

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE	Subject: LOCAL GOVERNMENT FINANCE SETTLEMENT 2007/08	
From: DIRECTOR OF FINANCE		
Date: 14 December, 2006	Ref: AC/PH	

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise members of the details of the Local Government Finance Settlement for the forthcoming 2007/08 financial year and provide an update of the development of the 2007/08 budget process.

2. BACKGROUND

- 2.1 The preliminary revenue budget for 2007/08 was constructed in light of the anticipated level of Revenue Support Grant as advised within the Scottish Executive Circular 1/2006 dated 8 February 2006. Circular 6/2006 dated 13 December 2006, provides updated details of the Scottish Executive's allocations for the 2007/08 financial year for each local authority.
- 2.2 The Minister of Finance and Public Sector Reform had given a commitment to revisit the level of Government Support to local authorities in 2007/08 in recognition of COSLA's campaign for additional resources. The circular confirms details of additional resources for both revenue and capital purposes.
- 2.3 In summary, further revenue resources of £140m have been included within the revised settlement. In addition, there will be a one-off increase in capital resources of £61m bringing the total of new funding to £201m. When account is taken of the benefits which councils will receive in reductions to their business rates and the new "firelink" and e-planning systems this effectively delivers a total package of more than £250m.

3. FINANCIAL SETTLEMENT 2007/08

- 3.1 The revised revenue settlement which the Council will now receive and comparison with the overall position across Scotland is set out as follows:

	Circular 1/2006 2007/08 £000	Circular 6/2006 2007/08 £000
North Lanarkshire Council	529,295	539,013
Increase %	2.8%	5.0%
Scotland	8,561,009	8,715,410
Increase %	2.6%	4.7%

3.2 The Council will now receive £539.013m in 2007/08 which represents a 5.0% increase from the previous year. This is some £9.718m above the figure previously announced by the Scottish Executive for the financial year 2007/08. In recognition of these additional resources, local authorities are asked to commit to:

- Improving council tax collection rates,
- exert a downward pressure on council tax levels,
- work with the Scottish Executive to complete a review of the costs in the delivery of free personal care,

3.3 The additional resources comprise a combination of specific resources and unhypothecated resources which can be summarised as follows:

	£000	£000
Increase in Specific Grants		
National Priorities Action Fund	711	
Gaelic Education	15	
Police	<u>205</u>	931
Earmarked Resources		
Pre-School Advisors (external nursery providers)	327	
Teacher Superannuation National Increase	<u>1,284</u>	1,611
Unhypothecated Resources		<u>7,176</u>
Additional Revenue Funding		<u>9,718</u>

3.4 The additional resources which are within the Council's discretion to utilise amount to some £7.1m as outlined above. When consideration is given to the use of these resources it is worth noting that there are a number of growing cost pressures and demands that have emerged since the preliminary base budgets were constructed. These issues along with other developing issues will need to be appraised and together with the Minister's expectation of a downward pressure on council tax increases managed within the totality of available resources.

- Energy Costs

The current contractual arrangements for the supply of electricity and gas has seen a one-year extension the current tariff arrangements commencing April 2007 at an average price increase of 32.62%.

- Strategic Waste Fund

The Council is developing a Waste Strategy in partnership with South Lanarkshire Council. Although earlier indication made reference to an "affordability gap" which the Council could support over a five-year period, it is now likely that the Scottish Executive will not provide the level of funding previously anticipated. While no firm figures are yet available until the Scottish Executive approves the Outline Business Case, it would appear that this funding gap will be higher than previously forecast.

- Education 2010 PPP Project

Provision exists within the current revenue budget to fund the Council's share of the ongoing costs of the new schools programme. However, it has been necessary to review the specifications of certain schools within the programme, which may have an impact upon the level of "affordability gap" included in current budgets. It will also be necessary to consider a funding strategy to deliver the remainder of the School Estate Plan that will deliver high quality education facilities across the education sectors.

- 3.5 Outwith the Settlement, the Council will continue to receive funding for a number of ongoing initiatives such as Supporting People, Changing Children's Services Fund, Anti Social Behaviour Funds, Working for Families and Youth Justice. The total funding confirmed for 2007/08 by the Scottish Executive amounts to £52m. There is a requirement to agree and monitor a set of outcome measures with the Scottish Executive in order to utilise these funds. However, the opportunity will continue to be taken to integrate these initiatives with existing service provision to ensure that a joined up and complimentary service is provided.
- 3.6 There are still a number of funding issue still to be determined including the confirmation of the Education PPP support, the funding of elections, the councillors severance scheme and the implication of the Police Public Order and Criminal Justice (Scotland) Act 2006.

4. ADDITIONAL CAPITAL RESOURCES

- 4.1 On the basis that councils can demonstrate that they have effective asset management plans in place and can identify that they have increased their targeted internal efficiency savings then additional one-off capital grants of £61m will be made available in 2007/08. Further details, including allocations to individual councils, will be confirmed early in the new year.

5. NON-DOMESTIC RATES

- 5.1 The Scottish Executive announced on 6 October 2005 that business rates would fall over a two year period from 1 April 2006 to harmonise the national business rate with England.
- 5.2 The new non-domestic business rate for Scotland for the 2007/08 year has been set at 44.1 pence, the same as England, and this represents a decrease of 0.8 pence from 2006/07. The Scottish Executive has also reduced to poundage rate supplement paid by larger businesses from 0.4 pence to 0.3 pence in 2007/08 – the same as England. The Small Business Rates Relief Scheme remains in place as previously applied with non-domestic rate subjects with a rateable value of £11,500 or less receiving discounts of between 5% and 50% dependant upon the overall size of the individual organisation.
- 5.3 The impact of this upon the Council, as a significant payer of non-domestic rates, is in line with the financial impact already factored into the current outline revenue estimates.

6. NORTH LANARKSHIRE COUNCIL REVENUE BUDGET 2007/08

- 6.1 In shaping the financial strategy and revenue budget for the current 2006/07 year, an indicative budget was prepared for the 2007/08 financial year which incorporated a number of key cost pressures, pay increases and a level of growth to reflect previous decisions and commitments to enhance spending in priority areas. Work is currently underway in firming up on the detailed departmental budgets for 2007/08 prior to presenting a final report to Council in February 2007.
- 6.2 Significant progress has been made over recent months in the identification of the £10m efficiency target for 2007/08 and these have been brought forward by departmental directors to individual service committees during the current cycle of meetings.

- 6.3 The costs of job evaluation have now been updated to reflect the revised payroll data following the implementation on 6 November 2006. Overall, the total costs over the 5-year period have reduced from £29.7m to £25.7m whilst the costs remain at £4m in the early years (i.e. 2006/07 and 2007/08). However, instead of an even distribution between 2006/07 and 2007/08 of £2m per annum, the total will now fall within the 2007/08 financial year providing additional flexibility for departments to meet the costs over an extended timeframe. The funding gap of £4m for the 2007/08 year will be borne by service departments in line with the previously agreed methodology.
- 6.4 The Policy & Resources (Finance) Sub-Committee of 30 May 2006 received and approved the Financial Plan for the three years 2005/06 to 2007/08. Due to the constraints inherent within the Spending Review 2004 it had been decided not to include indicative council tax levels for year 3 of the 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 2007.

7. **RECOMMENDATION**

- 7.1 The Committee is asked to note the impact of the Local Government Finance Settlement for the 2007/08 financial year and the ongoing work in developing the budget for 2007/08.



Director of Finance