

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE		Subject: MISCELLANEOUS SERVICES REVENUE BUDGET 2007/08	
From: DIRECTOR OF FINANCE			
Date: 20 December 2006	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 2007/08 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 Service improvement planning is a key element of our corporate planning and management process. It provides a mechanism whereby departmental action, resources and personnel may be linked directly to our corporate priorities, service provision requirements, the budget and community needs. Service improvement planning also provides an opportunity for departments and service committees to identify and agree the planned improvement actions that will be pursued as priorities. Planned improvement actions are service improvements designed to bring about significant impact and benefit for our residents, local communities and service users. Alternatively, departments may identify internal processes which will increase efficiency, effectiveness and quality.

3. SERVICE IMPROVEMENT & FINANCIAL PLANNING PROCESSES 2005/06 to 2007/08

- 3.1 The Council's approach to three-year financial planning has enabled us 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 our indicative grant funding for the three year period 2005/06 to 2007/08. This settlement is updated annually in early December to reflect any new burdens and initiatives.

4. MISCELLANEOUS SERVICES REVENUE BUDGET 2007/08

- 4.1 The Revenue Budget for 2007/08 is attached as Appendices i to iv of this report for the Committee's consideration.
- 4.2 The base budget for 2007/08 consists of projected spending on services, uplifted to include pay and price pressures such as Retail Price Index increases. In addition, CSPs have been incorporated into the current year's budget to reflect the increases required to maintain services at their existing level. It should be noted that there are several centrally allocated budgets (e.g. capital charges 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 £1.649m or (16.1%) and is summarised below:

	£000
External Contract Inflation	100
Other Cost Pressures	299
Prudential Code Funding	1,250
TOTAL INCREASE	1,649

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 2006/07	10,226
Add Budget Increases (see 4.2 above)	399
Revenue budget 2007/08	10,625
Overall percentage increase	3.9%

4.5 In noting the overall budget position for Miscellaneous Services, provision has also been included for additional borrowing costs of £1.25m in recognition of the additional resources of £18.3m 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 The current resources set-aside for Members' remuneration will require to be reviewed upon confirmation of the outcome of the current national review into councillors' remuneration and the structure of the administration procedures of the Council following the Local Government Elections in May.

4.7 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.

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 £10m in 2007/08. The value of efficiency savings within this category amounts to £3m 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,
- v) Otherwise note the contents of this report.



Director of Finance

**North Lanarkshire Council
Current Service Provision (CSP) Adjustments 2007/2008**

Committee : Policy and Resources (Finance) Sub-Committee

Service : Miscellaneous Services

1	<u>External Contract Inflation</u>	
1.1	Inflationary Allowance on Payment to External Organisations	10,000
1.2	Inflationary Increase ex CDC/DLO Pension Arrangements	60,000
1.3	Inflationary Increase in External Audit Fee	30,000
	Sub-Total of External Contract Inflation	100,000
2	<u>Other Cost Pressures</u>	
	Members Remuneration and Superannuation Package	300,000
	Sub-Total of Other Cost Pressures	300,000
3	<u>Reduction in Expenditure</u>	
3.1	Apportioned Expenses Decrease	(1,442)
	Sub-Total of Reduction in Expenditure	(1,442)
	Sub -Total Service Increase	398,558
4	<u>Additional Borrowing Costs</u>	
4.1	Prudential Code Funding (year 4 provision)	1,250,000
	Total Service Increase	1,648,558

North Lanarkshire Council

Explanatory Notes to CSP Adjustments 2007/2008

Service : Miscellaneous Services

1	External Contract Inflation	
1.1	<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
1.2	<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
1.3	<u>Inflationary Increase in External Audit Fee</u> Increase in budget provision is based on correspondence received from Pricewaterhouse Coopers in November 2006.	30,000
2	Other Cost Pressures	
2.1	<u>Members Remuneration and Superannuation Package</u> In recognition of the possible future changes to the elected Members National Remuneration and Superannuation package an allowance of £300,000 has been recognised.	300,000
3	Reduction in Expenditure	
3.1	<u>Apportioned Expenses</u> In general the central administration charges for the forthcoming 2007/08 year have been managed within the same overall targets as the previous 2006/07 level. As a result, any variation from 2006/07 reflects a change in the relative use of Miscellaneous Services and the service departments. The movement above reflects a net decrease in Corporate and Democratic services mainly due to reductions in recharges from IT and Design services.	(1,442)
4	Additional Borrowing Costs	
4.1	<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 2007/08 budget will fund the required repayment profile for the second part of this investment.	1,250,000
TOTAL:		1,648,558

NORTH LANARKSHIRE COUNCIL

ESTIMATE OF EXPENDITURE AND INCOME FOR THE YEAR ENDING 31st MARCH 2008

MISCELLANEOUS SERVICES - SUBJECTIVE SUMMARY

LINE NO.	2006/2007 REVENUE ESTIMATE	EXPENDITURE	2007/2008 REVENUE ESTIMATE	MOVEMENTS
	£		£	
1	700,500	EMPLOYEE COSTS	760,500	60,000
2	413,500	Pensions (ex-CDC)	443,500	30,000
3	287,000	Pensions (ex-DLO)	317,000	30,000
4	123,849	TRANSPORT AND PLANT	123,849	
5	123,849	Travelling Expenses	123,849	
6	1,520,911	ADMINISTRATION COSTS	1,820,911	300,000
7	3,000	Printing, Stationery and Photocopying etc.	3,000	
8	66,773	Telephones	66,773	
9	33	Insurance	33	
10	97,217	Subsistence	97,217	
11	115,124	Conferences	115,124	
12	1,238,764	Members Remuneration	1,538,764	300,000
13	5,023,103	APPORTIONED EXPENSES	5,021,661	(1,442)
14	769,786	PAYMENT TO AGENCIES AND OTHER BODIES	779,786	10,000
15	571,000	Voluntary Organisations	571,000	
16	198,786	Other Bodies	208,786	10,000
17	(35,849)	MISCELLANEOUS	(35,849)	
18	(47,849)	Other Expenditure / Income	(47,849)	
19	12,000	Area Committees Forum	12,000	
20	45,000	CONTINGENCY ITEMS	45,000	
21	20,000	Provision for Members Training	20,000	
22	25,000	Provision for I.T. Training	25,000	
23	363,000	EXTERNAL FUNDING PROVISION	363,000	
24	202,900	INSURANCE COSTS	202,900	
25	415,000	EXTERNAL AUDIT FEES	445,000	30,000
26	140,000	BEST VALUE REPORTING	140,000	
27	3,750,000	PRUDENTIAL CODE FUNDING	5,000,000	1,250,000
28	37,681	CAPITAL CHARGES	37,681	
29	385,000	SCOTTISH EXECUTIVE INITIATIVES	385,000	
30	13,440,881	Total Expenditure	15,089,439	1,648,558

NORTH LANARKSHIRE COUNCIL

ESTIMATE OF EXPENDITURE AND INCOME FOR THE YEAR ENDING 31st MARCH 2008

MISCELLANEOUS SERVICES - SUBJECTIVE SUMMARY

LINE NO.	2006/2007 REVENUE ESTIMATE	INCOME	2007/2008 REVENUE ESTIMATE	MOVEMENTS
	£		£	£
1	3,215,000	INCOME	3,215,000	
2	385,000	Government Grants outwith AEF settlement	385,000	
3	2,830,000	Transfers from Community Regeneration Fund	2,830,000	
4	3,215,000	Income	3,215,000	0
5	13,440,881	Gross Expenditure b/f	15,089,439	1,648,558
6	10,225,881	Net Expenditure	11,874,439	1,648,558

CORPORATE EFFICIENCIES	
EFFICIENCY SAVINGS 2007/2008	
DESCRIPTION	AMOUNT £
<p>1 <u>Loan Charges</u> Loan Charge forecasts have been compiled for the current financial planning period which take account of the ongoing commitments 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 enhanced borrowing. This has resulted in an opportunity to further reduce external interest costs by £700,000 in 2007/08. This is the continuing second year impact of loan charge efficiencies initiated during the 2006/07 revenue estimates' process (£60,000 was delivered in 2006/07).</p>	700,000
<p>2 <u>Insurance Costs</u> The planned levels for both Liability and Property Insurance have been reviewed on the basis of continued improvements in claims settlement trends and scope has been identified to review the levels of provision required to be set aside for these potential liabilities. This is the continuing second year impact of efficiencies identified in the revenue estimates' exercise for 2006/07 (£300,000 delivered last financial year). These efficiencies are linked to the ongoing review of Insurance costs and the appropriate levels of resources set aside for the settlement of outstanding claims. After taking cognisance of those claims relevant to the Housing Revenue Account, then savings of £300,000 can be achieved in 2007/08.</p>	300,000
<p>3 <u>Procurement Initiatives</u> The Efficient Government Initiative places significant emphasis on the efficiencies which can be driven out of a more effective procurement operational framework. Taking this forward the Finance Department has continued to identify areas which will achieve savings 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. This is the continuing second year impact of efficiencies totalling £450,000 identified in the 2006/07 Revenue Estimate Process.</p>	600,000
<p>4 <u>Absence Management</u> In recognition of the Council's commitment to improve the management of sickness absence financial savings will accrue from these proactive measures. A total of £250,000 was identified in the 2006/07 Revenue Estimate process and a further £550,000 has been identified for the year 2007/08.</p>	550,000
<p>5 <u>Property Management</u> As a result of a series of successful Rating Appeals initiated by the Housing & Property Department following the latest revaluation of non-domestic properties in March 2005 the ongoing bill for rates payments by the Council will decrease by £400,000. In addition, following on from the successful rationalisation exercise whereby the Council's charges in respect of water charges had been reduced by some £125,000 in 2006/07, it is anticipated that further cost benefits will arise from a rollout of this initial review. To this end further efficiencies of £150,000 can be forecast for the forthcoming 2007/08 financial year.</p>	550,000
<p>6 <u>Service Rationalisation</u> In response to the Efficient Government Initiative service amalgamation across areas of common working practice within housing benefits, rents and council tax identified £100,000 of initial "BackOffice" savings in 2006/07. The ongoing continuation of this process will yield a further £150,000 of service efficiencies within 2007/08. The review of the organisational culture across the Council has identified savings of £150,000 per annum resulting from a reconfiguration of existing operational structures.</p>	300,000
TOTAL SAVINGS	3,000,000