

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE		Subject: LOCAL GOVERNMENT FINANCE SETTLEMENT 2006/07 AND 2007/08
From: DIRECTOR OF FINANCE		
Date: 29 December, 2005	Ref: JV/CB	

1 Introduction

- 1.1 This report advises members of the details of the Local Government Finance Settlement for the years 2006/07 and 2007/08.

2 Background

- 2.1 The report to the Policy and Resources Committee of the 10th February 2005, advised of the Scottish Executive's Spending Plans SR2004 for the years 2005/06 to 2007/08 under the heading "**Building a Better Scotland: Spending Proposals 2005-2008: Enterprise, Opportunity, Fairness**". Circular 8/2005 dated 23rd November 2005, provides details of the Scottish Executive's allocations for years two and three (2006/07 & 2007/08) for each local authority. A copy of the circular is available from the Members Library.
- 2.2 In keeping with the principles underpinning the Spending Review process, the figures for 2006/07 and 2007/08 remain unaltered from that previously announced this time last year, except to reflect new burdens or transfers of responsibilities into or out of the guaranteed settlement.

3. Settlement Announcement

- 3.1 The settlement for North Lanarkshire Council and comparison with the aggregate position for Scotland is set out as follows:

	2006/07 £m	2007/08 £m
Scotland	8345.027	8536.939
Increase %	3.2%	2.3%
North Lanarkshire	514.782	527.325
Increase %	3.7%	2.4%

- 3.2 The Council will receive £514.782m in 2006/07 followed by £527.325m in 2007/08. As a result of some minor adjustments to the GAE calculations and a redetermination of the floor arrangements, the Council will gain £0.140m in 2006/07 and £0.162m in 2007/08. Overall, North Lanarkshire's increase compares favourably with the national average of 3.2% and 2.3% respectively.
- 3.3 Notwithstanding this, there is now a downward trend in the level of year on year increases in resources being made available to local government as evidenced in the pattern of support which has reduced from 6.1% in 2005/06 to 3.7% in 2006/07 and 2.4% the following year.
- 3.4 In monetary terms, the year on year increases amount to approximately £30m over the two years with more than half ringfenced for Scottish Executive initiatives such as Social Work Care, Education and Young People, and Police & Fire Services. This leaves around £13m to spend on maintaining and improving the core services provided by the Council as well as funding pay awards, the impact of inflation and pressures at a local level.
- 3.5 As yet there is no inclusion within the settlement to fund the commitment to increase teacher numbers to 53,000 and reduce class contact time although it is understood the Council will receive £1.3m in 2006/07 and £3.3m in 2007/08. This allocation recognises those authorities with areas of multiple deprivation with almost 20% of the total funds available dispersed in accordance with the Scottish Index of Multiple Deprivation. It is likely that the additionality will be made as a specific grant within the National Priorities Action Fund.
- 3.6 Councils RSGs have also to be adjusted following the creation of the National Transport Agency who will take responsibility for the Scotland-wide free bus travel scheme. This will see a clawback in RSG to reflect this transfer of responsibility from councils. It is likely that North Lanarkshire will be slightly advantaged in terms of its residual budget position following these new arrangements.
- 3.7 Outwith the Settlement, the Council will receive funding for a range of ongoing initiatives including Changing Children's Services Fund, Anti Social Behaviour Funds, Community Regeneration, Working for Families and Youth Justice. The total funding being made available by the Scottish Executive amounts to almost £22m in 2006/07 and £25m in 2007/08. There is a requirement to agree and report on a set of outcome agreements with the Executive in order to access the funds. However, the opportunity will also be taken to integrate these initiatives with existing service provision to ensure a joined up service is provided.
- 3.8 The announcement also makes reference to the measures aimed at bringing the rates poundage in Scotland in line with England by 2007. The rate in Scotland is currently 46.1p and 41.9, in England. The rate in Scotland will be cut to 44.9p from the 1st April 2006 as a first step in reducing poundage's to match those in England.

4. **NLC Revenue Budget 2006/07**

- 4.1 In setting the financial strategy and budget for the current year 2005/06, indicative budgets for 2006/07 and 2007/08 were prepared on the basis of assumptions on cost pressures, pay increases and a level of growth to reflect previous decisions and commitments made to enhance spending in priority areas. Work is currently underway in firming up on the detailed departmental budgets for 2006/07 prior to presenting a final report to Council in early February 2006.
- 4.2 On the basis that the Council may wish to continue its current policy on council tax increases, it was previously reported that savings over the next two years amounting to £18.6m would be required. Work has been ongoing over the last several months to identify savings at both departmental and corporate level amounting to £8m in 2006/07 and £10m in 2007/08.

- 4.3 In respect of the 2006/07 savings, these have been identified by departmental directors and are being brought to service committees during the current cycle of meetings.
- 4.4 As yet, no provision has been made within the budget to fund the outcome of both the one-off equal pay retrospective settlements and the job evaluation exercise. Both will be the subject of a separate Committee report including a full analysis of the financial impact that will subsequently inform the Council's budget process.
- 4.5 The Policy and Resources (Finance) Sub Committee of 6th September 2005, received and approved the Financial Plan for the three years 2005/06 to 2007/08. Due to the constraints of the Spending Review 2004 it had been decided to not to include indicative council tax levels for years two and three of Plan. Once the Council has agreed its financial position for the coming year a revised Financial Plan will be prepared for presentation to Council in early summer 2006.

5 **Recommendations**

- 5.1 The Committee is requested to note the details of the financial settlements for 2006/07 and 2007/08 and the ongoing work in developing the budget for 2006/07.



Director of Finance

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