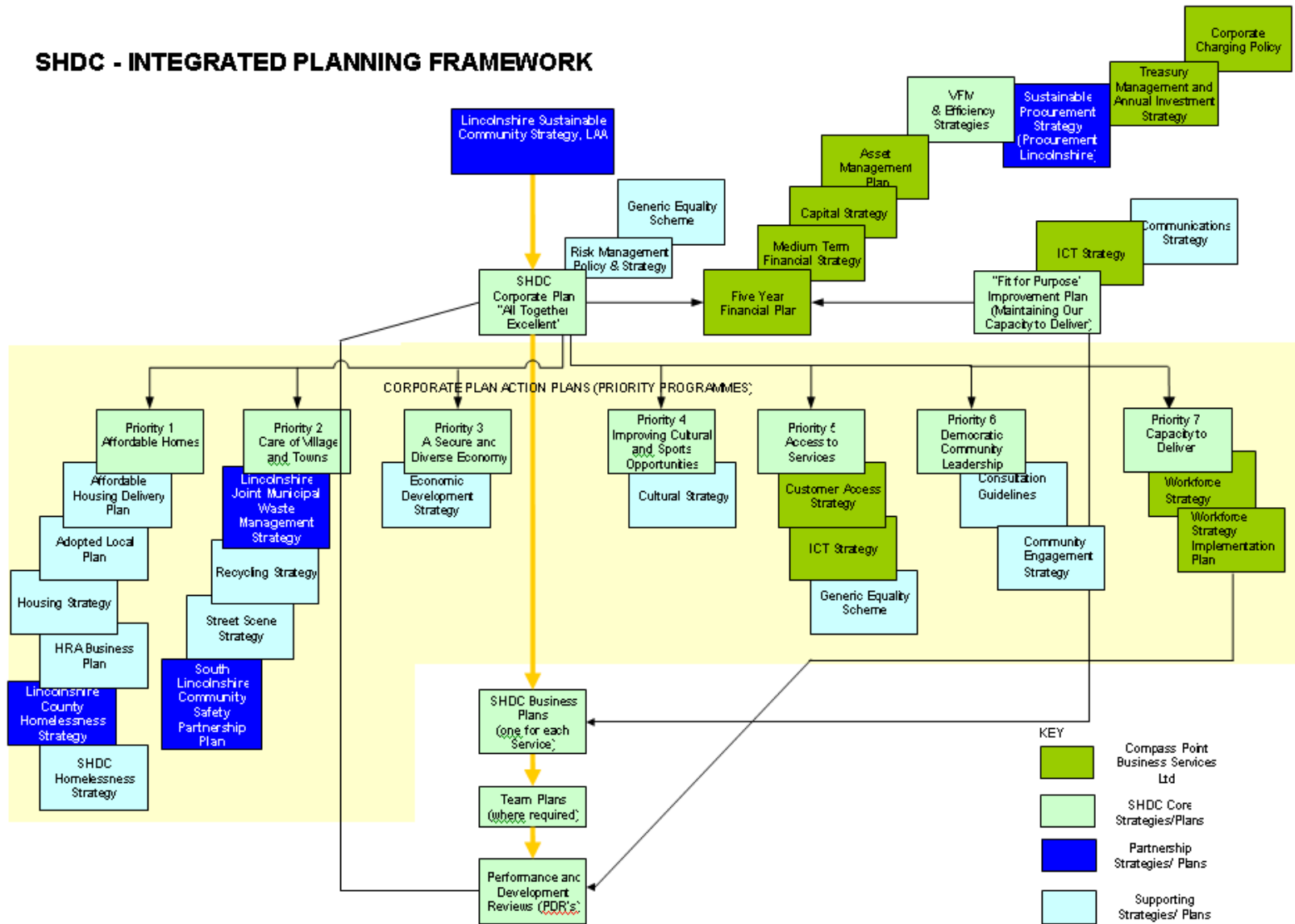
The Council's Medium Term Financial Strategy 2011 – 2016 was written 'to develop and promote South Holland as a thriving, living and working rural community'. It supports the Council's overarching aims and priorities ensuring accountability and transparency in the management of its finances. It is the link between our Corporate Plan, which sets out the aims and ambitions of the Council, and our medium term financial plan, which sets how we intend to resource our plans. We will continue to work with our Lincolnshire partners to deliver key priorities for Lincolnshire where common aims and benefits are identified.

The strategy also establishes a set of financial policies and principles which will provide a sound basis for maintaining the financial integrity of the Council over the medium term. This strategy relates to services paid for by Council Taxpayers known as the General Fund.

The public sector is due to contract over the period of the plan but with the private sector due to expand job losses in the one may be replaced in the other. How well this balances out remains to be seen and so it is difficult to predict the medium term impacts on the South Holland economy. The District has generally been supportive of our key industries and new businesses and so should be reasonably well placed to survive any downturn or to respond positively to opportunities for growth. Agriculture and food processing are important to the national economy and so are likely to remain vital parts of the local economy.

This is our overarching financial strategy which is supported by a suite of detailed financial plans. The Council's integrated planning framework is shown in the diagram below.

**SHDC - INTEGRATED PLANNING FRAMEWORK**



## **Review of the 2010-2015 Medium-Term Financial Strategy**

- We have been able to maintain the level of Council Tax increase in 2010/11 below that anticipated in our Medium Term Financial Strategy
- We have managed to maintain our reserves position and addressed areas for improvement, such as establishing an Insurance Reserve
- We have had a strong Annual Governance Statement
- We have effectively demonstrated how we have re-directed resources to corporate priorities
- We have made further use of the intranet as part of our corporate approach to budget preparation and reporting, allowing managers' access to electronic working papers and reports.

### **Context**

South Holland is a sparsely populated rural area. Its population of 84,100 [Mid 2009 population estimates ONS] comprises 38,374 households [Council Tax Valuation list at 25/10/10]. The population is increasing rapidly. Between the 1981 and 2001 Census the population has grown by 23%, and since the 2001 Census by 9.9%. This is a greater rise than for Lincolnshire as a whole (7.9%) or England and Wales (5.3%). South Holland's population is predicted to increase 11.8% by 2020, which is higher than the rate predicted for England and Wales (8.0%).

### **Financial Characteristics of South Holland District Council:**

South Holland District Council's **Budget** for 2011/12 is £XX,XX compared to £14,164 in 2010/11.

The average **Band D Council Tax Charge** in 2010/11 is £157.03. Following the Comprehensive Spending Review in October 2010, the Government has confirmed its intention to work with councils to deliver a council tax freeze in 2011/12. This will be voluntary but will be supported by grant funding in 2011/12, with the possibility of further grant funding being available in subsequent years of the Spending Review to compensate councils for income lost during the freeze.

The Council set the 2010/11 Council Tax at its meeting on 3 March 2010. An average property in South Holland is in band B rather than band D as originally assumed by the Government. Therefore, the average council tax in

South Holland District Council

South Holland for 2010/11 (for a two or more adult household not getting council tax benefit) is £1,111.72 rather than the headline council tax of £1,429.35. This represents an increase of £0.54p per week on an average property in South Holland.

	Lincolnshire County Council £	Lincolnshire Police Authority £	South Holland District Council £	Parishes and Spalding Special £	Total £	Increase %
2003/04	810.00	104.40	121.83	18.11	1,054.34	9.16
2004/05	857.79	112.23	128.46	19.09	1,117.57	6.00
2005/06	899.82	119.43	134.56	19.81	1,173.62	5.02
2006/07	944.73	125.37	140.28	23.12	1,233.50	5.10
2007/08	987.21	131.58	145.19	23.68	1,287.66	4.39
2008/09	1,021.77	165.78	149.18	25.55	1,362.28	5.80
2009/10	1,039.68	174.06	153.13	26.50	1,393.37	2.28
2010/11	1,065.69	179.28	157.03	27.35	1,429.35	2.58
2011/12						

Of all the homes in our area 84% are in Bands A-C, 59% are in Band A or B. The majority of homes pay less than £2.68 a week towards the District Services we provide.

The average Band D council tax set by local authorities in England for 2011/12 will be £x,xxx compared with £1,439 in 2010/11. This equates to an average increase between 2010/11 and 2011/12 of x.x per cent.

In England in 2011/12, the average council tax per dwelling will be £x,xxx compared with £1,195 in 2010/11, an increase of x.x per cent.

The average Band D council tax will be £x,xxx in London, £x,xxx in metropolitan areas and £x,xxx in shire areas.

Parish precepts in 2011/12 will total £x,xxx. This represents an increase of xx per cent over the 2010/11 figure of £563,340.

**Spending Review:**

Since the approval of the last strategy there have been significant changes at a national level. On the 20th October 2010, the Chancellor announced the new Government’s Spending Review, fixing the spending budgets for each Government department up to 2014/15, to help bridge the current national deficit. The headlines for local government state that there will be a 28% reduction in grant funding to councils over the next four years. In real terms this is 7.25% for each of the next four years (a total of 26% in cash terms). This is likely to be front loaded with greater savings requirements expected in 2011/12 and 2012/13. Councils will need to work innovatively to make savings of this magnitude. In return the Government has said that the grant reductions will be accompanied by new financial flexibility, freedom and free from red tape. South Holland District Council will need to ensure that it maximises the new opportunities that are available to it

Local authority core funding from CLG falls from £28.5bn in 2010/11 to:

- o £26.1bn in 2011/12
- o £24.4bn in 2012/13
- o £24.2bn in 2013/14
- o £22.9bn in 2014/15

(Source: Local Government Group Briefing)

We demonstrate the characteristics of strategic financial management as follows:

Characteristic	Evidenced by
<b>Strong and accountable financial leadership</b>	<ul style="list-style-type: none"> <li>• The council leader and chief executive set direction.</li> <li>• Regular monitoring of financial position by senior management, the executive and portfolio holders, including regular review, check and challenge</li> </ul>
<b>A culture of financial awareness</b>	<ul style="list-style-type: none"> <li>• Members and staff are aware of the financial results of their decisions and actions</li> <li>• In year savings are encouraged</li> </ul>

	<ul style="list-style-type: none"> <li>• Staff understand their roles</li> <li>• Financial Training awareness</li> </ul>
<b>An ability to specify priorities and make choices within means</b>	<ul style="list-style-type: none"> <li>• Council and operational priorities are clear</li> <li>• Resources are directed at priorities and represent value for money</li> </ul>
<b>Comprehensive financial information to underpin decisions</b>	<ul style="list-style-type: none"> <li>• Financial and performance information is relevant, of a high quality and well presented and integrated into an overall performance framework</li> <li>• Key focus in on planning for the future and scenario analysis</li> </ul>
<b>An ability to anticipate changing circumstances</b>	<ul style="list-style-type: none"> <li>• The council is risk aware rather than risk averse</li> <li>• The council's corporate planning system recognises the potential impact of corporate risks.</li> <li>• The council plans for the future, anticipating changes and modelling the financial impact of potential scenarios.</li> <li>• The council networks with other organisations locally and nationally to ensure it is full aware of developments on the horizon</li> </ul>
<b>Innovative and striving for value for money within legal parameters</b>	<ul style="list-style-type: none"> <li>• The Council will consider all forms of service delivery such as companies, partnerships, outsourcing, merged services</li> <li>• A detailed efficiency action plan will be prepared</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• The council supports the agenda for greater transparency to enable the public to hold politicians and public bodies to account; to reduce the deficit and deliver better value for money in public spending; and to realise significant economic benefits by enabling businesses and non-profit organisations to build innovative applications and websites using public data.</li> <li>• New items of local government spending over £500 will be published by this council from January 2011.</li> <li>• New local government contracts and tender documents for expenditure over £500 to be published in full from January 2011.</li> <li>• Salary data will be published.</li> </ul>

## STRATEGIC APPROACH

We are continuously refining our budget processes to ensure the most effective use of resources.

Our Principles	
No.	Action To:
1.0	Manage a budget process that will direct and focus the budget on corporate priorities
2.0	Ensure an integrated approach to business planning and budget preparation
3.0	Use sound, modern and efficient financial systems, procedures and principles
4.0	Ensure that there is rigorous scrutiny of the financial planning process
5.0	Ensure an effective consultation process with the public and stakeholders
6.0	Maintain adequate balances and reserves providing for known risks, liabilities and expenditure peaks
7.0	Maximise capital base to further the councils objectives Maximise any external funding potentials Operate strategies on capital and external funding that support the council's corporate objectives
8.0	Ensure adequate and effective management and reporting of financial risk
9.0	Manage and use resources to deliver value for money and better and sustainable outcomes for local people
10.0	Set and meet targets for all trading accounts
11.0	Aim for a zero balance on the Collection Fund
12.0	Lobby to ensure that the needs of South Holland are recognised and incorporated into funding mechanisms
13.0	Prepare robust and realistic income, expenditure and resource requirement plans for the next five years
14.0	Maximise income opportunities and collection of income
15.0	Promote take-up of benefits and reliefs
16.0	Take steps to support the District and its people during this current economic downturn
17.0	Support the Big Society by supporting and equipping members to deliver democratic community leadership and empower local communities

**OUR ASSUMPTIONS**

The following outlines the financial assumptions behind each major area of our business.

One of the key changes we are proposing is that we budget at a 100% staffing level as opposed to 98%:

Item	SHDC Comments
Period covered by MTFS	5 Years – 2011/12 – 2015/16
Government Grant - RSG	7.1% per annum
Forecast inflation	<p>Working on a basis of no inflation allowance for 11/12 only allowed in relation to contractual commitments (specific indices) and salaries.</p> <p>General inflation – based on target rate of 2.5% pa                      Future years applied -2% employee costs 2% premises, 2.5% transport.                      Contractual commitments mainly linked to RPI – X</p> <p>Contracts will be reviewed on an individual basis &gt; leisure, drains, vehicles.                      Insurance</p>
Salary growth forecast	2% from 2012/13 onwards. No pay award in 2011/12 except for £250 for employees earning under £21,000 as per Government guidelines.
Future increase in utilities and fuel	Fuel and utilities increased by 2.5% for future years

South Holland District Council

costs	Fuel Budgets for 2011/12 based on 1.02ppl. nil increase (base needs review though).
Forecast interest rate for investment income	0.875 in 2011/12, 12/13 2.25%, 13/14 3.25% and there after.
Council Tax increase	Council tax freeze proposed for 2011/12
Increase in NNDR	Awaiting review
IDB	Based on IDBs current 4 year plans. Liaison meeting early Nov to review although they will face the same challenge.
NI179 – VFM Cash Releasing Gains	Ni 179 abolished with immediate effect by the new Government. Further Efficiency announcements to be advised. SHDC set its own target of 4% in previous years.
Forecast ABG	Nil assumed, but recent CSR announcement indicates there may be some similar type of un ring-fenced grant.
Forecast housing and planning delivery grant	Nil -to be reviewed as part of the grant review with the CSR. Replaced by new home owners initiative scheme.
Forecast grant for concessionary travel from 2011/12	Removed from 11/12 onwards. Impact on revenue grant being assessed, guidelines between £700k and 1.1m
Forecast HB Admin. Grant	Awaiting advice from DWP
Increase in benefit caseload	Under review but will expect an increase in the medium term due to migration and CPA
Forecast homelessness grant	As part of the ABG review

South Holland District Council

Changes to fees and charges	Need to maintain current subsidy or reduce subsidy. No inflation applied to future years. There may be an impact as a result of the localism bill.
Forecast pension contribution rate	Current rate 20.9%. Increase not confirmed until April 11. Assumed a increase of £160000 split 80:20 GF/HRA, which would mean a 24.8% contribution.
Annual staff vacancy/turnover rate as a % of pay budget	2010/11 2%, 2011/12 none built in (under review). Vacant posts and frozen posts are currently budgeted for. Holiday purchase scheme not included as yet (under review)
Major Income Building Control	The way we charge for some Building Control fees has now changed and are charging on an hourly rate. (We still have a fee schedule, but this is based on a hourly rate.)
Major Income Planning	Income expected to decrease with market uncertainty and change in legislation with renewal fees
Major Income Car Parks	SHDC policy to break even over 3 years
Revenue contributions to capital	There are contributions to capital but the majority are funded by reserves
Revenue contributions to repairs and renewals	These have been kept static from 2011/12
GF working balance	(currently minimum target £1.3m maximum £2m ). It will be at the minimum by the end of this year.
Future growth in numbers of Band D equivalent properties	The last few years has seen the tax base rise by 0.8% per annum, based on CTB returns from each October.

## CAPITAL

The Council's current strategy for financing its capital programme is geared towards maximising the resources available to it. The Capital programme is targeted at supporting corporate priorities and the Housing Business Plan which is geared to achieving and maintaining the 'decent homes plus' standard.

In order to maximise the total level of resources available, funding is applied in the following order:-

- 1) External support
- 2) Specific Grants
- 3) Revenue Contributions
- 4) Reserves
- 5) Usable Capital Receipts
- 6) Borrowing

In light of the pressures faced by the Capital Programme, Right to Buy usable capital receipts are retained for the Housing Programme wherever possible. Historically revenue contributions have been made from both the General Fund and HRA to support the programme but there are pressures on the General Fund so this may no longer be an option.

The Council will positively investigate opportunities provided by the freedom to procure capital investment financed by Prudential Borrowing where plans are sustainable, prudent and affordable. We have set borrowing limits under the Prudential Code, however, the Councils is keen to keep council tax levels low and therefore will seek to use all other methods of funding before entering into any unsupported borrowing. Unsupported borrowing impacts on the revenue budget since it has to be repaid including any interest costs. As a result of the recent spending review announcement, the cost of borrowing from the Public Works Loans Board (PWLb) has increased since the PWLB immediately increased their rates by an average of 1%.

The details of the recently announced 'Tax Increment Finance powers', allowing councils to fund key projects by borrowing against future increases in locally collected business rates are still awaited. The Council will consider the benefits of this new initiative once it has been evaluated.

The Government's annual allocation of Supported Borrowing for housing, introduced to finance councils' Decent Homes programme ceases after 2010/11. We are working with our Treasury advisers as we consider borrowing will be an essential requirement if we are continue with housing capital investment in the district. The PWLB increase in interest rates will also impact on the modelling of the capital investment needs of the Housing Revenue Account when considering the effects of the new HRA proposals from 2012/13.

## GENERAL FUND

Preparation of the General Fund Estimates is centred on following the budget principles. Historically, budgets have not been supported through the use of general balances, but forecast cost pressures are so great, that this is under review.

## LOCAL AUTHORITY COMPANIES

The Council has an interest in three companies, which it is using for the innovative delivery of services and projects, maximising resources and drawing in funding.

The Council is supporting the Local Housing Company - South Holland Homes through the use the following financing streams:

- Affordable Housing Reserve
- Affordable housing S106 contributions
- Working Capital Loans

The Local Housing Company has completed the build of six affordable homes and these are now let. The Council transferred 8 difficult to let properties to the company, who has refurbished them for sale. The receipts will be reinvested in further provision of affordable homes. The Company is looking for further opportunities to develop

affordable housing, seeking funding and land where possible. The longer term future of the company is, however, dependent on the final outcome of the Government's social housing reforms.

The Red Lion Quarter Community Interest Company (Red Lion Street) has been established as an independent company for the purpose of providing starter unit accommodation for the benefit of local businesses, provision of training facilities for the local community and to highlight the importance of “food” to the local economy. The Council is providing S106 funding to support the capital project which has also been supported by EMDA, Lincolnshire County Council and Boston College. The building is scheduled to open in early March 2011.

The Council has joined with its neighbouring council, East Lindsey, to form a limited Company – Compass Point Business Services (East Coast) Ltd as the delivery vehicle for merged back office services. This is the first of its kind in the country. Both councils have provided investment funding to develop systems and streamlined processes to deliver on-going revenue savings for both councils.

## HRA

The Housing Revenue Account legislation sets out the ground rules for the preparation of the HRA estimates. The estimates are dictated by the thirty year business plan and rent restructuring policy. The social housing system is to be radically reformed. The Comprehensive Spending Review has outlined a shift away from supply side subsidies (capital grants) to demand side subsidies – housing benefit. The impact of the proposed new self-financing arrangements for councils, due to be introduced in 2012, including the proposed debt settlement will need careful planning and management as they impact on housing strategy, finance, information systems and treasury management.

How we will achieve our strategy – Our principles	
<b>1.0</b>	<p><b>Manage a budget process that will direct and focus the budget on corporate priorities</b></p> <ul style="list-style-type: none"> <li>• Use the resource allocation model to support the re-direction of resources</li> <li>• Implement the Value for Money and Efficiency Strategy</li> <li>• Maximise the reduction of NNDR (National Non Domestic Rates) payments on Council properties in order to minimise our NNDR liability.</li> <li>• Implement a continuous review of staffing requirements to attain optimum efficiency.</li> <li>• Seek to minimise benefit subsidy losses</li> <li>• Budget for staffing at 100% but incorporate efficiency targets</li> <li>• Support the work of the merged back office provision through Compass Point Business Services (East Coast) Ltd</li> <li>• Ensure members and officers receive financial awareness training</li> <li>• Support the Local Development Framework by providing robust financial data for S106 agreements, commuted sums etc</li> </ul>
<b>2.0</b>	<p><b>Ensure an integrated approach to business planning and budget preparation</b></p> <ul style="list-style-type: none"> <li>• Integrated budget and business planning</li> <li>• Clear corporate reporting timetable and procedures</li> <li>• Provision of training for non-finance staff and elected members</li> <li>• Support from CPBS</li> </ul>

<p><b>3.0</b></p>	<p><b>Use sound, modern and efficient financial systems, procedures and principles</b></p> <ul style="list-style-type: none"> <li>• Review the financial procedures and contract procedure rules annually and conduct a fundamental review to reflect operational changes as a result of setting up Compass Point Business Services Ltd.</li> <li>• Use Share-point to disseminate guidance and promote electronic record keeping and approval processes</li> <li>• Enhance our profiling of budgets and variance analysis and conduct regular reviews with portfolio holders and Heads of Service</li> <li>• Produce regular outturn forecasts</li> <li>• Integrate financial reporting within corporate reporting systems. Ensure that the financial implications of any enforcement action are clearly identified and documented before action commences</li> <li>• Publicise our membership of the Better Payment Practice Group and pay suppliers promptly, which we believe contributes to the local economy.</li> </ul>
<p><b>4.0</b></p>	<p><b>Ensure that there is a rigorous scrutiny of the financial planning process</b></p> <ul style="list-style-type: none"> <li>• Adopt a select committee style format for Member budget scrutiny to make it a more challenging process</li> </ul>
<p><b>5.0</b></p>	<p><b>Ensure an effective consultation process with the public and stakeholders</b></p> <ul style="list-style-type: none"> <li>• Engage with the public more effectively on budget proposals</li> <li>• Consult on Council Tax, Capital Strategy and the Medium Term Financial Strategy using the YouChoose participatory software in the lead up to the now 'standard live' webcast Council Tax Question Time</li> <li>• Consult with Housing Tenants</li> </ul>

<p>6.0</p>	<p><b>Maintain balances and reserves providing for known risks, liabilities and expenditure peaks</b></p> <ul style="list-style-type: none"> <li>• Risk assessment on general balances. A minimum level of £1.3m General Fund balances will be held</li> <li>• Follow procedures for maintenance of reserves</li> <li>• Detailed cash-flow projections prepared and monitored</li> <li>• Ensure where possible that cyclical expenditure is absorbed in the budget to avoid peaks and troughs which might otherwise result in unnecessary fluctuations in council tax bills by making use of earmarked reserves</li> </ul>
<p>7.0</p>	<p><b>Maximise capital base to further the councils objectives. Maximise any external funding potentials. Operate strategies on capital and external funding that support the council’s corporate objectives</b></p> <ul style="list-style-type: none"> <li>• External grants and contributions towards capital schemes will be sought where they support corporate objectives</li> <li>• There will be clear exit strategies and six months before any funding ceases a full analysis of the revenue impact of decisions will be undertaken.</li> <li>• The Council will lobby for funding and seek to access available capital resources</li> <li>• Opportunities for a partnership approach to the delivery of the capital programme will be explored</li> <li>• The Council will seek to attract investment into the district</li> <li>• Income will be maximised where possible, exploring any new general powers to generate income</li> </ul>
<p>8.0</p>	<p><b>Ensure adequate and effective management and reporting of financial risk</b></p> <ul style="list-style-type: none"> <li>• Strategic and operational risk registers will be maintained and monitored</li> </ul>

	<ul style="list-style-type: none"> <li>• Reports will be presented monthly to the strategic management team and quarterly to Cabinet and Audit and Governance Committee</li> <li>• Ensure that the Governance and Audit Committee members are trained and provide an effective scrutiny and challenge function.</li> <li>• Work with our internal audit partners, Lincolnshire County Council, to improve corporate fraud procedures.</li> <li>• Improve county wide learning through audit liaison</li> </ul>
<p><b>9.0</b></p>	<p><b>Manage and use resources to deliver value for money and better and sustainable outcomes for local people.</b></p> <ul style="list-style-type: none"> <li>• Comply with our Value for Money and Efficiency Strategy and deliver the Action Plan</li> <li>• Reduce or maintain expenditure by continual review of procurement procedures and practices, working with Procurement Lincolnshire, in line with our Procurement Strategy</li> <li>• Implement a continuous review of staffing requirements to attain optimum efficiency</li> <li>• Undertake benchmarking exercises on key services</li> </ul>
<p><b>10.0</b></p>	<p><b>Set and meet targets for all trading accounts</b></p> <ul style="list-style-type: none"> <li>• The Corporate Fees and Charging policy will be updated and enforced</li> <li>• Targets for managers will be incorporated into performance reviews</li> <li>• If services fail to meet their targets they will be subject to a more fundamental review.</li> </ul>

11.0	<p><b>Aim for a zero balance on the Collection Fund</b></p> <ul style="list-style-type: none"><li>• Use robust forecasting methods</li><li>• Monitor the account on a monthly basis, check and review council tax discount and exemption entitlements (removing them increases the tax base)</li><li>• Publicise and promote the need to promptly report changes that could affect discount and exemption entitlements and the fact that we invoke penalties for failure to comply</li><li>• Regularly inspect properties claimed to be unoccupied (using a risk based approach to determine frequency of inspection)</li><li>• Effective liaison with planning and building control to pick up and promptly report new and altered dwellings as close to completion as possible</li><li>• Regularly review and chase outstanding reports on new dwellings where an official valuation has not been received within 2 months</li><li>• Keep abreast of new developments in the area; encourage our Benefits and Revenues Inspector to be vigilant in this regard</li><li>• Serve council tax completion notices where appropriate to minimise council tax avoidance</li><li>• Set up provisional accounts for all new dwellings awaiting official valuation for council tax purposes by the Valuation Office Agency</li><li>• Make realistic provisions for bad debts</li></ul>
12.0	<p><b>Lobby to ensure that the needs of South Holland are recognised and incorporated into funding mechanisms.</b></p> <ul style="list-style-type: none"><li>• We will support the Authority's membership of special interest groups that reflect our issues. We also work closely with the Lincolnshire Finance Officers' Group and the Society of District Council</li></ul>

	<p>Treasurers.</p> <ul style="list-style-type: none"> <li>• At the national level we engage in actively responding to consultations to ensure South Holland's position is protected</li> </ul>
<p>13.0</p>	<p><b>Prepare robust and realistic income, expenditure and resource requirement plans for the next five years</b></p> <ul style="list-style-type: none"> <li>• Five year financial plans and business plan</li> <li>• Key issues papers will be prepared by Heads of Service for consideration by SMT</li> <li>• Annual review of the corporate plan and corporate priorities</li> <li>• Opportunity costs and sensitivity analysis</li> <li>• Prepare contract registers including future requirements</li> </ul>
<p>14.0</p>	<p><b>Maximise income opportunities and collection of income</b></p> <ul style="list-style-type: none"> <li>• We will operate our discretion on reducing council tax discounts to maximum effect</li> <li>• SHDC income from second homes will be used in conjunction with the County Council to support initiatives in the District</li> <li>• We will enter into partnership arrangements with the County and Police to invest their share of this income in our area</li> <li>• Maintain upper quartile performance on council tax and NNDR collection</li> <li>• Operate within our approved investment and treasury policy</li> <li>• Prepare unit costs on recovery methods</li> <li>• Review fees and charges for service income streams</li> </ul>

	<ul style="list-style-type: none"> <li>• Management information on debt recovery</li> <li>• Update fees and charges in line with our Corporate fees and charges policy</li> <li>• Make it convenient for customers to pay and advertise payment mechanisms</li> <li>• Use enforcement remedies effectively e.g. Bailiffs, attachment of earnings</li> <li>• Assess the impact of the Localism Bill on the District and identify opportunities</li> </ul>
<p><b>15.0</b></p>	<p><b>Promote take-up of benefits and reliefs</b></p> <ul style="list-style-type: none"> <li>• Publicise availability of benefits and target specific groups</li> <li>• Effectively implement and communicate the discretionary rate relief policy</li> <li>• Undertake joint benefit publicity campaigns with the other Lincolnshire Districts, County Council and Central government</li> <li>• Assess the impact of welfare reforms on the District</li> </ul>
<p><b>16.0</b></p>	<p><b>Take steps to support the District and its people during this current economic downturn</b></p> <ul style="list-style-type: none"> <li>• Promote benefit take-up</li> <li>• Implement sustainable procurement strategy</li> <li>• Better payment practice group</li> <li>• Offer advice and support</li> <li>• Speed up invoice payments for local suppliers</li> <li>• Review payment terms</li> </ul>

	<ul style="list-style-type: none"><li>• Focus and re-direct priorities in this area</li><li>• Supporting homelessness</li></ul>
17.0	<p><b>Support the Big Society</b></p> <ul style="list-style-type: none"><li>• Support the radical devolution of power and greater financial autonomy to local government, including the full review of local government finance</li><li>• Embrace the general power of competence</li><li>• Support and equip our members to deliver democratic community leadership and empower local communities</li></ul>

## Outputs and Forward Projections

The following are key outputs to help monitor the effectiveness of this strategy and the underlying principles:

- Annual Governance Report – Audit Commission
- Financial Plan
- Council Tax leaflet
- Cabinet Monitoring reports
- Grant returns submitted on time
- Governance and Audit Committee reports
- Annual Governance Statement
- Performance Monitoring Reports
- Internal Audit Reports

**Forward Projections -**

The desired level of council tax increases has been indicated by the Cabinet. The forecast budget below is based on our five year plans which we are currently revising. The funding gap is shown below.

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Target Council Tax Band D	£157.03	£157.03	£160.97	£164.98	£169.06	£173.20
Target Council tax increase	2.55%	0%	2.51%	2.49%	2.47%	2.45%
Predicted Government Grant	8.982m	7.396m	6.909m	6.849m	6.454m	6.454m
Estimated Council Tax Base	28,232	28,325	28,551	28,880	29,010	29,242
Funding Gap		0.973m	1.659m	1.712m	2.312m	2.472m

Working Draft

## Section 2.0 Principles

### Contents:

- **Corporate Priorities**
- **Comprehensive Spending Review**
- **The Decentralisation and Localism Bill**
- **Grant Funding**
- **Investment Income**
- **Public Sector Efficiencies**
- **Internal Drainage Board**
- **Pension Fund Contribution**
- **Key Issues**

Working draft

**Corporate Priorities**

Our vision is to develop South Holland as a thriving, living and working rural community as set out in our Corporate Plan. This reflects what local people say is important to them. To make this happen we have identified six priorities which will lead our work plans for the next five years. The Corporate Plan will be reviewed next financial year.

*Our corporate priorities 2010-2015*

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**1 Affordable homes** We are one of only a handful of local authorities building council properties. We will continue to build more housing through our Housing Community Interest Company (South Holland Homes), the first of its kind in the country.
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**2 Care of villages and towns** Local people have voted us top in the country for the way we collect refuse and recycling. We will also focus on dealing with concerns about nuisance, anti-social behaviour and the perceived lack of things for young people to do.
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**3 A secure and diverse economy** We are working closely with the county council and other sub-regional and regional partners to protect and improve employment and economic prospects of residents and also to be ready for the end of recession and recovery.
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**4 Improving health through cultural and sporting opportunities** In order to achieve our ambition for a healthy community, we will encourage active recreation. Our long term vision of providing modern, attractive, fit for purpose leisure facilities remains at the heart of this priority.
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**5 Improving access to services** We will continue to improve access to services, focusing on our Customer Services Centre, taking services out to our communities and using new technology to offer alternative ways of connecting with services to suit your lifestyle and circumstances.
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**6 Democratic community leadership** The council places leadership at the heart of everything we do. We will establish Portfolio Holders of Place across the district who will be catalysts for action, helping people to get involved in developing plans for their communities.
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**7 Maintaining our capacity to deliver** Merging services with East Lindsey DC will deliver cash savings through improved efficiency and we will manage our other assets to deliver our priorities and the most essential services to agreed standards and performance targets.



## Government Review

The Government will review local government finance in September 2011, this will be after the Localism Bill has gone through Parliament and funding for local government is made clear after the spending review.

- **Spending Review 2010**
  - The Spending Review was published on Wednesday 20 October 2010 and set out the spending plans for each Government department for the years 2011-12 to 2014-15. On average central government funding to councils will decrease by around 28% over four years.
  - Ring fenced revenue grants will end from April next year and some rolled into formula grant.
  - Specific details for this Council, together with the grant impact of concessionary fares transferring to LCC, are not yet known. Settlement data for 2011/12 will be notified in due course, usually December.
  - **Borrowing** – Public Works Loans Board has published a circular stating that with immediate effect, the new borrowing rate is to increase on average by 1% in new periods. This may impact on SHDC, since we may need to borrow for the Capital Programme and may also have significant impact on modeling the HRA reforms. There will be 'Tax Increment Finance powers', allowing councils to fund key projects by borrowing against future increases in locally collected business rates.
  - **Council Tax Freeze** - There will be some funding available to enable a council tax freeze for 2011/12.
  - **Housing** - The social housing system will be reformed, improving flexibility. To raise revenue, new tenants will be offered intermediate rents at around 80% of the market rent, more than double usually charged in some areas. This would mean having a two tier system to manage at South Holland. The Government have committed to providing 150,000 affordable homes from this initiative. More than £200m has been secured to continue Mortgage rescue scheme to support vulnerable home owners. Provision for disabled facility grants will rise with inflation by 2014/15. In addition over £2 billion investment will be available for the Decent Home programme.
  - **Job cuts** - It is expected that there will be 490,000 public sector job losses.
- **The Decentralisation and Localism Bill:** This will devolve greater powers to councils and neighbourhoods and give local communities control over housing and planning decisions. The aim is to empower local people, free local government from central and regional control and create a more efficient and more local planning system. Amongst

other things Regional Spatial Strategies will be abolished, decision-making powers on housing and planning will be returned to local councils including a fast-track process for major infrastructure projects, give communities the right to bid to take over local state-run services and give councils a general power of competence. In addition public bodies will have to publish online the job titles of every member of staff and the salaries and expenses of senior officials. Residents will have the power to instigate local referendums on any local issue and the power to veto excessive council tax increases, local government and community groups will have greater financial autonomy and Home Improvement Packs will be abolished. Local Enterprise Partnerships will replace Regional Development Agencies and new trusts will make it simpler for communities to provide homes for local people.

- **Grant Funding**

The Government distributes over £70bn 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.

As a result of the spending review, there will be a reduction in the number of specific grants from over 90 to less than 10, leaving just public health, schools, fire, policing and a handful of others. More details of how these changes will apply are set to be announced in the Localism Bill and local government finance settlement, but they are likely to have an asymmetric impact across the country, since some councils (particularly metropolitan authorities) rely on specific grants much more than others.

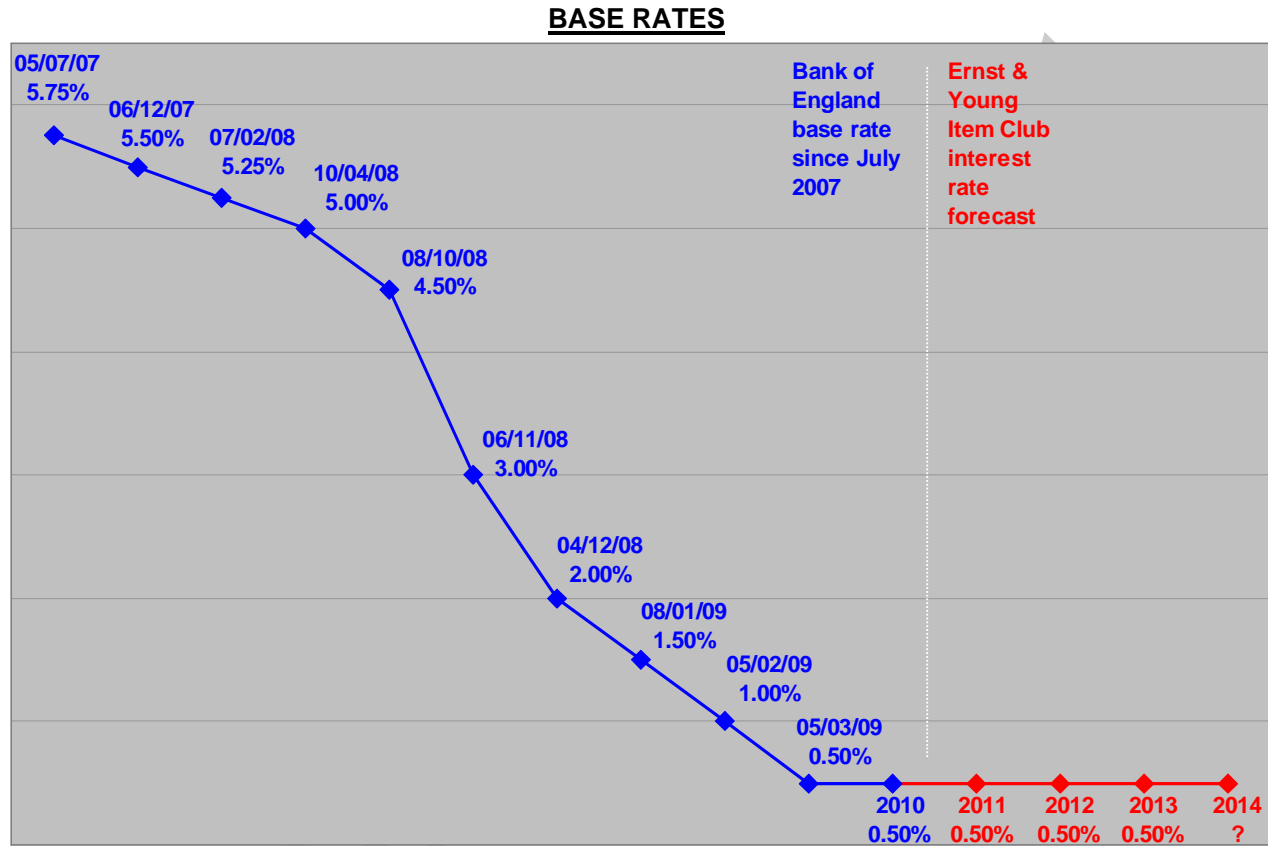
Rural authorities spend less because they receive less Government funding. Rural authorities are starting from a lower base. The 4 block funding model tends to provide more funding to urban authorities, because the needs block tends to focus on urban centred deprivation measures. It also measures 'assessed need' and only a limited measure of the cost of meeting that assessed need. The rural premium is not adequately provided for.

**Investment Income**

We are currently emerging from the recession but are still unsure of the impact this has had on confidence of the money market, and the potential growth over the medium term. The Council's lending list is limited as counterparties have been removed due to falling credit ratings. 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 must 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					Mar11
	13m	14m	15m	16m	17m	
	0.38%	(81k) 47k	(77k) 51k	(73k) 55k	(69k) 59k	
0.88%	(18k) 111k	(9k) 119k	0 128k	9k 137k	18k 146k	128k
1.38%	46k 174k	59k 187k	73k 201k	87k 215k	101k 229k	

	09/10 Actual	10/11 Forecast	11/12 Forecast
<b>Cash and Investments 1st April</b>	<b>11,530,000</b>	<b>10,279,836</b>	<b>10,276,000</b>
<b>Average cash and Investments</b>	<b>18,672,601</b>	<b>12,399,600</b>	<b>14,630,000</b>
<b>Maximum cash and Investments</b>	<b>24,738,261</b>	<b>17,320,718</b>	<b>16,025,422</b>
<b>Interest rate expected</b>	<b>2.33%</b>	<b>1.00%</b>	<b>0.88%</b>
<b>Interest rate achieved</b>	<b>1.35%</b>	<b>-</b>	<b>-</b>
<b>Base rate average</b>	<b>0.50%</b>	<b>1.00%</b>	<b>0.88%</b>



**Public Sector Efficiencies**

The PBR sets out a number of efficiency savings identified by the government’s public value programme and the smarter government report. Smarter Government is expected to deliver £11bn savings a year by 2012-13, of which £8bn were identified in the Operational Efficiency Programme.

**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 an estimated 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. The deficit is met from Council Tax and is a substantial proportion for some districts.

Failure to meet the levy could impair flood prevention with greater potential for flood events.

	<b>Actual 2010/11 £</b>	<b>Estimate 2011/12 £</b>
North Level IDB	125,980	130,041
South Holland IDB	1,093,190	1,159,047
Welland and Deepings	767,744	803,241
Kings Lynn Consortium	22,374	23,737
Black Sluice IDB	119,669	124,268
<b>Total</b>	<b>2,128,957</b>	<b>2,240,334</b>

Lincolnshire has a long history of managing flood risk from the sea and from rivers. Because of this serious incidents have been rare, despite the fact that 39 per cent of the county's land area is at or below sea level. In recent years, the county has learned from river and surface water flooding in several towns. Arrangements were made to ensure that all agencies responsible for managing water operated together more effectively at a local level. By building on these arrangements, and taking advantage of major changes in national policy, Lincolnshire County Council and its partners have established a Flood Risk and Drainage Management Framework. This is a partnership designed to drive a strategic approach to delivering improved flood risk management across the county.

The partnership has succeeded in:

- developing a joint approach towards managing flood risk from all sources in Lincolnshire
- coordinating approaches to development control
- attracting grant funding and contributing to national policy on flooding.

### **Pension Fund Contributions**

The Coalition Government is reviewing pensions. An interim report has been commissioned and findings published by Lord Hutton. It is accepted that public service pensions continue to provide a form of defined benefit, and of Gold standard, but not affordable. In the 1950's taxpayers made half the contributions and now make two thirds. It is thought the unfunded bill is set to rise to £33 billion by 2015-16. It is likely there will be a staggered but 'progressive' increase to employee's contribution rate. No conclusions will be made before the Full Commission Report next spring. It is thought the changes will save an additional £1.8 billion of savings per year in the cost of public service pensions by 2014-15, but risks may be around attracting and retaining employees, should benefits decrease and contribution rates increase.

For South Holland District Council the current employers' contribution rate is 20.9%. The next actuarial review of pensions is underway and there is a potential risk to the council of increased employer contributions.

### **KEY ISSUES AND DEVELOPMENTS:**

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, costed and incorporated into our future plans:

- Local Area Agreement abolition** – It was announced on October 13 that the 152 agreements, which contain national performance targets, were to be scrapped. It was promised that Whitehall would stop its ‘endless demands’ for measurements from councils and only ask for one set of data, meaning councils will be accountable to local people rather than inspectors. The Local Government group will work with councils to ensure they have the tools and support they need to deliver improved outcomes for local people in their area. LAAs were introduced in 2004, allowing councils with their local partners to define their own priorities and select 35 of the most appropriate targets from a set of national performance indicators.
- Civilian parking enforcement** - the introduction of CPE will bring considerable benefits with all authorities receiving fewer complaints over illegal parking and its effects on traffic flow, and associated impacts on the street environment and local commercial vitality. In addition it will allow for residents parking schemes to be introduced with councils being able to determine both the charging and enforcement regime. The budget assumption is that across the county this will be self financing.
- Concessionary Fares**  
 The administration of concessionary fares will transfer to the County Council from April 2011. The impact of this will be a reduction in Government funding to the Council, although the financial impact is unknown at this stage. However, there are a number of options being put forward:-

Option 1.0	Option 2.0	Option 3.0	Option 4.0
<b>Potential reduction in Government funding</b>			
£700,000	£900,000	£1,000,000	£1,100,000

- Gypsy and Traveller Sites Grant** – The Council has identified the needs of Gypsies and Travellers in the district through a Traveller Needs Assessment and we are making progress in providing suitable accommodation and services. We aim to deliver 3 Gypsy and Traveller sites – 2 permanent and 1 stopping place. The first permanent site at Holbeach is due to be complete by the end of 2010, and the temporary stopping place at Sutton Bridge is expected to be complete in 2011. The Council has received funding of £1.753m to develop the sites.

- **Democratic Community Leadership and Big Society**

The Council is developing its response to new demands arising from the developing local government agenda and particularly the implications of the agenda for place shaping, rural governance and community engagement. This is a corporate priority and community leadership is being tested in a pilot for enhanced rural governance in Holbeach and through the existing Donington model. Further work is in hand to develop rural governance model(s) that are appropriate and effective across the district and underline the role of District Councillors as community leaders, which may have cost implications – lead Portfolio Holders of Place

- **Sustainable Procurement Strategy:** Procurement Lincolnshire is a shared service partnership between the local authorities in Lincolnshire. Procurement Lincolnshire operates at a strategic level focusing on those activities that will lead to better public services and greater savings from public procurement. The members are Boston Borough Council, South Holland District Council, City of Lincoln Council, East Lindsey District Council, West Lindsey District Council and Lincolnshire County Council who formally host the service on behalf of the member partners. We have identified two strategic procurement aims under the broad headings of:

- Efficient and effective procurement
- Socially responsible procurement

There are strategic objectives and targets under each priority.

- **ICT Strategy**

South Holland District Council recognises that ICT forms an integral part of the delivery of high quality public services and that the people we serve increasingly expect to use technology to access services and communicate with us. Long term investment in ICT is essential to meet this challenge and to provide reliable systems and security for the data and information we hold and use. Technology also forms a foundation for partnership working and is an essential ingredient in delivering value for money and continuous improvement.

- **Workforce Strategy**

South Holland District Council recognises that investment in the development of its people is essential in order to provide high quality public services. This strategy has been developed to set out our approach to the resourcing,

leadership, management, development, deployment, performance, culture and reward of our people. The strategy is about positioning ourselves as an employer of choice ensuring that we can continue to deliver high quality public services at low cost, whilst creating an organisational culture of empowerment, challenge and support.

- **Economy**

The economic recovery is expected to be patchy over the next few years, but could be derailed as the effects of past monetary and fiscal stimulus fade and as tax rises and public spending cuts take effect. Forecast GDP growth is expected to be around 2.3% for 2011, but picking up to around a rate of 2.8% in 2012 and continuing before easing off in 2014. The Bank of England interest based rates are currently 0.5% and are predicted to remain low over the next few years, although they may rise slightly over the period. The CPI inflation rate has fallen during 2010, but is expected to remain steady throughout 2011, before increasing to the government target of 2% in 2012. Unemployment is predicted to peak in 2011 as a result of public sector redundancies, before slowly beginning to fall.

- **Business Rates**

In October 2010, a paper was published to allow Councils to use funds raised through business rates to respond to local economic needs. It follows consistent lobbying by the LGA to get greater flexibility for councils to respond to local circumstances. This will be taken forward through the Local Government Resource Review which will start in January 2011 and will consider a number of important issues. These include the possible impacts on councils where locally raised funding might be insufficient to meet budget requirements, as well as councils who do not collect business rates. The key principles would be that the policy delivers a genuine incentive effect and reward for promoting growth, whilst providing strong protection to business ratepayers.

The Business Rate Supplements Act, which has recently received Royal Assent, gives county councils, unitaries and the Greater London Authority a new discretionary power to raise a supplement on the business rate and retain the revenue to support local economic projects if necessary. Councils will have the flexibility to decide the duration of the supplement and whether it applies to empty property rate payers. The Act states that properties with a rateable value of £50,000 or less will be exempt from any supplement in England, meaning most smaller businesses will not be expected to pay.

The changes will help councils to boost local economies through the recession.

- **Shoreline Management Plan**

The Wash Shoreline Management Plan is a document for managing flood and erosion risk for the stretch of coastline along the Wash. The plan looks at coastal management issues over the next 100 years, divided into three time frames covering the short, medium and long term.

The Wash SMP was produced by a partnership of organisations responsible for managing The Wash Shoreline, including local authorities and the Environment Agency. It has now been approved by South Holland District Council.

The Shoreline Management Plan process looks at a number of possible shoreline management options and assesses their feasibility. These could include maintaining current defences, building new ones, no active intervention or the landward movement of defences to provide better flood protection.

The Wash Shoreline Management Plan proposes that partner organisations and the local community work together to develop a sustainable long-term solution. In the short term, it is proposed to hold the existing sea bank alignments while monitoring salt marsh and mud flat growth. In the medium and long term, we intend to either hold the existing alignments, or if climate change does cause significant loss of salt marsh and mud flat, we may need to consider realignment of some defences. This would provide improved flood protection for those living here and preserve rare habitats, but at the expense of important agricultural land.

- **Community Infrastructure Levy (CIL)**

**Planning Act: Local authorities empowered to charge the Community Infrastructure Levy**

The Government has shelved its proposals to implement a Planning-gain Supplement, which has been the subject of consultation since December 2005 following the recommendation in Kate Barker's review of housing supply. The then Housing Minister Yvette Cooper MP announced in October 2007 that the Government would instead be introducing a Community Infrastructure Levy (CIL) which would be similar to the various planning tariffs that have already been implemented across the country. The powers for levying CIL were brought forward in the 2008 Planning Act. The Planning-gain Supplement (PGS) would have been a nationally-set tax on the uplift in land value that arises when planning permission is granted. In contrast CIL will be set by local authorities in accordance with infrastructure plans. The levy may be set at different rates according to development type (e.g. greenfield, brownfield, regeneration). Revenue will be used exclusively to support local and possibly regional infrastructure.

- **Carbon Management Plan**

Climate Change is now a core policy driver across all sectors in the UK, both at national and local level. To help achieve our targets for the reduction of carbon emissions as a local authority, we have been working with the Carbon Trust to produce a Carbon Management Plan.

The Carbon Management Plan has been approved to enable the Council to work towards targets to address climate change, improve resource efficiency and promote sustainable development and renewable energy resources. Climate Change is one of the cross-cutting themes included in our Corporate Plan, and is addressed in the Environment theme group for the Sustainable Community Strategy.

This Carbon Management Plan is initially over a time period of five years, and sets out the baseline carbon emissions for the Council's operations. It is intended that the Carbon Management Plan will be a working document, updated as new projects are implemented. As well as reducing carbon emissions, the Carbon Management Plan gives the opportunity to mitigate rising energy prices.

- **Feed in Tariffs**

To encourage the development of small scale renewable energy generation, the government introduced a Feed in Tariff (FIT) scheme in April 2010. The FIT provides guaranteed grid access and long term income for generators of small scale renewable energy. Eligible technologies include solar photovoltaic (PV), anaerobic digestion, hydroelectric, micro combined heat and power and wind. South Holland are looking at the feasibility of this as part of their Asset Management.

- **HRA Reform**

During 2010 the Department for Communities and Local Government's (CLG) consulted on the Reform of Council Housing Finance. The paper proposed the dismantling of the existing subsidy system and also considered an improved subsidy system. The key issues were:

- Councils are to finance their own businesses from their own rents, in exchange for a one-off redistribution of housing debt
- Each council to manage directly and fund their own debt
- Government to consider providing local flexibility for borrowing to fund investment, where this does not undermine the overall fiscal position for Government
- The pooling of all housing capital receipts would cease

- All new build council housing to be excluded from the HRA subsidy system, with councils retaining in full the rent and capital receipts from those homes
- Commitment to ensuring funding for improvements to common areas of estates
- The introduction of sinking funds for leasehold properties.

The key point in the consultation concerns the settlement of the existing £25bn of national housing debt and the redistribution of the debt to councils. The Council commissioned consultants (Tribal), who had prepared the debt restructuring model for the CLG, to assess to the potential financial implications for South Holland District. Indicative figures indicate that South Holland will take on debt of £67m. From their analysis they concluded that, under the proposals the Council will be able to meet and maintain the identified capital investment and maintain a viable revenue account through the life of the business plan. The Coalition Government has now confirmed that it is committed to changing the HRA subsidy rule so that councils will keep all the rents and sales receipts that they collect. In return for these greater freedoms councils will be required to take on additional housing debt, but one that is sustainable for the long term. Details were announced as part of the Spending Review and will be introduced in the Localism Bill later in Autumn 2010 to enable the new system to start in 2012.

- **Regional Spatial Strategy**

The Government has revoked the East Midlands Regional Plan (the RSS) and so there are no longer regional targets for housing and other related matters.

- **Total Place**

Community-based budgets, also referred to as area-based or place-based budgets, are to launch from April 2011. They will build on the work of the thirteen Total Place pilots. Lincolnshire is one of sixteen pilots announced in the Spending Review that will look at ways local authorities and partners can pool budgets. This sets a new direction for local public services, based on work over the last year and more by central government, local authorities and their partners. Total Place is demonstrating the greater value to be gained for citizens and taxpayers from public authorities putting the citizen at the heart of service design, and working together to improve outcomes and eliminate waste and duplication.

Place-based working will take different forms in different areas. The Dept for Communities and Local Government (CLG) hopes to see approaches operating in all places by 2014. In South Holland we are aiming to put money in the

hands of the elected local councillors to help them work with, and in, their local communities to generate interest, build networks, lever in support, get around local blockages, get things moving, encourage partner support and empower communities and individuals. We have shown that this works through the establishment of Portfolio Holders of Place. In 2011/12 we are aiming to make savings so that we can give all of our elected councillors a delegated budget to work with.

- **Spalding International Food Port**

The interest in securing rail freight access to the Spalding area has arisen from work with the UK's leading retailers, who have been assessing ways to increase the use of rail freight within the retail supply chain. When asked in 2006 where the national rail network was deficient in terms of rail freight interchanges, Spalding was considered by the retailers to be one of the key "missing links."

A presentation in October 2009 to invited local and national businesses was extremely well received by retailers, producers, logistic companies and by the four largest freight train operators and two major developers of rail freight interchanges. Since the presentation to businesses, the level of interest has continued to grow. The EU, GOEM and the Department for Transport have indicated strong support for the proposal and have been proactively considering funding possibilities. There is an opportunity to include some of the rail infrastructure planning work, associated with signalling and track-work that would be necessary to develop a facility, within the current overall planning taking place currently as part of the Joint Line upgrade. Network Rail has included the possibility of the hub within their initial scoping work.

The implementation of a robust process of site identification for the rail freight interchange took place during 2010 and culminated in a site between Spalding and Deeping St. Nicholas being approved by Cabinet in July 2010. This has resulted in an increase in interest from businesses within the sector and there are currently a range of discussions taking place.

- **Service Reduction Planning Workshops**

The emergency budget in June 2010 announced there will be on average a 25% real terms cut over the next four years from April 2011 across all government departments other than the NHS and overseas aid. It is widely expected that some parts of Whitehall may be subject to an even bigger cut if other departments are protected, for example education or defence. The exact details of the cuts facing local government were announced in the Comprehensive Spending Review on the 20<sup>th</sup> October 2010.

Local authorities need to start planning now for service reductions that will have to be introduced from April 2011. Otherwise their organisations will find it almost impossible to live within reduced financial settlements. To help organisations plan for service reductions CIPFA's Finance Advisory and Performance Improvement Networks are holding a joint series of workshops in September and October 2010 on service reduction planning. The events will focus on the latest position in terms of local government finance settlements from April 2011 onwards, the coalition government's policies in relation to local government finance and performance management and possible approaches to service reduction planning based on CIPFA research.

- **The Pitt Review**

The Pitt Review, published in 2008, recommended significant changes to the way that flood risk is managed in England and Wales. Principally, it recommended greater clarity over responsibility and accountability for managing flood risk from all sources, stronger leadership, and better information for the public and for public bodies. The Government accepted all the conclusions of the Review, and is implementing key aspects through the Flood Risk Regulations 2009 and the Flood and Water Management Bill.

The Flood and Water Management Bill creates a new leadership and accountability framework for flood risk management, as well as providing new powers and responsibilities to Flood Risk Management Authorities. In this region the Lead Local Flood Authority will be Lincolnshire County Council and they will effectively become a drainage authority, taking on the Environment Agency's consenting and enforcement powers on ordinary watercourses outside Internal Drainage Board areas. It will become a statutory consultee on all planning applications with flood risk implications, while the Bill also makes provision for the Lead Local Flood Authority to become the body that approves, adopts and maintains sustainable drainage. As such, there are also clear implications for District Councils as local planning authorities, with a key role in shaping delivery of local flood risk and drainage solutions through local development frameworks.

Lincolnshire the County Council has worked closely with its partners to develop a partnership framework that will enable effective implementation of these new arrangements. The Lincolnshire Flood Risk and Drainage Management Framework is recognised as national best practice by the LGA and IDeA. It has been developed through extensive consultation with officers and members from all flood risk management authorities within Lincolnshire. It provides a means for improving flood risk management in the County in general terms, as well as preparing in advance, specifically, for the provisions of the Flood and Water Management Bill.

- **Compass Point Business Services**

All Councils face a challenging financial future. Since the change in national Government it is an imperative that public bodies are as lean and efficient as possible given the dramatic reduction in public sector spending.

We have now established a jointly owned merged service company which will operate Customer Services, Revenues and Benefits, ICT, Human Resources and Finance for South Holland DC and East Lindsey DC. Compass Point will work with the two Councils to achieve year on year efficiencies of around 3% on staffing costs and 2% on other costs, premises and overheads. Savings will be realised by economies of scale and more efficient ways of working. The two Councils will make savings whilst exercising clear and decisive control over the Company, which both have set up.

By merging these business support services and providing them through a merged service company both Councils will benefit from:

- An improvement in service standards, including a 'step-change' improvement in ICT services, reduce ICT costs by shared procurement, ownership and maintenance of single common systems
- Minimise management and overhead costs generating significant savings of £30 million between the two Councils over the next 10 years.
- Future opportunities to trade more widely and balance workloads and peaks to optimise staffing levels e.g. benefits officers in Spalding will be able to help process the increased benefit claims in Skegness during the summer
- The maintenance of the Councils' independence as two separate, democratically elected district authorities, and continue to be based in the two district councils' existing accommodation and able, thereby to continue to provide local employment opportunities.

- **Local Enterprise Partnerships**

The Government is offering local areas the opportunity to take control of their future economic development. Local authorities and businesses will form local enterprise partnerships, which will play a key role in promoting local economic development, in order to quicken the economic recovery.

The Government's Coalition Programme states:

"We will support the creation of Local Enterprise Partnerships - joint local authority-business bodies brought forward by local authorities themselves to promote local economic development - to replace Regional Development Agencies (RDAs)."

The purpose of these partnerships is to drive economic growth across an economic area. They will be a key vehicle in delivering Government objectives for economic growth, decentralisation and helping to rationalise the regional tier. In 2011/12 and 2012/13, the Government will create a Regional Growth Fund to help areas and communities particularly affected by reductions in public spending. The fund will operate in England only, and will support proposals from private and public-private sector bodies which create 'sustainable increases' in business employment and growth. There will also be a new tax scheme to help create new businesses in those regions where the private sector is not nearly strong enough.

It was announced in the Emergency Budget in June 2010 that the Government will publish a White Paper in the summer, which will set out the Governments economic development plans and more detail on the transition from RDAs to local enterprise partnerships. South Holland will be involved in the Greater Cambridgeshire and Greater Peterborough partnerships.

Communities and Local Government want local government to take the 'right of initiative' in organising themselves alongside business to ensure future economic prosperity in their areas, and they have asked for outline proposals from partnerships of local authorities and businesses to form local enterprise partnerships, no later than 6 September 2010.

- **Choice Based Lettings**

Our inhouse work on reviewing our policy and procedure is on hold pending the outcome of any decision to work in partnership with Breckland DC.

- **Coalition Hands Public Health to Council**

The coalition government announced in July 2010, that it intends to transfer local PCT health improvement work and funding to councils. Councils will employ directors of public health, who will be responsible for the funds which are

allocated according to relative population health need. Councils will also become responsible for determining how best to achieve national objectives for improving health outcomes set by the Department of Health. It is also intended that councils will become the lead in the integration of social care and NHS services.

- **Big Society**

The Conservative and Liberal Democratic Government has come together with a driving ambition to put more power and opportunity into people's hands. They want to give citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want. They want society – the families, networks, neighbourhoods and communities to be bigger and stronger than ever before. This will be delivered through a number of key strands:

1. Give the communities more powers
2. Encourage people to take an active role in their communities
3. Transfer power from central to local government
4. Support co-ops. Mutuals, charities and social enterprises
5. Publish Government Data

- **Breckland**

On 13<sup>th</sup> August 2010, Terry Huggins was formally appointed as the joint chief executive of Breckland District and South Holland District Councils. South Holland District Council and Breckland District Council are proposing a shared management team. There are strong indicators that the sharing of senior management across Councils will be successful.

- The authorities have similar political leadership and are enthusiastic about modernizing local two tier government
- Both authorities already have a proven track record of innovation and a willingness to do things differently
- Both authorities are enthusiastic about the use of technology to promote more effective ways of working given the distance between sites
- Common purpose and compatibility are the most critical factors in establishing shared Chief Executive and senior management working

The objectives of the shared management structure are

- To make financial savings to the combined staffing cost of the existing management structures exceeding 35% plus other consequential savings
- To provide adequate management capacity to both authorities
- To be based upon a model where the authorities individually continue to exercise democratically accountable local government in their respective areas and have their own governance arrangements whilst sharing management of internal and external services
- To provide opportunity and ease the transition to more joint commissioning and sharing of resources
- To be capable of both contraction for example as client roles for external services are combined and expansion for example if a third authority wished to join without the need to fundamentally redesign the structure

- **New Homes Bonus**

In August 2010, the government announced that councils that approve developments will qualify for a New Homes Bonus for every property that is built, with the government agreeing to match the additional council tax raised by every new house for the next six years. Councils will be allowed to use these cash bonuses to fund frontline services, council tax discounts or house building. However this is not new money and will be top sliced from the formula grant paid to councils.

- **VFM and Audit Commission**

Following the election of the coalition government, work by the Audit Commission on Comprehensive Area Assessment, including the use of resources assessment ceased. Auditors will still be required to give their statutory opinion on whether the authority has proper arrangements to secure economy, efficiency and effectiveness. Plans to find a new sector-owned regulatory regime to replace the Audit Commission's role are underway. The Local Government Group plans to create data standards which councils can benchmark as well as enhance peer reviews to cover partnerships. The paper proposes that councils:

- Publicise benchmarked performance information
- Provide a self-assessment

- Seek sector support of peer review if performance fails
- Undergo three year external peer challenges
- Provide officer and member peers to other councils

The LGC will also agree up to 5 national outcomes and 10 national indicators with the government.

- **Excellent Ageing**

Excellent ageing hopes to transform the health and wellbeing of older people in Lincolnshire over the next ten years. The population of Lincolnshire is set to rise dramatically over the next 20 years far faster than the rest of the country. Already 40% of the population is over 50 compared to 34% in the UK as a whole and this is set to rise to 49% by 2033. There is a strong commitment from the county council, NHS, police, district councils, university, businesses and voluntary organisations to forge new radical ways of working together which will deliver better outcomes, budgets will be used collectively to realign resources to make the best possible impact. The project is borrowing the approach and best practice developed in the Total Place pilots to develop solutions.

- **Welfare Benefits**

Councils are to be given new responsibilities for capping welfare benefits, and from 2013 household benefit payments will be capped at median income of about £500 a week. The cap will apply to combined income from jobseekers allowance, income support, employment support allowance, child benefit, and housing and council tax benefit. The cap will be delivered by local authorities, which will be asked to assess the total benefit income of all new and existing housing benefit claimants and, if necessary, reduce housing benefit to the new capping level. The Government aims to introduce legislation in the Welfare Reform Bill, and provide resources for local authorities to implement the cap by 2013.

- **Portfolio Holder of Place**

This extends the remit of the Cabinet members to act as community champions and to take on community leadership within their areas. It creates a focal point to enable the community to raise any issues and forms part of the South Holland community engagement model. The pilot schemes for Holbeach and Donington were successfully evaluated and a decision was then taken by Cabinet to extend the Portfolio Holder of Place concept to include Long Sutton and Sutton Bridge.

- **VAT Increase**

In his 2010 Emergency Budget the Chancellor announced an increase in the standard rate of VAT from 17.5 per cent to 20 per cent effective from 4 January 2011. This change in the standard rate of VAT does not affect sales of goods or services that are charged at another rate of VAT (zero rated, reduced rated or exempt).

VAT is a sustainable source of revenue for the Government. The increase will raise £13.5 billion a year, on a scorecard basis, by 2014-15. Following this increase, the main rate of VAT will remain below the European Union average.

Working draft

## Section 3.0 Components of the Strategy

### Contents:

- Inflation
- Income Strategy
- Grants
- Lobbying
- Council Tax Base
- Expenditure and Income
- Discounts for Second Homes
- Resource Allocation
- Partnerships
- Balances and Reserves
- Provisions
- Approved Treasury and Investment Strategy
- Balance Sheet
- Balance Sheet Analysis

## **Inflation**

There will be no contingency provision for inflation; it must be contained within the overall base budget. The only exception to this will be pay awards (which are negotiated nationally), and contractual commitments. For estimate purposes inflation is to be RPI – X as published by the Office for National Statistics.

Inflation jumped at a record rate in May 2010. The Consumer Prices Index (CPI) hit 3.7 per cent in April 2010 before decreasing to 3.1 per cent in July. Transport costs are the largest driver to the decrease in annual inflation, the Office for National Statistics (ONS) said. The increase of VAT to 20.0 per cent in January will add to inflation when contrasted with 12 months earlier when the tax was 17.5 per cent.

The Bank has forecasted a decrease in CPI in 2011, but the bigger-than-expected rise today may also prompt it to begin moving interest rates up from their current record low of 0.5 per cent earlier than expected by the market.

The Retail Prices Index, which includes mortgage interest payments, decreased slightly from 5.0 per cent to 4.8 per cent on the month.

## **Income Strategy**

As part of our overall income strategy we will seek to:

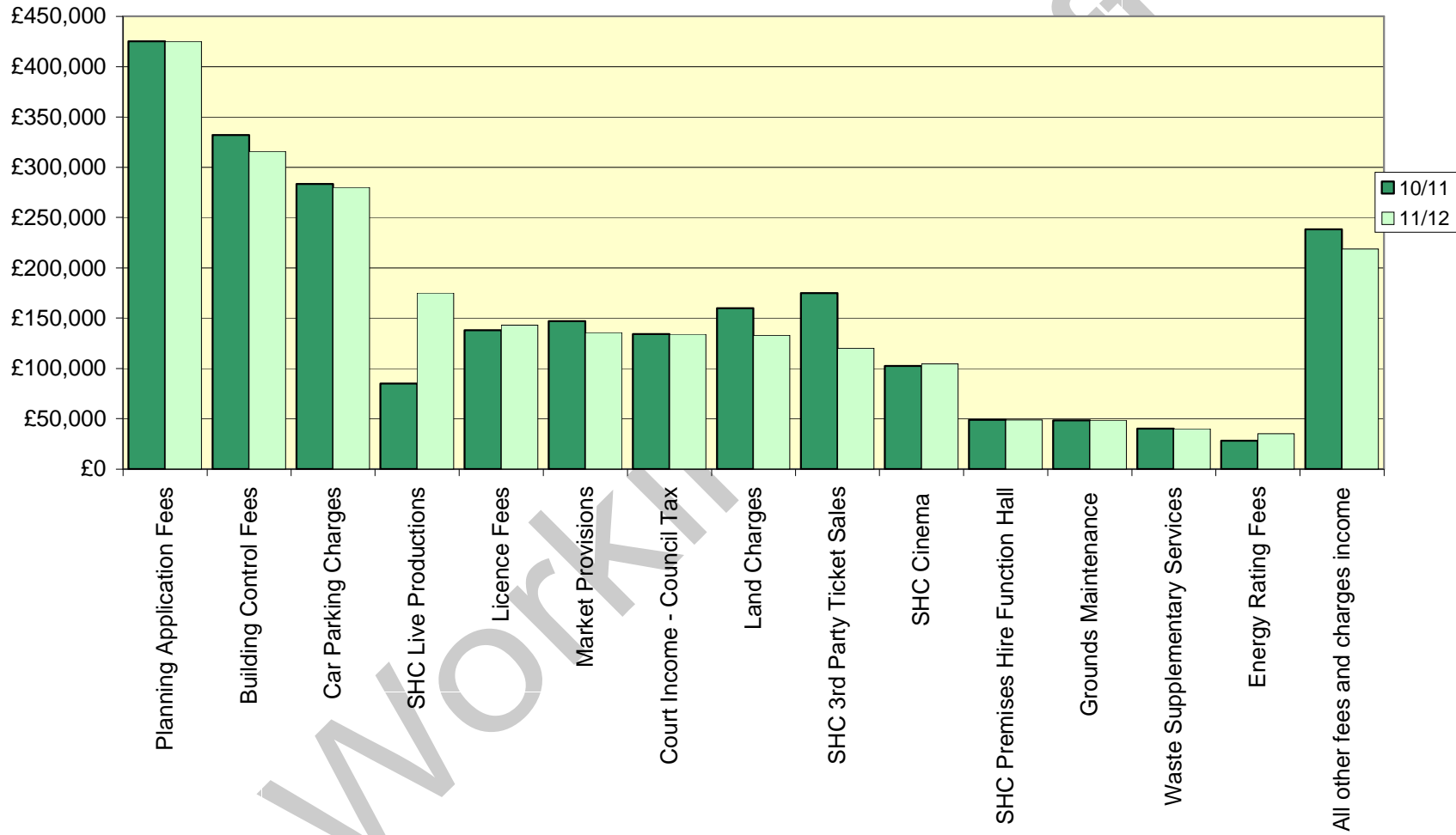
- Ensure that the yield from fees and charges matches the increase in base budget for services that levy fees and charges, otherwise the shortfall will fall upon the council tax payer.
- Maximise the return from the Council's asset holdings
- Annually review fees and charges for discretionary services.
- Ensure statutory charges are implemented.
- Monitor compliance with the corporate charging policy and corporate debt policy
- Set targets for income collection and levels of arrears. These will be monitored, reported to managers and members and necessary action taken when needed.
- Maintain detailed collection and recovery timetables governing activity for all major funds.
- Maintain and seek to increase our ratio of sales, fees and charges in relation to total expenditure.
- Treat windfall income as a corporate resource. However trading account managers will be given the opportunity to present a business case for re-investment in their service area.

- Measure the subsidy paid to community organisations as the difference between actual rates and commercial rates.
- Establish rules for the operation of Trading Units so that they can trade effectively.
- Use enforcement remedies effectively
- Seek to minimise benefit subsidy losses.

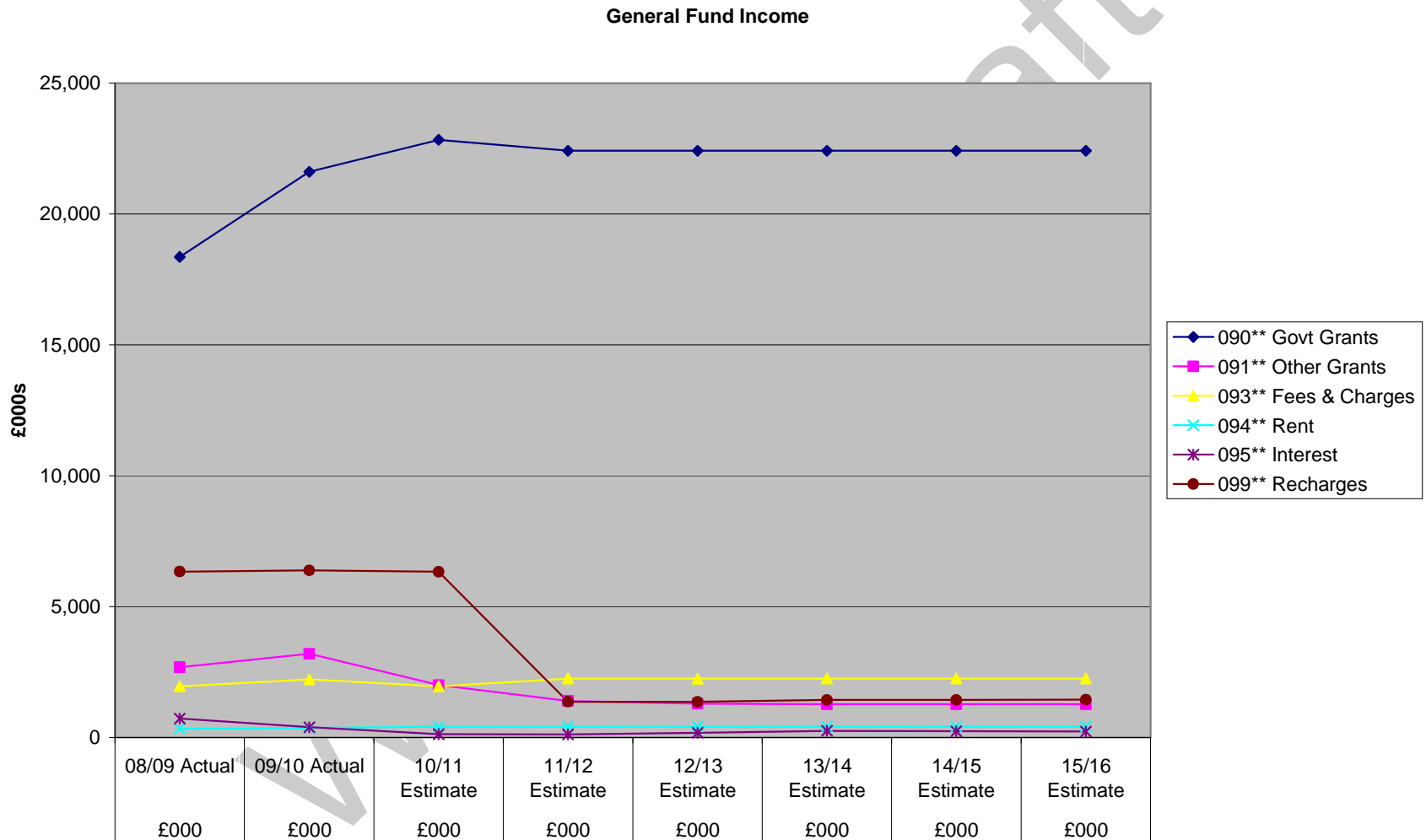
In total £2.3m is due from fees and charges in the 2011/12 draft budget. The chart below shows the main categories of fee income in 2011/12 (and 2010/11 for comparison). This will be updated once estimates are finalised:

Working draft

Income from Fees and Charges



The chart below shows the major categories of income to the general fund from 2008/09 to 2015/16.



## Grants

The Council will use external funding opportunities and specific grants to meet Government targets and to improve services e.g. Homelessness. However, where grants are available only over fixed timescales, we will have a defined exit strategy or efficiency programme to ensure the ongoing cost doesn't fall upon the council tax payer or tenant.

We will endeavour to claim up to the maximum subsidy entitlements on grants. We will follow the Audit Commissions guidance on grants '*Claims and returns: Good practice for authorities*'.

## Lobbying

The authority is committed to lobbying the Government to secure adequate funding for local authorities. We will support the Authority's membership of special interest groups that reflect our issues such as SPARSE (Sparsity Partnership for Authorities delivering Rural Services). We will also work with the Lincolnshire Finance Officers' Group and the Society of District Council Treasurers. The Leader of the Council works with the Local Government Association on housing issues, and is Chairman of the District Councils Network and on the Executive Board of the East Midlands Councils. The Chief Executive is the Senior Vice-president of the Society of Local Authority Chief Executives (SOLACE). We will also support the Flood Defence Group that meets regularly with DEFRA. We will focus our lobbying on a number of key issues such:-

- Government grant distribution formula, and the raw deal that very rural areas get from the formula;
- Population especially migrant workers
- Internal Drainage Boards funding
- HRA reforms

We have established an IDB Liaison Meeting. The intention is for the Sub Group to meet on an annual basis as part of the council tax setting/consultation process and with a view to discussing issues of relevance to each of the parties which could impact on the council tax. We would like to use the Sub Group as an opportunity to discuss other matters of mutual interest/concern to ourselves and the IDBs.

**Council Tax Base**

As part of our strategy we will work to refine our estimating processes to ensure that the tax base reflects the latest forecast of development in the district.

**South Holland Population Projections 2009-2028**

The following table outlines the likely population growth in the district.

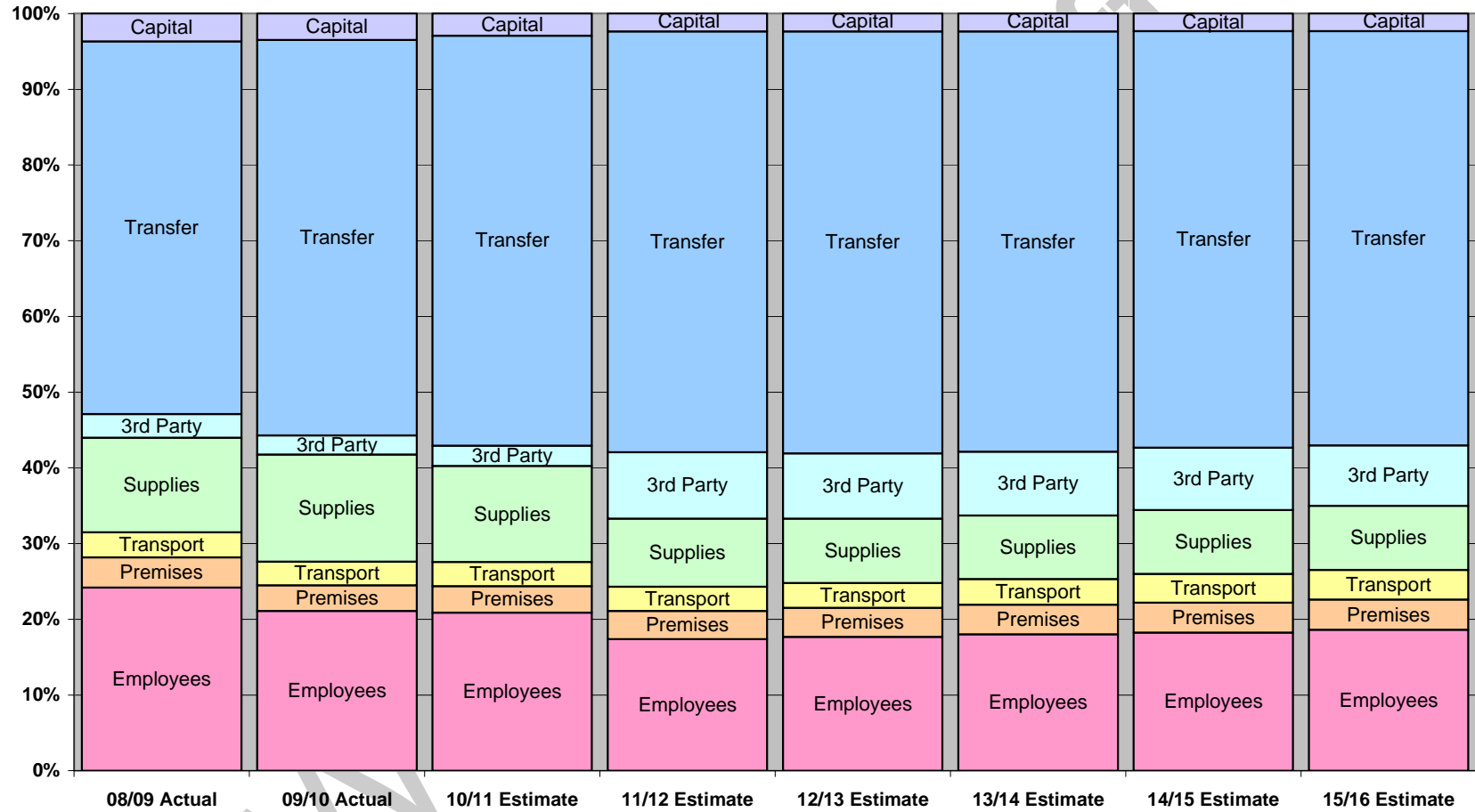
Mid Year	Population (as measured by) Office of National Statistics Mid 2008	Percentage Change
2009	84,100	
2013	87,500	4.04%
2018	91,700	4.80%
2023	96,000	4.69%
2028	100,000	4.17%
2033	103,600	3.60%

**South Holland Population by Age Range (mid 2009 population estimates in thousands)**

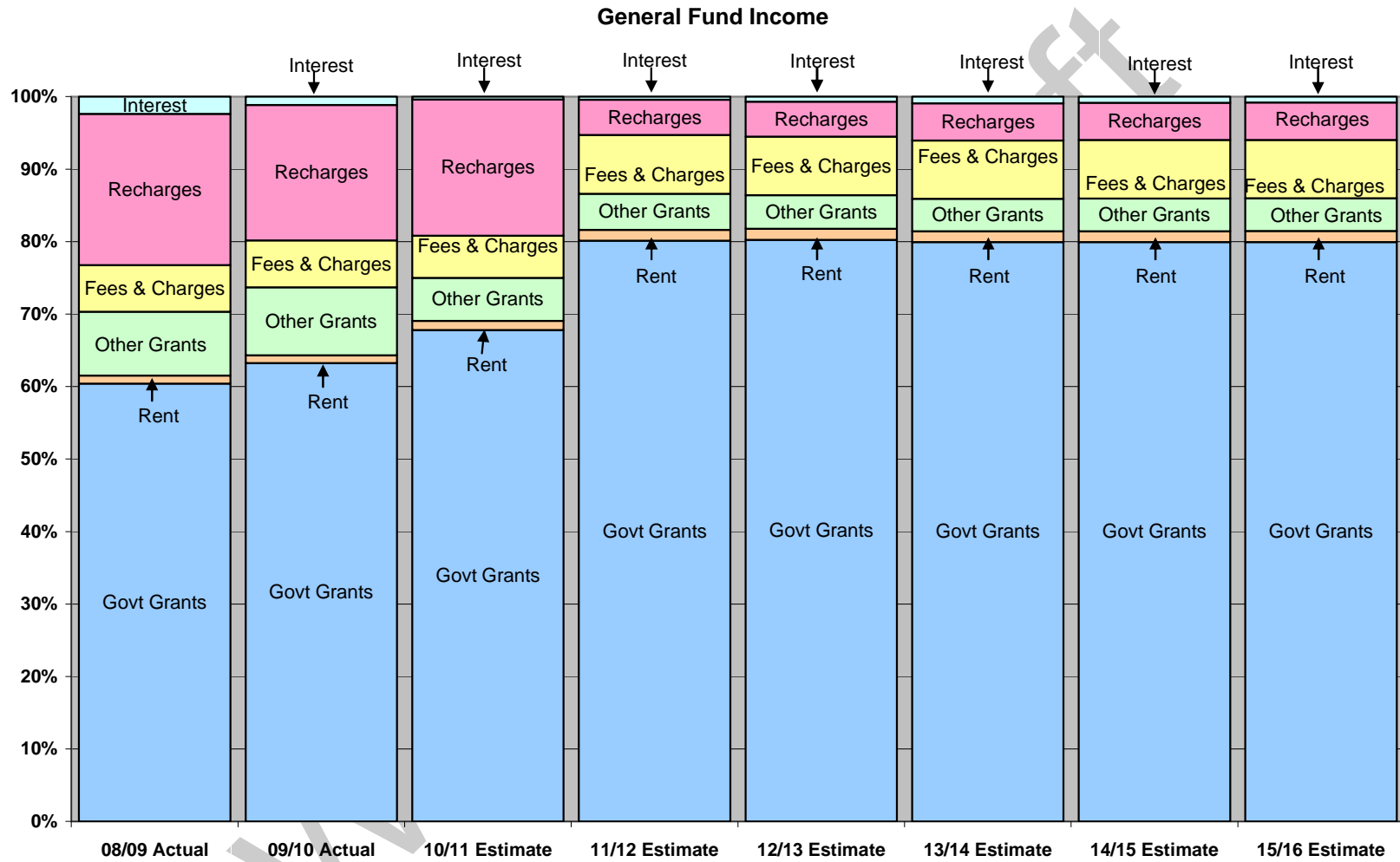
All ages		0-14		15-24		25-44		45-64		65-74		75+	
M	F	M	F	M	F	M	F	M	F	M	F	M	F
41.1	42.9	6.8	6.7	4.6	4.1	9.5	9.7	11.5	12.0	4.8	5.1	3.9	5.3

The tables below show how the components of income and expenditure are made up. Staffing costs are the most significant expenditure area which is under our direct control. These are draft figures and will be updated once expenditure plans are finalised. The increase in 2011/12 third party payments and reduction in employee costs reflects the establishment of Compass Point Business Services (East Coast) Ltd to provide back office services. Many aspects of transfer payments are demand led and re-imbursed through government grant e.g. housing benefit payments.

General Fund Expenditure (excluding support services)



South Holland District Council

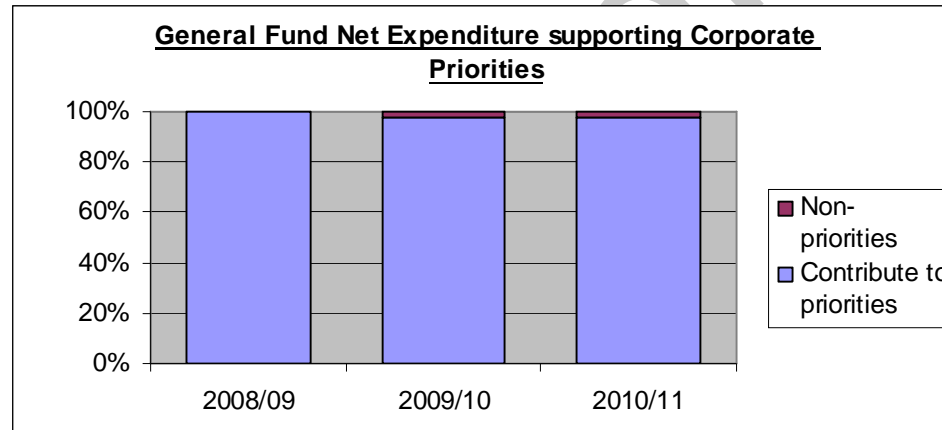


**Discounts for Second Homes**

We apply council tax discount for second homes at a minimum of 10% - except for second homes of people who live in accommodation provided by their employer (tied accommodation) where the discount is 50%. We will also charge full council tax on long-term empty properties. This could be under review but is unlikely to change.

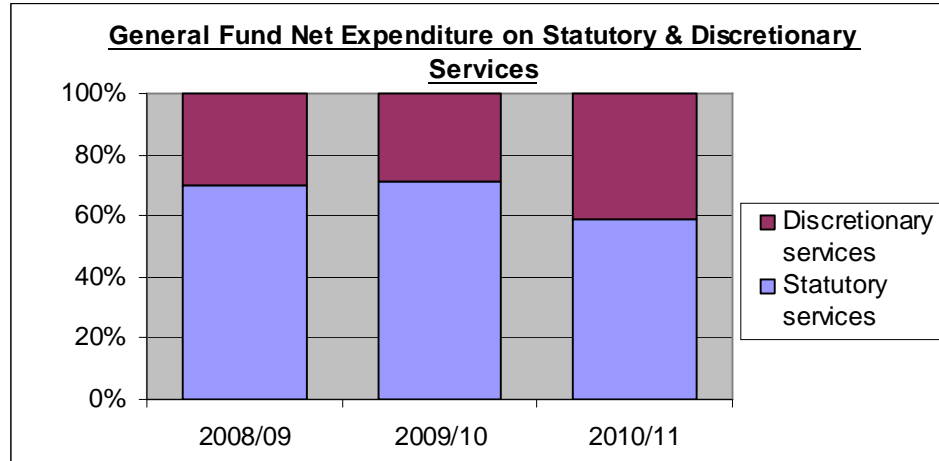
**Resource Allocation (will be updated once final figures are available)**

To demonstrate how we make best use of our resources, we analyse our budgets to show how they support our corporate priorities. The table below shows the position for the financial years 2008/09 to 2011/12.

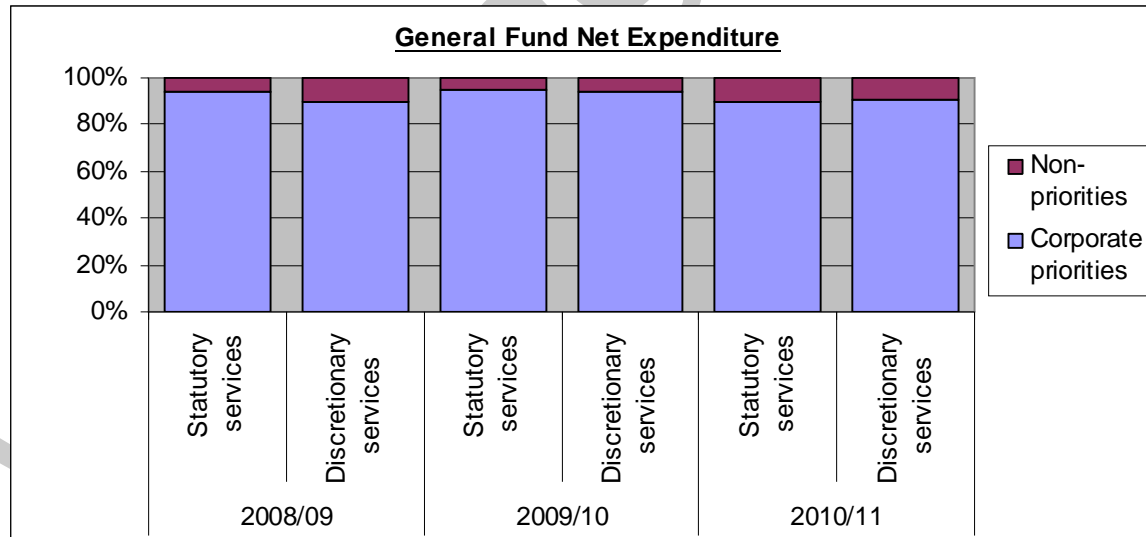


An analysis of net General Fund expenditure on statutory and discretionary services over the period 2008/09 to 2010/11 is shown below.

South Holland District Council



The table below shows how statutory and discretionary services support corporate priorities.



### **Partnerships**

The local authority is uniquely placed to bring together private, public and voluntary groups in the community to drive forward change. The Audit Commission have advised that if governance arrangements within partnerships are weak, or not fully thought through, then the partners discharging the accountable body role are at risk either financially or reputationally. As part of our strategy the desire to avert risk will not undermine the opportunity to use partnership arrangements to deliver improved services. As a solution we will ensure that appropriate systems of control are in place and well documented.

- On major partnership projects such as merged services and shared management teams, project boards will ensure that governance arrangements are in robust and that risks are appropriately managed.
- For strategic partnerships, such as the Community Safety Partnership, we will use the Bridge partnership evaluation tool.
- For operational partnerships, we will ensure that contracts, service level agreements or other formal governance arrangements are in place.
- We will identify and manage partnership issues and risks in Performance Plus as part of our integrated performance management framework, which is regularly reported to the Cabinet, Performance Monitoring Panel and the Governance and Audit Committee.
- When SHDC is the 'accountable body' we will ensure that effective controls and governance arrangements are in place.

### **Balances and reserves**

Reserves are defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as follows:

“Amounts set aside for purposes falling outside the definition of provisions should be considered as reserves, and transfers to and from them should be distinguished from service expenditure disclosed in the Statement of Accounts’.

A statement of the adequacy of reserves is prepared as part of the Council Tax and Rent setting reports. Reserves are reviewed annually by the Strategic Management Team and the Cabinet will receive a report on the Authority's reserves, together with an assessment of the key financial risks.

Part 11 of the Local Government Act 2003 introduces a requirement for the Chief Financial Officer to report upon the robustness of the estimates made for the purposes of the budget and tax setting calculations and the adequacy of proposed reserves. There will be an assessment of the minimum level of reserves linked to:

- The risks identified in the corporate risk register.
- Demand led services and pressures upon them
- Inflation and interest rates
- Underwriting arrangements

We will set out to manage the risk and uncertainties by demonstrating that reserves and balances represent at least a minimum level after allowing for contingent liabilities. Setting the level of general reserves is one of the decisions to be made in the formulation of the medium term strategy.

The General Fund Balance will not be used to provide an on-going revenue funding stream with the exception of the costs of re-structuring, pension capital costs and associated costs. Consideration will also be given to short term fund initiatives (1 yr – 3 yrs), that they themselves will have ongoing positive revenue funding implications. These initiatives are known as ‘invest to save’ options, with savings being returned to General Balances.

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Expenditure should not be charged direct to any reserve.

For each reserve held there will be a statement setting out:

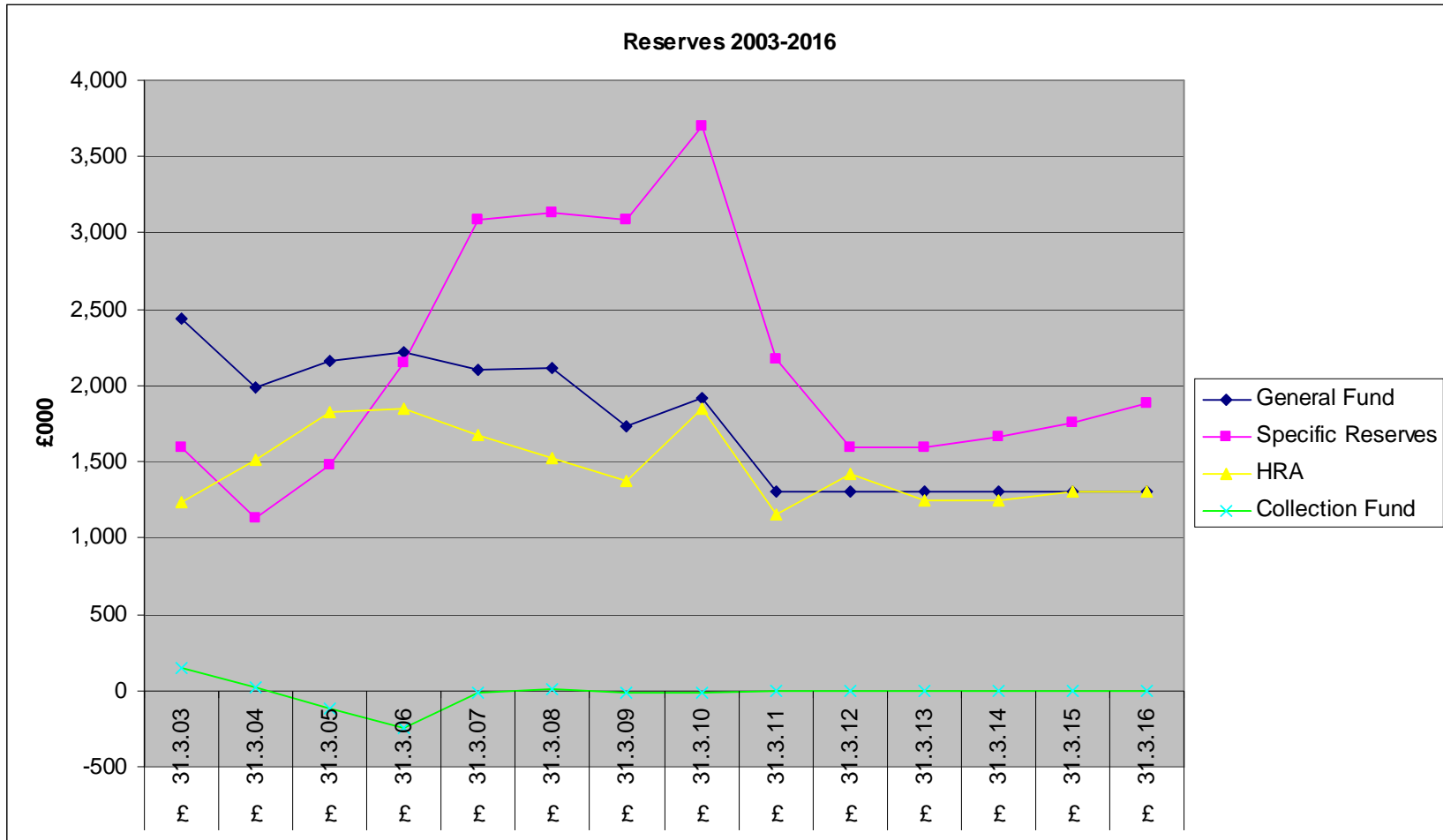
- The reason for/purpose of the reserve
- How and when the reserve can be used
- A process for annual review
- Minimum and maximum levels
- Procedures for management and control will be drafted by the Head of Finance and included in Financial Regulations and Financial Procedures

The Council has previously indicated an objective to set a budget, which does not require any long-term support from balances to achieve a fully balanced budget, but the Council Tax reserve will be used to smooth out peaks and troughs in expenditure.

The Authority's exposure to risk is regulated by the Corporate Risk Management Group. Whilst it is generally accepted that risk mitigation does not necessarily drive a material increase in spending, it should nevertheless be borne in mind that risk exposure will influence the level of general reserves year by year. An assessment of the risks faced by the Council has been undertaken using a risk matrix. An evaluation was made of the short/medium term risks to the Council which could lead to overspends and an evaluation of the factors which could impact on the Council's reserves over the longer term. In setting the level of General Balances, consideration has been given to the adequacy of financial control, the overall financial position, Medium-term financial plans and the strategic, operational and financial risks facing the Authority. It is proposed that General Balances are set at a minimum level of £1.3m and a maximum of £2.0m. Minimum balances on significant specific reserves are also recommended.

Reform of the local authority housing finance system with the abolition of the housing subsidy system after over 20 years is expected to be implemented in 2012. Although details and operation of the settlement are still now known, it does transfer risks to the local authority from central government.

South Holland District Council



## Provisions

The Code of Practice on local authority accounting is prescriptive about when provisions are required. A provision must be established for any material liabilities of uncertain timing or amount to be settled by the transfer of economic benefits. As part of our overall strategy we will comply with the Code of Practice.

## Approved Treasury and Investment Strategy

This Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the heads of **Specified Investments** and **Non-Specified Investments**.

This Strategy also sets out:

- The procedures for determining the use of each asset class (advantages and associated risk), particularly if the investment falls under the category of “**non-specified investments**”;
- The maximum periods for which funds may be prudently committed in each asset class;
- The £ or % limit to be invested in each asset class;
- Whether the investment instrument is to be used by the Council’s in-house officers; and, if non-specified investments are to be used in-house, whether prior professional advice is to be sought from the Council’s treasury advisors;

The council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Revised Code of Practice on Treasury Management. The primary requirements of the Code are to set out the policies and objectives of the Council’s Treasury management activities, maintain Treasury Management Practices, preparation of a strategy, annual review and scheme of delegation.

The current strategy covers:

- the current treasury position;
- prospects for interest rates;
- treasury limits in force which will limit the treasury risk and activities of the Council;

- the borrowing strategy;
- the investment strategy;
- the extent of debt rescheduling opportunities;
- any extraordinary treasury issues

We will set our minimum revenue provision at the basic rate for the General Fund but at nil for the HRA. This will be reviewed if we undertake any borrowing.

The 5 year cash-flow forecast has been estimated at summary level for inclusion in the draft estimates. A more detailed exercise analysing each cash-flow stream is currently being undertaken and will be updated before the Medium Term Financial Strategy is finalised. **(Will be updated once data is available)**

Year	Actuals	Estimate	Estimate	Estimate	Estimate	Estimate
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Opening balance</b>						
<b>Expenditure</b>						
Supplier payments						
Superannuation						
Taxation						
Capital payments						
Housing benefits						
Pooled capital receipts						
Salary payments						
Negative subsidy						
Precepts						
Business rates						
Other						
<b>Total Expenditure</b>						

<b>Income</b>						
Housing rents						
Council tax						
Business Rates						
Interest						
VAT						
Supporting people grant						
Benefit subsidy						
Finance settlement						
Capital receipts						
Capital income						
Grants						
Fees and charges - debtors						
Fees and charges – cash						
Returns						
<b>Total Income</b>						
<b>Net flow</b>						
<b>Closing balance</b>						

**Income and Expenditure Assumptions**

These will be available when the 5 year cashflow has been finalised.

**Balance Sheet**

The balance sheet will be updated and put into IFRS format when the final strategy is published

<b>Operational Assets</b>	<b>31<sup>st</sup> March 2010</b>	<b>31<sup>st</sup> March 2011</b>	<b>31<sup>st</sup> March 2012</b>	<b>31<sup>st</sup> March 2013</b>	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2015</b>
Intangible Assets	140					-
Council Dwellings	166,387					
Other Land & Building	21,404					
Vehicles, plant & equipment	768					
Infrastructure assets	1473					
Community assets	666					
Non-Operational Assets	4,142					
<b>Total Fixed Assets</b>	<b>194,980</b>					
<b>Long Term Debtors</b>						
Mortgages	-					
Other	245					
Long Term Inv	-					
<b>Total Long Term Assets</b>	<b>195,225</b>					
<b>Current Assets</b>						
Stocks and Work in Progress	43					
Debtors	3,797					
Investments	11,808					
Cash and Bank	47					
<b>Total Current Assets</b>	<b>15,695</b>					
<b>Current Liabilities</b>						
Temporary Loans	-					
Creditors	-4,897					

South Holland District Council

<b>Operational Assets</b>	<b>31<sup>st</sup> March 2010</b>	<b>31<sup>st</sup> March 2011</b>	<b>31<sup>st</sup> March 2012</b>	<b>31<sup>st</sup> March 2013</b>	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2015</b>
<b>Total Current Liabilities</b>	<b>-4,897</b>					
<b>Current Assets Less Current Liabilities</b>	<b>10,798</b>					
<b>Total Net Assets</b>	<b>206,023</b>					
Long Term Borrowing	-					
Government Grants - Deferred Account	-3,311					
Provisions	-					
Pensions liabilities	-36,293					
Deferred Credit	-					
Contributions and Grants	-3,745					
<b>Total assets less liabilities</b>	<b>162,674</b>					
<b>Financed By:</b>						
Revaluation Reserve	10,653					
Capital Adjustment Account	178,116					
Usable Capital Receipts Reserve	2,654					
Deferred Credit	68					
General Fund Balance	1,912					
Major Repairs	498					
Specific Reserves	3,701					
Housing Revenue Account Balance	1,395					
Pensions Reserve	-36,293					
Collection Fund	-30					
<b>Total Equity</b>	<b>162,674</b>					

**Methodology and assumptions**

This will be included when the 5 year balance sheet has been finalised.

Working draft

South Holland District Council

South Holland Balance Sheet Analysis Matrix	31/03/10 Recent balances (£000's)	Materiality		Criticality of area to operational delivery (eg assets used for delivery-critical areas)	Past experience (eg history of material error / fraud / poor performance)	External scrutiny: area of political/public sensitivity?	Judgement: area where specific expertise is required?
		Balance sheet values	Impact on operating costs				
Tangible Assets - Council Dwellings	166,387						
Tangible Assets - Other	22,172						
Intangible Assets	140						
Infrastructure Assets	1,473						
Community Assets	666						
Non-Operational Assets	4,142						
Long Term Debtors	245						
Long Term Investments	0						
Stock and work in progress	43						
Debtors	3,797						
Investments	11,808						
Cash and Bank	47						
Creditors	-4,897						
Government Grants - Deferred Account	-3,311						
Contributions and Grants	-3,745						
Pensions liabilities	-35,946						
General Fund Balance	-1,912						
Earmarked Reserves	-3,701						
Housing Revenue Account Balance	-1,395						
Collection Fund	30						
Other Reserves	-156,043						

## Section 4.0 – Value for Money and Efficiency

### Contents

1. Overview
2. Purpose
3. Background
4. Aim and objectives
5. Principles
6. Framework
7. Underlying Principles of the Framework
8. Resource and Performance Management
9. Leadership and Governance
10. Action Plan
11. Summary and Conclusions

### Appendices

1. Action Plan

### 1. Overview

- 1.1 Since the approval of the last strategy there have been significant changes at a national level. On the 20<sup>th</sup> October 2010, the Chancellor announced the new Government's Spending Review, fixing the spending budgets for each Government department up to 2014/15, to help bridge the current national deficit.

The headlines for local government state that there will be a 28% reduction in grant funding to councils over the next four years. In real terms this is 7.25% for each of the next four years (a total of 26% in cash terms). This is likely to be front loaded with greater savings requirements expected in 2011/12 and 2012/13. Councils will need to work dynamically and with innovation, to make savings of this magnitude. In return the Government has said that the grant reductions will be accompanied by new financial flexibility, freedom and free from red tape. South Holland District Council (the Council) will need to ensure that it maximises the new opportunities that are available to it. In

addition, changes have been made by the Coalition Government to the inspection, performance management and reporting regimes, reducing bureaucracy, therefore saving time and money. Complying with government returns and data requests is estimated to cost local authorities nearly £300 million. The Council is no longer required to report against targets such as the efficiency indicator NI179. However the Government have stated that they will be issuing a much reduced, VFM focused national dataset imminently.

- 1.2 As such, the Government is clear that councils need to continue analysing what tax payers' money delivers. By reducing reporting requirements local government has more flexibility and freedom to make their own decisions about where and how savings are found. Even though reporting against the Local Area Agreement and NI 179 have ceased with immediate effect, the Council must still achieve VFM, not just in reducing or containing cost, but also maintaining quality and performance. The Council needs to plan for this and monitor closely any new requirements.
- 1.3 The Council's traditional approach to VFM changed in 2009 with a greater focus on the shared services agenda and subsequent service redesign and transformation. In 2010 the Council established a jointly owned merged services company, Compass Point Business Services (East Coast) Ltd with East Lindsey District Council to operate Customer Services, Revenues and Benefits, ICT, Human Resources and Finance for the two authorities. Through the jointly owned company, all five services have been redesigned and transformed delivering improved services standards and related performance and cashable efficiencies for both councils.
- 1.4 This approach to VFM and efficiency continues to be a priority for the Council. The Council is developing it further, by exploring new opportunities for sharing, merging and developing staff and services. In August 2010, Breckland District Council and South Holland District Council agreed to appoint a joint Chief Executive. There are now proposals for sharing a senior management team with considerable financial efficiencies for both Councils. Over the next 5 years all services will be subject to detailed reviews and challenges.
- 1.5 The Strategy is now updated to reflect the Council's involvement in the merged services programme with East Lindsey District Council and Phase I (merged management team), with Breckland District Council.
- 1.6 Local Authorities now have a duty under the Equality Act to carry out equality impact assessments as part of the decision making process, on where to make cuts and reduce services. The effect of such cuts need to be factored

into the decision making process, such as the effect on disadvantaged groups, or the local economy. If the Council decides to stop providing a service, it may also have a knock on impact on statutory provision, which could raise questions about legality.

- 1.7 An announcement was made in August 2010 that the Audit Commission is to be abolished, but it is likely that councils will still be required to externally demonstrate how they achieve value for money. The Council is keen to ensure that it is at the cutting edge of new developments and ways of working. As such the Council has invited the IDEA to peer review our medium term financial strategy in January 2011.
- 1.8 The Spending Review announcement focused on three key principles of Reform, Fairness and Growth. Reducing government of waste will be a high priority, and we will need to make change to reflect the current climate where every Council service is under scrutiny. Ministers are also pressing ahead with the transparency agenda, pro-actively publishing details of hospitality and gifts received by Ministers. They have indicated that transparency will be an integral part of Government business, so the public have the right to hold public bodies to account.
- 1.9 This Strategy must reflect the Governments drive for transparency, being at the centre of the Spending Review. Key themes such as cutting waste, driving improvements in public services and making all of us more accountable to the taxpaying public, should be a strong focus in our day to day business.
- 1.10 With the introduction of Gershon and more recently NI 179, over the last few years we have seen central guidance and reporting of efficiency taking different forms. Even though we have not been specific efficiency targets to meet, given the key messages above, it is even more important that we deliver what we say we will and are constantly striving for innovation and improvement.

## 2. Purpose

The purpose of this Strategy remains consistent:

**“To provide a practical framework that will help elected members and officers of the authority make decisions that consistently promote the more efficient use of resources with the object of ensuring we continue to be able to provide high quality services to those who need them at a reasonable cost”.**

The Strategy is called the Efficiency and Value for Money (VFM) Strategy, informing the Efficiency and VFM element of the Council's Medium Term Financial Strategy (MTFS).

This strategy has been written at a challenging time, when it is crucial the Council focuses on how we manage with less, but at the same time challenges the way we do things in order to transform the way we do business at SHDC.

### 3. **Background**

3.1 The days are gone when the Council could 'salami slice' surplus budgets to make savings or realise efficiencies. In this bleak financial climate, the Council needs to be dynamic, flexible and innovative in the way that it tackles value for money and efficiency. The Council is now operating in a very challenging financial environment which over the next 5 years will be characterised by:

- Reduced levels of Revenue Support Grant.
- A Government intention to work with local Authorities to ensure that there is a Council Tax freeze for 2011/12. £650m in annual funding has been awarded to cover a four year council tax freeze in 2011/12. CLG will give authorities who agree to freeze or reduce their Council Tax in 2011/12 a grant equivalent to a 2.5% increase in its 2010/11 basic amount of Council Tax, multiplied by the Councils 2011/12 tax base. It is thought that this will not be additional money to the Council, but grant reductions will be made elsewhere to cover this.
- 'Tax Increment Finance powers', allowing councils to fund key projects by borrowing against future increases in locally collected business rates.
- Ring fenced revenue grants will cease to be ringfenced and some will be rolled into formula grant.
- Rapidly needing to decide on priorities and agree on what services they will provide. It is acknowledged that efficiency savings alone will not deliver savings required and radical transformation is needed. This brings the opportunity to radically restructure both budgets and service delivery.

- Council management structures will need to change and be rationalised. Shared Chief Executive Initiatives are more regular, but this should now be extending to cross council, reducing layers and roles. Back office functions will be dramatically reduced, but capacity to deliver will remain an important focus.
- Few opportunities to generate high volumes of income through charging or trading. Interest levels remain at historical lows curbing increases in income from investments.
- Continued reform, such as Housing reform, may have place additional pressures on service delivery. For example, the abolition of the current housing subsidy system and housing benefits may impact on homelessness and families in B & B accommodation.
- Increased competitive pressures on traditional sources of income such as building control and land charges fees. The state of the economy and the move out of recession is still very slow and fragile also frustrates the generation of additional or more robust income streams.
- An increased emphasis on VFM; that is, demonstrating the services we provide achieve a proper balance between cost, customer satisfaction and performance. The Council will also review competency of service delivery. There are associated cost pressures with the South Hollands growing population, higher than the National average and mainly due to inward migration of retired people.
- Pooled community budgets are being piloted, with a view to improving outcomes within Council areas.

3.2 There are both risks and opportunities for the future under this new Coalition Government. Even though we don't have details of the settlement until December 2010, we already know the questions we need to ask ourselves when we think of new initiatives to be explored in the efficiency strategy and action plan.

- Is there scope for efficiencies to bridge the gap?
- Is it politically deliverable?
- Is it sustainable?
- Is it for tomorrow, forever, or the foreseeable future?

#### 4. **Aim and objectives**

- 4.1 Our Strategy provides clear and concise guidance to all managers on the factors that drive a need for greater efficiency and VFM savings and how these can be achieved:

**South Holland District Council's Efficiency and VFM Strategy is to achieve annual efficiency gains so the authority can achieve its level of Council Tax as stated in its Medium Term Financial Strategy.**

- 4.2 Prior to the Spending Review, efficiencies reported under NI 179 had to be Cashable to be eligible. These were identified as no cuts in service, less resource is used to deliver the same outcome, and/or the resources used are obtained for less.

The emphasis has now changed, with no set percentage to be achieved, 4% of budgeted expenditure in (2009/2010-2010/11). Significant cuts in expenditure will mean that the three points above will not be met and the efficiencies will not be cashable resulting in possible reductions in services. However, the Council is committed to protecting the delivery of front-line services.

#### 5. **Principles**

- 5.1 In order to achieve this Council is committed to this Efficiency and VFM Strategy which reflects the following principles:

- **Value for Money**  
The Council's efficiency and VFM strategy and associated action plan helps ensure that delivery of services is economic, efficient and effective. It must contribute towards best value and continuous improvement.
- **Innovation**  
The council will be dynamic and strive towards innovation in the delivery of this strategy.

- **Transformation**  
The Council will consider all forms of service delivery such as partnerships, shared services and outsourcing.
- **Transparency**  
The Council will be open and honest about its decision-making and activities based on the outcomes of the efficiency and VFM programme.
- **Can we do it differently and better?**  
The Council will need to review if we can do things differently and better.
- **Equal and Inclusive**  
The Council will ensure that all efficiency and VFM information and recommendations adhere to and support the Council's Equality Strategy and will neither favour nor exclude any groups or individuals. Equality Impact Assessments will be carried out, as required by law.
- **Legal and Professional**  
The Council's efficiency and VFM programme will comply with all relevant legislation and best practice

## 6. Framework

6.1 There are 8 key strands which provide the framework for, this refreshed Efficiency and VFM Strategy

1. **Workforce**
2. **Eliminating waste**
3. **Value for Money – lean systems, transformational programmes**
4. **Big Society**

5. **More effective procurement**
6. **More effective use of assets-asset planning approach**
7. **Merged Services – Sharing and merging services**
8. **Carbon Reduction**

6.2 Each strand is discussed in more detail:

**Strand 1: Review the establishment and capacity**

The Council's employees are its main variable cost. Over the next 5 years we will minimise the size of the establishment consistent with the delivery of the Council's priorities and maximise the capacity of the remaining establishment. Where savings are made by reorganising and restructure there should be no assumption that they may be reinvested rather than saved.

**Strand 2: Eliminating waste**

The Council consumes many different resources to carry out its business. This inevitably involves a certain amount of waste. The Council needs to have more of a clear understanding of where and at what quantity waste occurs. We need to understand why it happens and how it might be reduced to a minimum and be able to measure the efficiency gain that this would produce. A key strand of this strategy is to ensure that every part of the business demonstrates it has developed a clear understanding of these issues and has taken effective action to reduce and ultimately eliminate waste.

**Strand 3: Pursuing VFM -lean systems and transformational programmes**

Value For Money is achieved by balancing the cost of providing something with a desired level of performance and customer satisfaction. VFM is maximised when measures of performance and customer satisfaction are high and the cost of provision is relatively low. VFM is poor if costs are high and both performance and customer satisfaction are low. All services (whether delivered by the Council on its own or in partnership) are required to demonstrate that they deliver VFM. Where they do not, Heads of Service are required to implement improvement plans that

remedy this situation. Alternatively, the authority may choose to cease providing a service that does not represent VFM.

#### **Strand 4: The Big society**

The Big Society is the flagship policy idea of the 2010 conservative party general election manifesto and forms part of the conservative/liberal democrat coalition government framework. The aim is to create a climate that empowers local people and communities, by building a big society that takes power away from the politicians and gives it to the people. It is an attempt to restate the role of central government and produce entrepreneurial spirit and empower local people and communities. The Council will where possible, draw upon the skills and expertise of people across the District as we respond to the social, political and economic challenges we face. The Government will provide around £470m over the Spending Review period to support capacity building in the Voluntary and Community sector.

Councils are encouraged to make the best use of the voluntary sectors ability to deliver effective and innovative services. Given that efficiencies are not as easy to achieve, there is a greater need for diversity, innovation and cost savings that voluntary and community groups can offer in a difficult economic climate. We shall be strengthening links with the Voluntary Sector and Community Groups and looking to involve groups to help us see things in different ways.

The upcoming Localism Bill will give Voluntary and Community Groups 'contestability', more power to challenge and open up the opportunity to do things differently. In the Spending Review, the emphasis is giving Councils more freedom and flexibility. Decentralisation Minister Greg Clark has said he is not giving the Council more power to then see Voluntary and Community organisations being pushed out

The Government has also given direct control over local spending, free of centrally imposed conditions as part of the Spending Review. Phase 1 will see 28 Councils and their partners put in charge of Community budgets that pool funding into a 'single local bank account', giving communities more money to spend on key local priorities. As part of the Spending Review, Councils and their partners can develop solutions to local problems.

**Strand 5: More effective procurement**

The Council spends a substantial amount on contracts for works and the supply of goods and services. Collaboration with others (“strategic partnering”) and the implementation of a range of improved procurement processes are capable of delivering significant efficiencies. Since April 2008 we are partners in Procurement Lincolnshire. Our sustainable procurement strategy (and related action plan) continues to promote and deliver best practice in procurement. As part of a shared service we have more opportunity to achieve “economy of scale” savings through our greater purchasing power.

**Strand 6: Effective use of assets**

The Council owns or otherwise controls a substantial asset base, which must be used to promote the delivery of corporate priorities. Previous Asset Management Plans did not establish a clear link between the Council’s investment in assets, their retention or disposal and key corporate objectives.

A strategic asset review is planned which will ensure either direct or indirect maxim asset contribution to the achievement of the Council’s priorities. This includes consideration of:

- reduced running costs; and
- maximising rental income and income on capital receipts.
- Sweating our assets, planning ahead and disposing of those which are no longer of use.

In addition the Council owns a large amount of information that is kept electronically and on paper which should be utilised to promote the delivery of corporate and local priorities; there is a clear link between the use of customer data and an efficient organisation.

**Strand 7: Merged Services-Sharing and merging services**

South Holland District is amongst other Councils who have implemented merged service initiatives, started to review shared services or rationalise back office services. Some Councils have made significant savings, some of which have outsourced to the private sector, or conversely found it difficult to engage with other Councils to gain benefits.

- South Holland considers itself to be a progressive Council and has begun tackling this challenge through working with East Lindsey District Council to establish a jointly owned merged services company Compass point Business Services (East Coast) Ltd to operate Customer Services, Revenues and Benefits, ICT, Human Resources and Finance for the two authorities. In addition savings being made over 10 years, CPBS will work with the two Councils to achieve year on year efficiencies of around 3% will be on staffing costs and 2% on other costs, premises and overheads.
- The shared Chief Executive with Breckland district Council is also now in operation with the management restructuring exercise to commence shortly. There are strong indicators that the sharing of senior management across Councils will be successful.

The Council is also seeking out opportunities to deliver services in partnership with others provided:

- It is demonstrated that there are likely to be significant improvements to the quality of services offered to our customers at the same or a reduced unit cost; and/or
- The costs associated with building and maintaining a partnership are judged to be proportionate to the benefits it will realise.

### **Strand 8: Carbon Reduction**

The Council has developed a Carbon Management plan to reduce its own use of natural resources. The latest version was produced in April 2010. The council has a strategy to reduce its own use of natural resources and its impact on the environment. A carbon management programme has been set up under the auspices of the East Midlands CMP. This will seek to reduce energy and water consumption for SHDC operations and Council housing. We have developed a local risk assessment of the impacts of climate change on SHDC and its services under the NI 185. The Council is committed to reducing its own carbon emissions by 25% by 2014, resulting in potential savings of £400,000.

## **6.3 Alignment of resources with priorities**

When resources are scarce difficult choices have to be made. As a general rule the Council promotes greater investment towards corporate priorities. During the budget review process, a resource allocation exercise is carried out, so that we can see how much income and expenditure is directed towards the individual corporate priorities. This does not mean the Council will cease to provide a discretionary service, but where services are not concerned with the delivery of priorities, the level of budget provision and the method of delivery is regularly reviewed. Our annual budget and business planning process is integrated and all budget holders align initiatives and service delivery

## 7. Underlying Principles

Against our VFM and efficiency framework of eight strands, there are two underlying principles, which are in the process of being reviewed. These are:

- Embedding efficiency and VFM throughout.
- Smarter procurement.

### 7.1 Embedding Efficiency and VFM throughout South Holland

This Strategy must be applied to all significant decisions about the use of resources as they arise in the course of business. Service business plans and budgets must therefore indicate wherever possible the opportunities for making efficiency and VFM gains over the life of the plan and subsequent performance reporting must indicate whether the achievement of these gains is on track. All service based efficiency and VFM plans contained within these templates are reviewed by SMT, portfolio holders and the Cabinet annually as part of our integrated budget and business planning process. Services must take advantage of corporate projects that will deliver corporate efficiencies.

An approach that is focused on day to day business decisions and individual services is in itself unlikely to secure the level of efficiency gains that will be required to achieve our target; a more systematic approach is required to improve efficiency in a coordinated way across the whole Council. Therefore, a number of cross-council reviews

and initiatives will be implemented through this action plan, which will be monitored by SMT monthly and Cabinet on a quarterly basis.

## 7.2 Smarter Procurement

Robust and effective procurement is a key area (Strand 5) achieving value for money gains. This Efficiency and VFM Strategy reflects the Lincolnshire Sustainable Procurement Strategy to ensure these gains are realised. Efficiency and VFM within procurement ensures decisions are:

- Driven by desired outputs and results.
- Balance quality and cost.
- Based on a combination of whole life costs and benefits to meet the customer's requirements.
- Undertaken which reduce administrative processes and bureaucracy.
- Weighted to value innovation and creativity.
- Based within a competitive environment.
- Transparent and accountable.

The continuous improvement in the procurement aspects of efficiency and VFM will be monitored by the implementation of robust performance indicators and targets and procedures to manage contractual arrangements in order to measure performance and effectively benchmark.

Harnessing competition will improve the quality and efficiency of the procurement process, this will be achieved by utilising supplier/spend analysis in order to identify aggregation and collaboration opportunities; working closely

with partner authorities to identify and exploit procurement opportunities; and increasing the use of e-procurement and use of procurement websites in order to engage with the optimum number of potential suppliers.

## 8. **Resource and Performance management**

- 8.1 Performance against the Action Plan will be monitored by SMT, who “own’s” the Efficiency and VFM Strategy and are responsible and accountable for the delivery of the Action Plan and its periodic updating as some projects are completed and others are identified and added to the Plan. The action plan will be reported through Performance Plus. The S151 Officer and Compass Point Business Services (East Coast) Ltd are responsible for monitoring and reporting progress.

## 9. **Leadership and Governance**

The responsibility for Efficiency and VFM Strategy lies with all members and officers of the Council and is not restricted to those with resource or financial responsibilities.

- 9.1 **Role of SMT**– This cross-cutting group seeks to satisfy itself that VFM and efficiency is being sought and achieved at SHDC in line with this Strategy. The matrix group oversees the following activities:

- Integration of VFM principles within existing management, planning and review processes.
- Undertaking VFM/efficiency studies on areas of activity identified as worthy of review in line with corporate priorities and strategic direction.
- Demonstrating actively to both internal and external observers that VFM and efficiency is sought and achieved across the council.
- Ensuring that all staff recognise their continuing obligation to seek VFM and efficiency.

- 9.2 **Role of the Cabinet** - The Cabinet has a significant role to play in delivering Efficiency and Value for Money. Portfolio Holder meetings are held with Heads of Service and Budget Managers to address key areas for efficiency

review. Their role is to set the tone and influence the culture of Efficiency and Value for Money throughout the Council, including:

- Overseeing the activities and managing risks within this strategy and the VFM Matrix Group.
- Receiving reports from the VFM Matrix Group, ensuring recommendations are robust and challenging.
- Reviewing the Council's approach to Efficiency and VFM and approving changes or improvement to key elements of its processes and procedures.

**9.3 Role of Managers and Officers** – their key roles are to:

- Implement the recommendations of this Efficiency and VFM Strategy.
- Provide high quality information in a timely manner as and when required.
- Proactively seek opportunities for efficiency and improvement.

**9.4 Role of Scrutiny (Performance Monitoring Panel) and Internal Audit** – to scrutinise and provide advice on:

- The delivery of the Efficiency and Value for Money Strategy Action Plan.
- Ensuring VFM is included in the scoping for task groups.
- Reviewing benchmarking reports on VFM that have been commissioned
- Ask for reports from project leads on progress against the action plans to ensure sound project management procedures are in place.

- Undertake research into areas of VFM and efficiency best practice.

#### 10. **Action Plan**

The difficulty with many strategies of this kind is that there is often no effective mechanism to drive the kind of action that is required to bring about change, particularly now that the NI179 Government efficiency reporting has currently ceased.

Our drive for efficiency is supported by implementing an annual **Action Plan** that identifies a number of key projects that are intended to explore known opportunities for significant gains. This action plan is included at Appendix 1.

#### 11. **Summary and Conclusions**

The Efficiency and Value for Money Strategy will support the Council and its key partners in leading and delivering efficiency and VFM for the benefit of all local people and communities. Our action plan for 2011/12 – 2015/16 -is at Appendix 1.

The delivery of this strategy, its outcomes achieved and savings realised, will be monitored throughout, with a complete review within 12 months.

The action plan will be updated in response to the Council's financial position when the final grant determination is known.