

Special Budget Committee Meetings - 21 February 1997

Report 214/97

Provisional Revenue Budget 1997/98 Summary Progress & Background Report

Report By The Director of Finance

ABSTRACT

The purpose of this report is to apprise Members of the Provisional Revenue Budget submissions of each Council Department and of the savings considered necessary to allow the Council to deliver a Budget within the "Maximum Capping Limit" set by the Secretary of State for Scotland.

1 RECOMMENDATIONS

The Committee is asked to:

- a) Approve the Provisional Departmental Budget Submission(s) as contained in the 1997/98 Provisional Budget Volume (Report 215/97) as the base budget.
- b) Consider the savings proposals outlined in the separate 1997/98 Revenue Budget Departmental Savings Proposals Volume (Report 216/97) which have been prepared on a basis which will allow Angus Council to comply with the capping limit set by the Secretary of State for Scotland.
- c) Agree to recommend appropriate budget savings to the Departmental Budget(s) to go forward to the Special Budget Meeting to be held on 6 March 1997 when the Final 1997/98 Revenue Budget for the Council will be determined and the Council Tax level set.
- d) Note that Special Meetings of other Council Committees are being held on 21 February 1997 to consider the 1997/98 Revenue Budget.

2 INTRODUCTION

The Committee will be aware that at the meetings of Angus Council on 19 December 1996 and the Finance and Information Technology Committee on 28 January 1997 Report No's 996/96 and 157/97 respectively apprised Members of the position regarding Grant Aided Expenditure, Aggregate External Finance and the provisional capping limit in relation to the Angus Council 1997/98 Revenue Budget.

The "Maximum Capping Limit" for 1997/98 has been set at £111.852 million resulting in savings (including Joint Boards) of some £6.7 million on provisional base budgets having to be identified to meet the capping limit. Members are reminded that savings totalling £9.4 million had to be achieved in setting the 1996/97 budget and consequently the 1997/98 savings total of £6.7 million is over and above the savings made in 1996/97.

A full series of the appropriate Committees is to be held on 21 February 1997 to consider each department's Provisional Revenue Budget 1997/98 and where applicable those departments savings proposals.

Set out at Appendix 1 is a summary of the Council's overall financial position for 1997/98.

3 FINANCIAL CLIMATE

It has been evident from an early date that the Departmental budget requirements, although based largely on a standstill position with regard to service delivery, would be significantly above the likely capping limit. Accordingly, detailed analysis and investigation of budgets by departmental and finance officers has been ongoing for some considerable time.

Informal "Savings Targets" were issued to all Heads of Department following detailed discussion surrounding departmental budget requirements in order that the Council was in a state of preparedness when the capping limit was eventually finalised.

In terms of the calculation of departmental savings targets a clear set of principles were established in order that all savings targets were determined in a consistent and fair manner. The targets were calculated on the basis that all of the one-off savings offered up in the 1996/97 savings exercise should not be added back to 1997/98 base budgets. i.e. such savings would require to be ongoing.

Departmental savings targets were set at 5% of the base budget submitted for 1997/98. However, where departments had reinstated a one-off saving offered in 1996/97, then the amount of the reinstatement was added to the 5% calculation to obtain a total savings target. This accounts for some departmental savings targets being more than 5% of the provisional base budget.

The provisional capping limit as issued by the Scottish Office has confirmed that the "Savings Targets" identified for each department were realistic targets and that the great majority, and indeed possibly all of the savings offered up by departments, will be required if Angus Council is to deliver a Revenue Budget for 1997/98 within the capping limit.

4 HOW THE SAVINGS HAVE BEEN PREPARED

Departments were requested, in conjunction with a designated Finance Department officer, to fully review all areas of their Departmental Budget Submission. It was stressed that the savings identified must be as practical as possible and that closure of facilities and proposals which would involve compulsory redundancy of employees were to be avoided. In addition, it was emphasised that service delivery must remain a priority.

Both expenditure and income were examined with a view to identifying possible savings in a priority order of least unacceptable savings first. The savings required to be broken down into one-off savings which could not necessarily be repeated next financial year and ongoing savings which could be repeated in future financial years.

The savings identified by departments have been categorised as follows:

Category

| | | |
|---|---|--|
| A | Acceptable (i.e. least unacceptable) | Savings which will only have a restricted effect on service provision |
| B | Possibly Acceptable (i.e. more difficult to achieve that Category A) | Savings which will have a detrimental effect on service provision but can be recommended by the Head of Department in view of the prevailing financial climate. |
| C | Unacceptable | Savings which are considered to have too severe an impact on service provision and cannot be recommended by the Head of Department despite the prevailing financial climate. |

4 HOW THE SAVINGS HAVE BEEN PREPARED (continued)

It is emphasised that the imposed financial climate within which the Council must deliver its Revenue Budget was taken fully into account and accordingly a corporate view of the Council's financial position was applied when savings were categorised A, B or C per above.

Detailed examination of the savings proposals has been carried out and while the potential impact of many of them must cause concern, it is again stressed that such unpalatable proposed savings are an inevitable consequence of the tight financial settlement within which the Council must operate.

The difficult financial circumstances in which the Council must operate have not been lessened by the reduction in mismatch in 1997/98 because the methodology applied by the Scottish Office in calculating Council Tax Capping limits only provides additional government grant and not spending power in terms of the capping limit.

5 OTHER ISSUES PERTINENT TO THE 1997/98 REVENUE BUDGET

Nursery Voucher Scheme - members may wish to note that the Provisional Base Budget for Nursery Education now reflects the assumed level of income the Council will receive in respect of the government's Nursery Voucher Scheme. This significantly reduces the net expenditure on Nursery Education in 1997/98, however a corresponding reduction in government revenue support grant has been made by the Scottish Office to compensate.

Possible Changes To Grant Aided Expenditure - the Scottish Office have intimated that some minor changes to the Grant Aided Expenditure (GAE) figures, released in December 1996, may be necessary. These are understood to be of a very minor nature and should not affect the Council's overall budgetary position significantly.

Secretary Of State Initiatives - The Scottish Office are currently considering possible options which would give greater flexibility within the capping regime and to date the Secretary of State has formally informed all Councils that he is prepared to allow the following in relation to the Council Tax capping regime :-

(i) Collection and use of Outstanding Community Charge and Council Tax

Once a Council collects or is certain to collect any outstanding Community Charge/Council Tax income, it must firstly use this to reduce or eliminate any outstanding deficits on its revenue account which have not previously been written off. Thereafter the Council has the option of using this "additional" income to; a) build up its balances, b) reduce future years Council Tax levels or c) use the income for service expenditure.

Therefore if a Council collects or can reasonably expect to collect additional Community Charge/Council Tax income over and above what has already been collected and/or allowed for by way of bad debt provisions then the amount of "additional" income can be used as "miscellaneous income" to hold down the net expenditure figure for capping purposes.

The extent to which this initiative could impact onto Angus Council's 1997/98 Revenue Budget is not yet clear, particularly because the expected final deficit position as at 31 March 1996 for Tayside Regional Council has yet to be finalised.

(ii) Spend To Save Schemes

The Scottish Office are also considering implementing a special grant scheme whereby Councils could obtain a special grant to fund particular initiatives which would require expenditure now in order to save in the longer term. In order to obtain this special grant Councils would require to give up an equal amount from their Section 94 Consent capital allocations. This initiative would therefore provide Angus Council with more flexibility in determining how to use its revenue and capital resources but does not represent new money.

5 OTHER ISSUES PERTINENT TO THE 1997/98 REVENUE BUDGET (continued)

Secretary Of State Initiatives (continued)

Full examination of the implications of the various Secretary of State ongoing flexibility considerations in respect of Council Tax capping will be required prior to the setting of the 1997/98 Council Tax by which time it is anticipated that the position will be clarified.

Joint Board / Arrangement Budgets - The 1997/98 Revenue Budgets for the Tayside Police, Tayside Fire and Tayside Valuation Joint Boards are not expected to be finalised until the Board meetings on 24 February 1997. The figures shown in Appendix 1 to this report in respect of the Joint Board budgets have therefore still to be agreed. In addition the 1997/98 Revenue Budget for the Tayside Contracts Joint Arrangement has also to be considered and agreed on 24 February 1997.

Revenues Joint Arrangement - this arrangement ceases on 31 March 1997. The departmental base budget for the Angus Council Revenues function is now therefore included as part of the Finance Department.

6 REVENUE BUDGET DOCUMENTATION

The information required for the Special Service Committees on 21 February 1997 is contained in this report and the two undernoted reports :-

Report 215/97 - 1997/98 Provisional Revenue Budget Volume (Blue Cover)

This Volume contains details of each department's budget submission for 1997/98, accompanied by a brief description of the proposed savings as they affect each service area and cost head, and a commentary from each Head of Department.

Report 216/97 - 1997/98 Departmental Savings Proposals Volume (Pink Cover)

This Volume provides detailed information on each of the savings proposed by service departments. Each saving has been allocated a reference number, which identifies the department, the category of saving (A, B or C), and the priority given to that saving by the Service Director (1 being the highest priority / most acceptable) e.g. Educ-A-1

The savings references in this Volume correspond to those contained in the 1997/98 Provisional Revenue Budget Volume. The relevant Provisional Revenue Budget Volume page number is provided for each saving contained in the Savings Proposals Volume to make cross-referencing between the two documents easier.

7 HEAD OF DEPARTMENT COMMENTS

As stated above each Head of Department has submitted individual commentary on their Department's 1997/98 Provisional Revenue Budget and Savings Proposals and these are contained in the 1997/98 Provisional Budget Volume.

8 CONSULTATION

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

In addition each Head of Department has been fully consulted in their respective areas of responsibility as contained in Reports 215/97 and 216/97.

9 CONCLUSION

Angus Council once again faces a formidable task in delivering its Revenue Budget in 1997/98 against a background of continuing financial constraints.

The proposed savings contained in the 1997/98 Revenue Budget Departmental Savings Proposals Volume attempt to limit the level of unpalatable savings proposals. The savings proposals have been prepared in full knowledge of the restrictive financial background and the steps which are regrettably required to produce a Revenue Budget within the "Maximum Capping Limit" of £111.852 million which has been set for Angus Council by the Secretary of State for Scotland.

A number of initiatives which could possibly impact onto the Council's 1997/98 budget plans are currently being considered and refined by the Scottish Office. It is anticipated that the outstanding issues in relation to these matters will be clarified prior to the Council Tax setting meeting on 6 March 1997.

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NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in the preparation of this report.

Angus Council Provisional Revenue Budget 1997/98

| Summary Statement of Net Expenditure | 1996/97 Final Budget £'000 | Provisional Base Budget 1997/98 £'000 | Proposed Savings £'000 | Revised Provisional Base Budget 1997/98 £'000 |
|---|---|--|---------------------------------------|--|
| (A) Direct Services | | | | |
| Education | 46,635 | 47,780 | (2,733) | 45,047 |
| Social Work | 19,418 | 22,440 | (1,718) | 20,722 |
| Roads | 5,324 | 6,053 | (452) | 5,601 |
| Cultural Services | 2,081 | 2,128 | (130) | 1,998 |
| Environmental & Consumer Protection | 4,422 | 4,892 | (263) | 4,629 |
| Planning, Transport & Economic Development | 2,740 | 2,793 | (140) | 2,653 |
| Recreation Services | 4,986 | 5,333 | (314) | 5,019 |
| Miscellaneous Other Services | 606 | 882 | 0 | 882 |
| Other Housing - Capping Element | 370 | 355 | 0 | 355 |
| Contract Services | (350) | (350) | 0 | (350) |
| Sub-Total | 86,232 | 92,306 | (5,750) | 86,556 |
| (B) Central Support Services | | | | |
| Chief Executive (incl. Members Services) | 1,094 | 1,260 | (65) | 1,195 |
| Finance (General) | 1,171 | 1,270 | (63) | 1,207 |
| Finance (Revenues) | 1,312 | 1,373 | (86) | 1,287 |
| Law & Administration | 1,958 | 2,026 | (87) | 1,939 |
| Information Technology | 1,134 | 988 | (45) | 943 |
| Personnel | 670 | 717 | (58) | 659 |
| Property Services | 1,188 | 1,266 | (71) | 1,195 |
| Local Offices | 165 | 189 | (8) | 181 |
| Deduct: Recharge to Non-General Fund Services | (1,451) | (1,512) | 0 | (1,512) |
| Sub-Total | 7,241 | 7,577 | (483) | 7,094 |
| (C) Joint Boards | | | | |
| Police | 11,666 | 12,684 | (344) | 12,340 |
| Fire | 2,606 | 2,860 | (95) | 2,765 |
| Valuation | 494 | 564 | (42) | 522 |
| Sub-Total | 14,766 | 16,108 | (481) | 15,627 |
| (D) Joint Arrangements | | | | |
| Public Analyst | 0 | 0 | 0 | 0 |
| Tayside Contracts | (262) | (210) | 0 | (210) |
| Sub-Total | (262) | (210) | 0 | (210) |
| Sub-Total of A, B, C and D | 107,977 | 115,781 | (6,714) | 109,067 |
| Add: | | | | |
| Local Government Reform Costs | 550 | 255 | 0 | 255 |
| Pump Priming Initiatives | 100 | 0 | 0 | 0 |
| CFCR | 1,150 | 1,250 | 0 | 1,250 |
| Other Capping Expenditure | 121 | 62 | 0 | 62 |
| Pay Awards Provision (96/97 provision allocated across depts.) | 0 | 1,218 | 0 | 1,218 |
| TOTAL NET EXPENDITURE FOR CAPPING PURPOSES | 109,898 | 118,566 | (6,714) | 111,852 |
| Non-Capping Expenditure | | | | |
| Capital Financing Costs | 10,059 | 11,235 | 0 | 11,235 |
| Common Police Services * | 257 | 0 | 0 | 0 |
| Other Expenditure | 30 | 30 | 0 | 30 |
| Urban Programme/Programme For Partnership (Net of Specific Grant) | 16 | 41 | 0 | 41 |
| Other Housing - Non-capping expenditure | 641 | 769 | 0 | 769 |
| Interest on Revenue Balances | (50) | (50) | 0 | (50) |
| Council Tax Benefits | 182 | 190 | 0 | 190 |
| TOTAL NET EXPENDITURE (Before Government Grant) | 121,033 | 130,781 | (6,714) | 124,067 |

Angus Council's Government Grant (Aggregate External Finance) allocation for 1997/98 as notified by the Scottish Office is £101.928 million. Assuming the above savings in respect of the Police Joint Board budget are accepted the revised AEF allocation would be £101.736 million.

* - For 1997/98 the Scottish Office have netted Common Police Services (CPS) costs from the total Specific Grant payable for Police. This accounts for the CPS costs being shown as Nil for 1997/98. The effect of this revised treatment on the Council's 1997/98 budget is neutral.

