

## APPENDIX A: MEDIUM TERM INFLUENCES AND KEY FACTORS

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The Government distributes over £70bn to local authorities in England each year, primarily on the basis of population. The focus for economic growth is expected to remain in the rural parts of the East of England over the next 20 years. The Region is expected:-

- Increase prosperity and productivity measured by the Gross Value Added per employee
- Increase employment and measure this by the employment rate of the over 16 population
- Protect the environment, measured by an overall reduction in CO2 emissions

Breckland is also an area with recognised pockets of deprivation and one which is subject to an ever changing balance within the community. These issues suggest 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 trend of '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 Breckland over the past few years, and results in demands on the Council which are not reflected in the grant formulae.

It is likely as issues such as economic well being, deprivation and migration are addressed they will be backed by funding opportunities. Our strategy will be to manage these opportunities to access national and regional funding for the benefit to of the local community.

## Investment Income

One of the most significant factors outside of the Council's control is interest rates, investment income will be closely monitored and our financial strategies will be tailored to become less reliant upon investment income.

There will be a key challenge to manage the equation of consuming capital resources and the impact that has on the annual budget requirement. A funding equation model is developed to aid decision making.

### Sensitivity matrix for Breckland Council 2008/09

Average rate of return	Average cash balance				
	£10m	£20m	£30m	£40m	£50m
%	Annual investment income (£000's)				
3.25%	£296	£592	£888	£1,184	£1,480
4.25%	£387	£774	£1,161	£1,548	£1,936
5.25%	£478	£956	£1,435	£1,913	£2,391
6.25%	£569	£1,139	£1,708	£2,277	£2,846
7.25%	£660	£1,321	£1,981	£2,642	£3,302

## **Economic Downturn**

2008 is seeing a general downturn in the economy. Inflation is running above Government targets, the housing market is operating at record low levels of activity and there is a general credit crunch impacting on both families and companies.

This brings with it uncontrollable influences on Breckland Council and will require the elevation of its risk management arrangements. Specifically our collection rates for debt will require scrutiny, our inflation assumptions will need constant configuration and the risks of our partners becoming unable to fulfil contractual arrangements must be considered.

Such a climate is also likely to place pressures on community supportive services and our finances must remain flexible to meet emerging needs.

Breckland's reliance on rental income through the success of its commercial property reserve is an obvious risk in a period of economic downturn. The Authorities annual assessment of reserves will be used to ensure this risk is mitigated against.

## **Pension Fund Contributions**

Legislation requires councils to make good any deficit to their employees' pension fund. No increase in employer contribution rates have been factored into the plan. The last triennial review of the Norfolk Fund was based on the position as at 31<sup>st</sup> March 2007. Employer contribution rates were set for the three years commencing 2008/09. An actuarial review in 07/08 increased the employer's contribution rate to 18%. This has been reflected in the 2008/09 Financial Plan.

2004-05	13.0%
2005-06	14.4%
2006-07	15.8%
2007-08	17.2%
2008-09	18.0%
2009-10	18.0%
2010-11	18.0%

## **Key Issues**

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

- **Local Area Agreement** – A Local Area Agreement (LAA) is a three year agreement between partners to deliver priorities for local people. Through the commitment to a shared vision, pooled funding, better coordination and innovation it aims to be responsive to local priorities and drive measurable improvements in public services, better access, customer satisfaction and greater efficiency across the county.

The LAA for Norfolk (Norfolk Ambition) is built around nine themes:

- Inclusive and Diverse
- Healthy and Well
- Safe
- Knowledgeable and Skilled
- Active and Engaged
- Environmentally Responsible
- Creative
- Economically Thriving
- Accessible and Well Housed

The LAA model will be increasingly used to deliver priority outcomes and distribute Government funding through the new non ring-fenced Area Based Grant. The council will receive grant to support the Cohesion agenda.

- **Strategic Service Delivery Partnerships** – In recent years Breckland have entered into contractual arrangements for the delivery of core services. This process is continuing into 2008 and will require focus on both governance and performance of our partners to ensure effective service improvement for local residents.
- **EU Expansion** – the inward migration into Norfolk brings additional demands on the Council, we will need to assess which service areas will be affected as the same rights are extended to migrant workers as those of the indigenous population.

- **Climate Change** - rising global temperatures will bring changes in weather patterns, rising sea levels and increased frequency and intensity of extreme weather events.
- **Housing Green Paper** – The Housing Green Paper – ‘Homes for the Future: more affordable, more sustainable’ was published in July 2007 by the Department for Communities and Local Government and will shape future housing policy.
- **Comprehensive Financial Review (CSR 07)** – The CSR 2007 introduced the first three year settlement which will allow more stability and encourage improved financial planning. Councils will also benefit from additional flexibility provided by the removal of specific grants and ring-fenced funding. However, the settlement was disappointing for Districts councils in a number of areas;
  - 85% of Districts suffered a ‘real terms’ decrease
  - Over 40% are now at the floor of 1% (double the previous level)
  - The floor is too low in real terms and also in relative terms when compared to other types of local authorities
  - Scale-back factors are very high (much greater than previous settlements)
  - There is a failure to recognise the efficiency gains that many Districts have already made
  - Population Measures – 2004 figures do not provide a proper foundation and need to reflect future forecasts not past trends

It is also disappointing to note that when local government is delivering a national government priority the cost of this is not funded centrally (in full) rather than at differing levels dependant upon the outcome of a grant system that results in differing levels of local contributions from Council Tax payers. Examples of this include waste and recycling and planning. The real terms funding increase will not enable councils to deliver new services promised by the government or meet the cost of providing services to increasing numbers of older people.

	2008/09	2009/10	2010/11
Aggregate External Finance	4.2%	3.5%	3.4%
Real Terms	1.5%	0.8%	0.7%

Grants from Central Government have grown by an average of 3.3% per year after inflation over the past decade, while Band D council rates have risen by an average of 4.2% per year. Yet the government has said that it wants Band D council tax increases to be held below 5% per year which would equate to 2.3% a year after economy wide inflation.

- **Efficiency Targets** – The Government has set a 30bn efficiency target across the public sector with a 4.9bn target for Local Government over CSR, this equates to 3% per annum all cash releasing. This will stimulate a Value for Money Focus on services. Individual authorities will no longer have an efficiency target unless agreed as one of the LAA targets, while achievement will be monitored by a single measure in the National Indicator set. An enhanced system of support will be delivered through the National Improvement and Efficiency Strategy to set out a route map for meeting the efficiency challenge.
- **Comprehensive Area Assessment** – The Comprehensive Area Assessment (CAA) will be introduced from April 2009 – it replaces the comprehensive performance assessment, joint area reviews, and annual performance assessments. There are 4 key elements:
  - An area risk assessment carried out jointly by the local service inspectorates
  - Publication of performance against the national indicator set
  - A scored direction of travel judgement for each authority and other public bodies – that identifies the rate of improvement and likelihood that this improvement will continue.
  - Scored Use of Resources judgement – reviews organisational effectiveness and how well resources are used to support priorities and service improvements, including the arrangements for achieving and improving Value for Money.
- **Democratic Community Leadership**

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 with the creation of the Thetford Task Force. 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.