

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE	Subject: MISCELLANEOUS SERVICES REVENUE BUDGET 2006/07	
From: Director of Finance		
Date: 13 December 2005	Ref: CE/JL/03/18	

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval for Miscellaneous Services Revenue Budget for 2006/07 together with a range of Corporate Efficiency Savings initiated by the Council as part of the budget strategy.

2. BACKGROUND

- 2.1 North Lanarkshire Council has an established three-year programme of integrated service improvement and financial planning linked to the Corporate Plan.
- 2.2 The Council's approach to three-year financial planning has enabled it to develop a more strategically based budget, linked to the corporate and service improvement planning processes. The Scottish Executive's Spending Review announcement in December 2004 set out the Council's grant funding for 2005/06, following adjustment for new burdens and initiatives, and provided details of funding for 2006/07 and 2007/08. The Local Government Finance Settlement confirmed funding for 2006/07 and provided details for 2007/08.

3. SERVICE IMPROVEMENT & FINANCIAL PLANNING PROCESSES 2004/05 to 2007/08

- 3.1 Last year, as part of the development of the three-year Financial Plan, departments were required to complete a detailed Cost of Service Provision (CSP) exercise, covering the period up to 31 March 2008. The projections for 2006/07 have been reviewed and are included in the revenue budget.

4. MISCELLANEOUS SERVICES REVENUE BUDGET 2006/07

- 4.1 The Revenue Budget for 2006/07 is attached as Appendices i to iv of this report for the Committee's consideration.
- 4.2 The base budget for 2006/07 consists of projected spending on services, uplifted to include pay and price pressures, e.g. pay awards, superannuation, national insurance, Retail Price Index increases, etc. In addition, CSPs have been incorporated into the current year's budget to reflect the increases required to maintain services at their existing level. Also included along with these expenditure pressure areas are items to reflect transfer of responsibility and new initiatives announced by the Scottish Executive over recent years. It should be noted that there are several centrally allocated budgets (e.g. capital charges, central repairs, and apportioned expenses) which may have to be realigned between departments as further information becomes available. The movement in the Miscellaneous Services budget amounts to £1.428m or (13.7%) and is summarised below:

	£000
Employee Cost Pressures	66
Other Cost Pressures	112
Prudential Code Funding	1,250
TOTAL INCREASE	1,428

4.3 Details of these budget adjustments are contained within the CSP attachments at Appendices i and ii.

4.4 The Department's budget position can be summarised as follows: -

	£000
Base Revenue Budget 2005/06	10,442
Add Budget Increases (see 4.2 above)	178
Revenue budget 2006/07	10,620
Overall percentage increase	1.7%

4.5 In noting the overall budget position for Miscellaneous Services, provision has also been included for the additional borrowing costs in recognition of the additional resources of £15m now added to next year's capital programme through the Prudential Code. These borrowing costs will eventually be added to individual departmental budgets following the finalisation of the budget process.

4.6 Over the coming weeks, departmental budgets, incorporating efficiency savings will be consolidated to enable the Council to evaluate and consider the potential for growth in service budgets prior to determining its overall spending plans and council tax levels for the forthcoming year. A meeting of the Council will take place on 9 February 2006 to consider these matters.

4.7 A separate report is being prepared for presentation to the Policy & Resources Committee outlining the outcome of the job evaluation/single status deliberations. This will include a full financial analysis of the impact that will subsequently inform the Council's budget process.

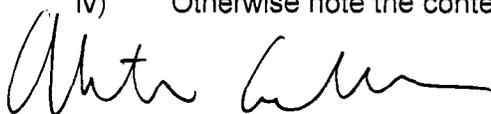
5. CORPORATE EFFICIENCY SAVINGS

5.1 In addition to the above, the Council has initiated a number of specific corporate efficiency areas that will assist in the delivery of the overall savings target of £8m in 2006/07. The value of efficiency savings within this category amounts to £1.825m and are detailed within appendix iv to this report. These savings will be allocated across individual departments on conclusion of the budget process.

6. RECOMMENDATION

6.1 The Committee is requested to:

- i) Note the level of CSP movements and increases as set out in Appendix i and ii;
- ii) Agree the base budget as per Appendix iii, prior to consideration of efficiencies.
- iii) Consider and make recommendation to the Policy and Resources Committee on the corporate efficiency savings as detailed in Appendix iv;
- iv) Note that any alterations to the department's Service Improvement Plan required as a consequence of finalisation of the Council's budget will be brought to the attention of this Committee; and,
- iv) Otherwise note the contents of this report.



Director of Finance

**North Lanarkshire Council
Current Service Provision (CSP) Adjustments 2006 /2007**

Committee : Policy and Resources (Finance) Sub-Committee

Service : Miscellaneous Services

1 Employee Cost Pressures

1.1	Inflationary Increase in Members Allowances.	30,000
1.2	Increase in Level of Members NI Contributions	35,697

Sub-Total of Employee Cost Pressures 65,697

2 External Contract Inflation

2.1	Inflationary Allowance on Payment to External Organisations	10,000
2.2	Inflationary Increase ex CDC/DLO Pension Arrangements	60,000
2.3	Inflationary Increase in External Audit Fee	42,000

Sub-Total of External Contract Inflation 112,000

Total Service Increase 177,697

3 Additional Borrowing Costs

3.1	Prudential Code Funding (year 3 provision)	1,250,000
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North Lanarkshire Council

Explanatory Notes to CSP Adjustments 2006/2007

Service : Miscellaneous Services

1 Employee Cost Pressures

- | | | |
|-----|--|--------|
| 1.1 | <u>Members Allowances</u>
Increase in budget provision required as a result of the increase in Special Responsibility Allowance which is uprated in line with the APT & C annual pay award. Increase also takes account of the rise in the number of Members now qualifying for Special Responsibility Allowance. | 30,000 |
| 1.2 | <u>Increase in Level of Members NI Contributions</u>
As a result of the above rise in Members eligible for SRA, National Insurance contributions have similarly had to increase to take account of this movement. | 35,697 |

2 External Contract Inflation

- | | | |
|-----|--|--------|
| 2.1 | <u>Inflationary Allowance on Payment to External Organisations</u>
Increase in Council's contribution to COSLA is based on previous years' levy / contribution to account for inflationary or similar increase as notified by COSLA. | 10,000 |
| 2.2 | <u>Inflationary Increase ex CDC/DLO Pension Arrangements</u>
Increase in budget provision required for pensions in respect of ex DLO and ex CDC employees as a result of inflation and number of payments not reducing as previously anticipated. | 60,000 |
| 2.3 | <u>Inflationary Increase in External Audit Fee</u>
Increase in budget provision is based on correspondence received from Audit Scotland in November 2005 which advised of an average increase of 3.8%. | 42,000 |

3 Additional Borrowing Costs

- | | | |
|-----|--|-----------|
| 3.1 | <u>Prudential Code Funding (year 3 provision)</u>
The Council's Capital Investment Programme, approved in September 2005, contained additional Prudential resources of £37 million for the period 2006/07 to 2007/08. The revenue resources of £1.250 million allocated within the 2006/07 budget will fund the required repayment profile for the first part of this investment. | 1,250,000 |
|-----|--|-----------|

TOTAL:**1,427,697**

NORTH LANARKSHIRE COUNCIL

ESTIMATE OF EXPENDITURE AND INCOME FOR THE YEAR ENDING 31st MARCH 2007

MISCELLANEOUS SERVICES - SUBJECTIVE SUMMARY

LINE NO.	(1)	EXPENDITURE	(2)	(3)
	2005/2006 REVENUE ESTIMATE		2006/2007 REVENUE ESTIMATE	MOVEMENTS
	£		£	
1	748,862	EMPLOYEE COSTS	844,559	95,697
2	383,500	Pensions (ex-CDC)	413,500	30,000
3	108,362	National Insurance	144,059	35,697
4	257,000	Pensions (ex-DLO)	287,000	30,000
5	123,849	TRANSPORT AND PLANT	123,849	
6	123,849	Travelling Expenses	123,849	
7	1,346,852	ADMINISTRATION COSTS	1,376,852	30,000
8	3,000	Printing, Stationery and Photocopying etc.	3,000	
9	66,773	Telephones	66,773	
10	33	Insurance	33	
11	97,217	Subsistence	97,217	
12	115,124	Conferences	115,124	
13	1,064,705	Members Allowances	1,094,705	30,000
14	5,001,693	APPORTIONED EXPENSES	5,001,693	
15	759,786	PAYMENT TO AGENCIES AND OTHER BODIES	769,786	10,000
16	571,000	Voluntary Organisations	571,000	
17	188,786	Other Bodies	198,786	10,000
18	(35,849)	MISCELLANEOUS	(35,849)	
19	(47,849)	Other Expenditure / Income	(47,849)	
20	12,000	Area Committees Forum	12,000	
21	50,000	CONTINGENCY ITEMS	50,000	
22	25,000	Provision for Members Training	25,000	
23	25,000	Provision for I.T. Training	25,000	
24	663,000	EXTERNAL FUNDING PROVISION	663,000	
25	202,900	INSURANCE COSTS	202,900	
26	373,000	EXTERNAL AUDIT FEES	415,000	42,000
27	140,000	BEST VALUE REPORTING	140,000	
28	2,500,000	PRUDENTIAL CODE FUNDING	3,750,000	1,250,000
29	37,681	CAPITAL CHARGES	37,681	
30	11,911,774	Total Expenditure	13,339,471	1,427,697

NORTH LANARKSHIRE COUNCIL

ESTIMATE OF EXPENDITURE AND INCOME FOR THE YEAR ENDING 31st MARCH 2007

MISCELLANEOUS SERVICES - SUBJECTIVE SUMMARY

LINE NO.	(1)	INCOME	(2)	(3)
	2005/2006 REVENUE ESTIMATE		2006/2007 REVENUE ESTIMATE	MOVEMENTS
	£		£	£
1	1,469,929	INCOME	1,469,929	
2	1,469,929	Departmental Recharges	1,469,929	
3	1,469,929	Income	1,469,929	0
4	11,911,774	Gross Expenditure b/f	13,339,471	1,427,697
5	10,441,845	Net Expenditure	11,869,542	1,427,697

CORPORATE EFFICIENCIES	
PROPOSED EFFICIENCY SAVINGS 2006/2007	
DESCRIPTION	AMOUNT £
<p><u>Procurement Initiatives</u></p> <p>The Efficient Government Initiative placed significant emphasis on the efficiencies which could be driven out of a more effective procurement operational framework. Taking this forward the Finance Department has commenced the initial stages of this and identified several areas which will achieve savings in a number of specific areas through more effective management of the Council's purchasing arrangements. This includes the areas of water coolers, telephony, photocopier/printers and consumables which have previously been reported.</p>	450,000
<p><u>Loan Charges</u></p> <p>Loan Charge forecasts have been compiled for the current financial planning period which take account of the impact of the increases in capital investment borrowing resultant from the flexible arrangements within the Prudential Code regime. In addition recognition has also been taken of the availability of current investments to partially fund this capital borrowing. This has resulted in an opportunity to reduce external interest costs by £600,000 in 2006/07 followed by a further £700,000 in 2007/08.</p>	600,000
<p><u>Insurance Costs</u></p> <p>The planned levels for both Liability and Property Insurance have now been optimised and on the basis that claims experiences continue to follow the trend established in recent years then there is scope to reduce these levels over the next two years. After taking cognisance of those claims relevant to the Housing Revenue Account, then savings of £300,000 can be achieved in 2006/07 followed by a further £300,000 in 2007/08.</p>	300,000
<p><u>Property Management</u></p> <p>The Housing & Property Department has recently concluded the initial review of the charging of water accounts for council properties. In addition to achieving a significant rebate from Scottish Water there are ongoing annual cost reductions. It is proposed to continue this rationalisation exercise and it is estimated that an initial saving of £125,000 can be realised for the 2006/07 financial year.</p>	125,000
<p><u>Service Rationalisation</u></p> <p>The area of improved " BackOffice" functions was an area specifically highlighted within the Efficient Government Initiative. The area of housing benefits, rents and council tax is currently being reviewed in light of potential service rationalisation across common working practices.</p>	100,000
<p><u>Absence Management</u></p> <p>In recognition of the Council's commitment to improve the management of sickness absence financial savings will accrue from these proactive measures.</p>	250,000
TOTAL SAVINGS	1,825,000