

ANGUS COUNCIL

FINANCE & INFORMATION TECHNOLOGY COMMITTEE

15 APRIL 2003

2003/04 FINAL REVENUE AND CAPITAL BUDGET DOCUMENTS

Report by the Director of Finance

**ABSTRACT**

This report seeks Committee approval of the 2003/04 Final Revenue & Capital Budgets Volume and for it to be issued together with the Budget Guide Booklet.

**1. RECOMMENDATION**

It is recommended that the Committee :-

- (i) Approve the amendments to departmental 2003/04 revenue and capital budgets as detailed in this report;
- (ii) Approve the contents of the 2003/04 Final Revenue & Capital Budgets Volume (Annex B to this Report and available in the Member's lounge);
- (iii) Note that the departmental revenue budgets contained in the 2003/04 Final Revenue and Capital Budgets Volume represent the Council's approved budget for monitoring purposes;
- (iv) Approve the issuing of the 2003/04 Final Revenue & Capital Budgets Volume together with the Budget Guide Booklet in accordance with the distribution arrangements set out in this report.

**2. BACKGROUND**

Revenue Budget

At the Special meeting of Angus Council on 13 February 2003 the Council approved the revenue budget for the 2003/04 financial year. As is normal course at that time, a number of items had been allowed for corporately but not yet allocated to departmental budgets e.g. the Council's pay inflation provision. The allocation of these items has now been made and is reflected in the each department's revenue budget for 2003/04 included in the Final Revenue & Capital Budgets Volume.

In addition to the allocation of these corporate items, each Council department has also been given the opportunity to undertake any virement adjustments considered necessary to reflect changes in circumstances which have arisen since the base budgets were first formulated in September 2002. All these adjustments are undertaken on a cost neutral basis within the approved budget totals agreed by the Council in setting the Council Tax.

Capital Budget

At the Special meeting of Angus Council on 13 February 2003 the Council approved the capital budget for the 2003/04 financial year. This report highlights the amendments which have been necessary in order to finalise each departments capital budget included in the Final Revenue & Capital Budgets Volume.

### 3. FINAL REVENUE BUDGET 2003/04

The departmental revenue budgets for 2003/04 approved at the Special meeting of Angus Council on 13 February 2003 have been amended to reflect the following :-

#### Pay Awards / National Insurance / Superannuation

A corporate provision of £5.735 million was made in the Provisional Budget Volume (Report 186/03) to allow for the following costs in 2003/04 :-

- Pay Awards
  - APT&C / manual – 4% from 1 April 2003;
  - Chief Officers – 2% from 1 April 2003;
  - Teachers – 3.5% from 1 January 2003 and 4% from 1 August 2003.
- National Insurance – a 1% increase in the employer's rate from 1 April 2003.
- Superannuation
  - a 0.6% increase in the employer's rate for APT&C / manual;
  - a 0.25% increase in the employer's rate for teachers.

The departmental budgets contained in the Final Budgets Volume have had resources allocated from the corporate provision to allow for the above. After undertaking this allocation exercise a relatively small residual balance of £50,000 in the corporate provision is evident. This residual has been added to the Council's provision for additional burdens within the Miscellaneous Other Services revenue budget.

#### Insurance

A corporate provision of £0.324 million was made for increased insurance costs in 2003/04 in the Provisional Budget Volume (Report 186/03). This provision was made in light of the renewal of the Council's insurance contract from 1 April 2003 and the prevailing volatile state of the insurance market. Latest indications are that insurance costs will increase by £0.305 million for 2003/04. However, a significant proportion (£83,000) of the increase in insurance costs results from claims history issues / increased exposure by departments. In accordance with the Council's Budget Preparation Procedures such increases are non-allowable budget growth items and must be addressed by the department themselves.

The departmental budgets contained in the Final Budgets Volume have had resources allocated from the corporate provision to reflect the latest anticipated insurance charges for 2003/04 less that growth identified as non-allowable. After undertaking this allocation exercise a residual balance in the corporate provision of £0.103 million is evident. This residual has been allocated to the Miscellaneous Other Services revenue budget to provide for : any further movement in the Council's insurance charge for 2003/04 on finalisation of contract negotiations; and any potential problems encountered by departments in addressing their non-allowable insurance growth during 2003/04.

#### Quality of Life

A corporate provision of £1.067 million was made for in accordance with those Quality of Life resources provided by the Scottish Executive in the Provisional Budget Volume (Report 186/03). Report 189/03 to the Special Finance and Information Technology Committee meeting of 13 February 2003 identified £1.067 million of projects to be taken forward by the Council in 2003/04 from the Quality of Life resources.

The departmental budgets contained in the Final Budgets Volume have had resources allocated from the corporate provision in accordance with Report 186/03. Where a project was identified as being taken forward by a number of departments jointly e.g. health promotion, resources have been held within the Miscellaneous Other Services budget heading meantime.

### Vehicle Hire Centre Recharge

The departmental budgets contained in the Final Budgets Volume have been amended to reflect the finalised vehicle hire centre recharge budgets for 2003/04. These amendments are cost neutral to the Council's overall revenue budget.

[Attached at Annex A](#) is a reconciliation of the movements in departmental budgets from the Provisional Budget Volume to the Final Budgets Volume in light of the above and other annotated amendments. It should be noted that, although provision has been made within Miscellaneous Other Services for the estimated impact of the Common Good rent review, this has not been reflected in the Common Good budgets within the Final Budgets Volume.

## **4. FINAL CAPITAL BUDGET 2003/04**

Report 185/03 submitted to the Special Service Committees on 13 February 2003 noted the provisional capital budget for 2003/04 was in line with estimated available capital resources of £14.105m. This latest report now being presented to Committee outlines the impact of the formal announcement of the Council's Section 94 Consent Net Allocation for 2003/04 and the updating of the 2002/2006 Financial Plan to reflect near final actuals for 2002/03.

### Section 94 Consent Allocation 2003/04

The financial year 2003/04 sees the final year of the Section 94 Consent regime before the introduction of a system of prudential controls in 2004/05. In this regard, 2003/04 can be looked upon as a somewhat transitional year in that certain elements of the prudential framework, namely capital grants, have been introduced one year early for some projects/categories of expenditure in place of Section 94 Consent. These changes for 2003/04 are intended to leave the Council in a financially neutral position as regards capital spending power.

The Scottish Executive in its correspondence dated 31 March 2003, formally confirmed that the Council's Section 94 Consent allocation for 2003/04 is £6.991m. This is in line with the figure previously notified by the Scottish Executive in its Spending Review 2002 and utilised by the Council in its capital resource estimates for 2003/04.

In addition to the above, ring-fenced Section 94 Consent is available in 2003/04 in respect of Montrose Bridge Replacement (£4.2m), Cycling Walking and Safer Streets (£175,000) and the Public Transport Fund (£547,000) for the Angus Rail Interchange project. The Scottish Executive has also just announced, in its letter dated 18 March 2003, that the Council is to receive a further £98,000 Section 94 Consent in 2003/04 in respect of Contaminated Land.

Report 335/03 informed Members of a press release by the Scottish Executive on 3 February 2003 indicating that additional funding is to be made available to Angus Council for the purposes of investments in school buildings ('The Schools Fund'), including some £788,000 in 2003/04. The Scottish Executive announced in its letter dated 31 March 2003 that the Council will receive its 2003/04 award of £788,000 in the form of capital grant which will be backed by an equivalent level of additional Section 94 Consent.

The above changes have been reflected in the 2003/04 Final Revenue and Capital Budgets Volume.

### Capital Grants

In the move towards a system of prudential controls, the Scottish Executive has invited local authorities to apply for capital grants in 2003/04. In this regard Angus has applied for grants in respect of Private Sector Housing (£444,000) and the Cycling, Walking and Safer Streets project (£175,000) and it is anticipated grant will also be available for the Public Transport Fund (£547,000). The Scottish Executive has yet to confirm many of the arrangements with regard to these grants however it is expected that this approach will be at least financially neutral for the Council.

### 2003/04 General Fund Capital Budget

The provisional capital budget for 2003/04 approved at the Special Budget meetings in February (Report 188/03 refers) has undergone a review exercise to "firm up" the latest estimated spend in 2002/03 and any consequential impact on to 2003/04. This ensures that the most up to date position is reflected in the Council's Final Revenue and Capital Budgets Volume 2003/04.

The updated capital budget and associated capital resources position for 2003/04 are detailed below:

	<u>£m</u>	<u>£m</u>
<u>Capital Budget</u>		
Education		3.308
General Services		4.791
Roads		7.271
Social Work		0.247
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<b>Capital Budget 2003/04</b>		<b>15.617</b>
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<u>Capital Resources</u>		
Section 94 Consent:	Net Allocation	6.991
	Montrose Bridge Replacement	4.200
	Cycling, Walking & Safer Streets	0.175
	Public Transport Fund	0.547
	Contaminated Land	0.098
	Schools Fund	0.788
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Estimated Capital Receipts		0.300
Carry Forward of Capital Receipts / S94 Consent from 2002/03		1.038
Capital Funded from Current Revenue (CFCR)		0.530
Slippage Allowance		0.950
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<b>Estimated Capital Resources 2003/04</b>		<b>15.617</b>
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The 2003/04 capital budget above shows an increase in expenditure of £1.512m from that reported at the Special Budget Committee meetings of 13 February 2003. This net increase has been funded through the following adjustments to the capital resources for 2003/04:

	<u>£m</u>
Additional S94 Consent – Contaminated Land	0.098
Additional S94 Consent – Schools Fund	0.788
Additional Carry Forward from 2002/03	0.615
Increase in 2003/04 Slippage Allowance	0.011
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	1.512
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### Social Work – 2002/03 Revenue Budget Underspend

Reference is made to committee report 64/03 which sought approval to transfer the anticipated underspend on the 2002/03 Social Work revenue budget to the Council's Local Capital Fund and report 333/03 which advised members of the likely revenue outturn for financial year 2002/03.

Report 333/03 noted that the underspend on Social Work's revenue budget is likely to be in the region of £929,000 and it is intended that this be transferred to the Local Capital Fund to allow the development of physical resources within the department. As these works are of a capital nature this has been reflected in Social Work's 2002/2006 Financial Plan, with a number of projects shown as being fully funded from the Local Capital Fund. It should be noted however that whilst the current projected level of underspend is sufficient to meet planned expenditure in 2003/04, the position for 2004/05 will require to be reviewed at a future point.

#### Planning & Transport – 2002/03 Revenue Budget Underspend

Reference is made to report 333/03 which noted that the projected underspend of some £100,000 on the department's revenue budget will be transferred to the Local Capital Fund for the purpose of infrastructure works on the Arbroath Harbour Development project. This additional contribution from the Local Capital Fund has been reflected in Planning & Transport's 2002/2006 Financial Plan.

### **5. FINAL REVENUE AND CAPITAL BUDGETS VOLUME (ANNEX B)**

This volume is intended as a relatively detailed reference document and contains budget information broken down over the specific service areas of each department. A brief narrative of the key activities and the budgeted personnel associated with each department is provided. In addition to the departmental budget information, a number of budget summaries are also included in the volume.

The budgets for the 5 Common Good Funds administered by Angus Council are also set out within this volume.

The departmental revenue budgets set out in this document represent the 'cash limited budget' and each Head of Service will be required to deliver their services within this budget provision. The detailed budget information contained in the budget volume represents the "Council Approved Budget" and will form the basis of expenditure and income monitoring during the 2003/04 financial year. Variations from the Budget Volume figures which arise during the course of the year will be subject to the Council's virement procedures.

It should be noted, however, that it is likely that the Scottish Executive will announce the distribution of further resources during the course of the coming financial year which were held back from the Local Government Finance Settlement. The impact of such additional resources onto the 2003/04 revenue budget will require to be addressed during the course of the financial year.

### **6. BUDGET GUIDE BOOKLET**

The Budget Guide Booklet is intended for use as a summary reference document and presents the key facts and figures in relation to the Revenue and Capital Budgets.

This booklet provides a range of information likely to be of use or interest to members and officers of the Council itself as well as members of the public. Included within the booklet are statements showing the calculation of the Council Tax, the 2003/04 Council Tax charges for each valuation band and a comparison of Council Taxes across Scotland. Also included is information on Council house rents, the capital expenditure plans for the Council, sources of local authority finance, a list of Council contact points and a summary of the budgeted position on the various Common Good Funds administered by the Council.

### **7. DISTRIBUTION**

Subject to the approval of the Committee, both of the above documents will be issued to Members and officers of the Council, college and university libraries within the Tayside area and to neighbouring local authorities. In addition, copies of the Budget Guide Booklet will be placed in housing and other offices open to the public as well as the Angus libraries so that members of the public may take copies for their personal use.

## **8. HUMAN RIGHTS IMPLICATIONS**

There are no human rights implications as a result of this report.

## **9. CONSULTATION**

Full consultation has been carried out with each Chief Officer of the Council during the preparation of the budget volumes.

The Chief Executive and the Director of Law and Administration have been consulted in the preparation of this report.

## **10. CONCLUSION**

The process of drawing together and issuing the Council's eighth Revenue and Capital Budgets has now been completed and the support made available to Finance Department staff during this process is hereby gratefully acknowledged.

David S. Sawers  
Director of Finance

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

'Formal Consent to Meet Capital Expenses in 2002/03', Scottish Executive, 31 March 2003