

ANGUS COUNCIL

Angus Council – 23 May 2002

Report 554/02

Report By The Director of Finance

Angus Council Revenue Budget Projections for 2003/04

<p>Abstract : This report advises members of the outcome of the departmental budget projections exercise for 2003/04. This exercise will facilitate the inclusion of two year revenue budget information within the forthcoming departmental Service Plans.</p>
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1. RECOMMENDATION

It is recommended that the Committee note the content of this report and the accompanying Revenue Budget Projections Volume for its interest.

2. BACKGROUND

Members will be aware that one of the key elements of Best Value implementation is for Councils to move to a more longer term outlook in terms of service planning and budgeting. In accordance with this requirement a Revenue Budget Projections Volume has been prepared in order to facilitate the inclusion of two year budgetary information within departmental Service Plans over the period 2002/03 to 2003/04.

It is normal course for departmental Service Plans to include budget projections for the current and the next two forward years i.e. 2003/04 and 2004/05. However, the Government's Spending Review 2000 provided firm grant totals up to 2003/04 only. It is therefore considered unproductive and inappropriate for the Council to produce revenue budget projections and outline an indicative Council Tax for 2004/05 at this time in the absence of such vital information which will have a significant impact on the Council's budget strategy. However, the Scottish Executive will be undertaking a further Spending Review over the coming months which will provide grant information for 2004/05 and 2005/06 as well as updating the existing 2003/04 announcements. This information will permit a return to the provision of three year budget information within Service Plans next year (2003/04).

An **Indicative** Council Tax increase for 2003/04 of £76 was announced at the Council meeting on 15 February 2001. The Revenue Budget Projections outlined in this report are prepared in accordance with this **indicative** increase. It is stressed, however, that this increase is only indicative and will be subject to review as part of the overall 2003/04 revenue budget considerations.

3. BUDGET PROJECTIONS 2003/04

The following section details the assumptions made in preparing the revenue budget projections for 2003/04.

It should be noted that the departmental budgets detailed in the Revenue Budget Projections Volume are indicative only and do not reflect either a guaranteed maximum or minimum budget provision for 2003/04. Departmental revenue budgets will not be finalised until the conclusion of the budget process within each respective financial year.

Revenue Budget Resources

The Scottish Executive's Spending Review 2000 provided a three year Finance Settlement for local authorities covering the period 2001/02 to 2003/04. This has facilitated, in conjunction with the income estimated to be generated through the indicative Council Tax, the assessment of those revenue budget resources available to the Council in 2003/04.

The Executive's Finance Settlement figures have been revised on a number of occasions to reflect various initiatives that local authorities are being required to implement e.g. McCrone recommendations on teacher's pay and conditions, National Travel Concession Scheme, transfer of responsibilities from the Department of Work and Pensions, etc.

A number of further initiatives are being introduced by the Scottish Executive in 2002/03 which have not yet been reflected in the 2002/03 revenue budget (Report 543/02 to Finance and Information Technology Committee on 7 May 2002 refers). This is due to delays in information being forthcoming from the Scottish Executive regarding related resource provision e.g. free personal and nursing care, increases in care home fees, debt advice services etc. Due to uncertainty over resource provision these items have also been excluded from the projections for 2003/04.

However, it has generally been assumed that all these government initiatives will be cost neutral to the Council. In the event that resources provided by the Scottish Executive are not sufficient to meet the costs locally in Angus, corrective action will be necessary to contain the higher costs within departmental resources and the overall Council budget.

Expenditure Assumptions

The main assumptions which were made in determining projected revenue budget expenditure for 2003/04 are outlined below :

- Pay awards will be in accordance with those as currently agreed :
 - 4% for teachers from 1 August 2003;
 - 4% for APT&C / manual from 1 April 2003;
 - 2% for Chief Officers from 1 April 2003.
- Employer's superannuation contributions are assumed to increase in accordance with those rises evident in 2002/03;
- Salary increments for 2003/04 will be in line with those for 2002/03;
- Sums hypothecated by the Scottish Executive will be allowable additions to departmental revenue budgets;
- Education and Social Work will receive the full year-on-year estimated GAE increase as an addition to their budgets if this is not achieved through allowable revenue budget additions per Angus Council budget guidance;
- Joint Boards will receive the full year-on-year estimated GAE increase as an addition to their budget;
- Budget cuts agreed in setting the 2002/03 revenue budgets will also be required in 2003/04;
- Limited provisions for general inflation and other, as yet unidentified, allowable budget additions have been made as well as a further allowance in respect of the estimated costs of Job Evaluation;

- A provision for increased insurance costs has been made in accordance with market expectations;
- It has generally been assumed that the initiatives currently being introduced by the government will be cost neutral to the Council.

Government Tax Changes

Employer's National Insurance will increase by 1% and Landfill Tax by £1 in accordance with the announcements in the Chancellor's Budget Speech on 17 April 2002. It should be noted that these tax changes were not known about when the Council established its indicative £76 Council Tax increase for 2003/04 in February 2001. It is estimated that the impact of these tax changes would require a £20 increase in the Council Tax. The Council recognises that it has a responsibility to payers to limit as far as possible increases in Council Tax. A review will thus be undertaken to determine how the impact of these government tax changes can alternatively be accommodated within projected departmental budgets. It should be noted that such a review will significantly curtail the Council's ability to accommodate further burdens imposed by the government.

4. SUMMARY OF THE PROJECTIONS

The Revenue Budget Projections Volume provides an overall summary of the Council's aggregate budget as well as budget information for each Council department. An estimate of the level of potential budget cuts which may be required in 2003/04, as well as the indicative Council Tax level previously announced by the Council, are also outlined in the Revenue Budget Projections Volume. The key figures of note are summarised in the table below :

	<u>Financial Year</u>	
	<u>Actual</u> <u>2002/03</u>	<u>Projected</u> <u>2003/04</u>
Indicative Council Tax Increase	£60 (7.3%)	£76 (8.6%)
Indicative Council Tax	£881	£957
Amount Available For Contribution to Balances / Essential Infrastructure Funds	£2.538m	£2.675m
Budget Cuts	£1.749m	£1.749m

5. IMPLICATIONS FOR THE COUNCIL

The broad assumptions which have had to be made and the other issues identified highlight the need to interpret the projections with caution. Although many things may change which will impact on the projections it is nevertheless considered that in broad overall terms the key budgetary problems likely to face the Council, as identified through the projections work, will still need to be addressed.

6. CONSULTATION

The Chief Executive and Director of Law & Administration have been consulted in the preparation of this report. In addition each Chief Officer has been involved in the preparation of the budget projections for their respective departments

7. CONCLUSION

Although the overall results of the budget projections can be viewed only as indicative at present they do highlight the likelihood that an excess of departmental budget requirements over available revenue budget resources will continue to require the Council to implement budget cuts.

The Revenue Budget Projections Volume facilitates the identification of two year revenue budget information in departmental Service Plans.

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Director of Finance

Background Papers :- The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, were used in the preparation of this report :-

- ◆ Finance Circular 8/2001, “Local Government Finance Settlements : 200/03 and 2003/04”, issued on 6 December 2001 by the Scottish Executive;
- ◆ “Adjustment to Revenue Grant Figures shown in Finance Circular 8/2001” letter issued on 17 December 2001 by the Scottish Executive;
- ◆ Finance Circular 1/2002, “Aggregate External Finance for 2002/03” issued on 21 February 2002 by the Scottish Executive.

SJM 22 May 2002

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