

Special Budget Committee Meetings - 23 February 1998

Report 192/98

Provisional Revenue Budget 1998/99 - 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 1998/99 Provisional Revenue Budget Volume (Report 193/98) as the base budget.
- b) Consider the savings proposals outlined in the separate 1998/99 Provisional Revenue Budget Departmental Savings Proposals Volume (Report 194/98) 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 provisionally agreed for 5 March 1998 when the Final 1998/99 Revenue Budget for the Council will be determined and the Council Tax level set.
- d) Note the discretion available under the Spend to Save scheme and agree not to take advantage of the scheme because of its adverse effect on the capital programme.
- e) Note the principles of the Capping Flexibility scheme recently announced by the Secretary of State for Scotland and the limited additional capping flexibility which this provides for Angus Council, and agree not to take advantage of the scheme because of its adverse effect on the capital programme.

2 INTRODUCTION

The Committee will be aware that at the meeting of the Finance and Information Technology Committee on 3 February 1998, Report No.159/98 appraised Members of the position regarding Grant Aided Expenditure, Aggregate External Finance and the provisional capping limit in relation to the Angus Council 1998/99 General Fund Revenue Budget.

The "Maximum Capping Limit" for 1998/99 has been set at £117.035 million resulting in savings (including Joint Boards) of some £3.4 million on provisional base budgets having to be identified to meet the capping limit.

A full series of the appropriate Committees is to be held on 23 February 1998 to consider each department's Provisional Revenue Budget 1998/99 and their respective savings proposals.

Set out at Appendix 1 is a summary of the Council's overall budget position for 1998/99 based on the Provisional Base Budgets and savings proposals.

3 FINANCIAL CLIMATE & FORMULATION OF BASE BUDGETS

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.

Initially, departments were asked to submit savings returns based on 3, 4 and 5% of the base budgets submitted. Subsequently, information received from the Scottish Office in relation to GAE, AEF and capping limits indicated that a final savings target of 3% would be sufficient to allow the Council to achieve its capping limit. It will be noted from the Departmental Savings Proposals Volume (Report 194/98) that with the exception of Education all departments have submitted proposals up to the 3% target level. The Education savings identified leave a shortfall to meet the capping limit of £916k and this has been identified through corporate savings. This means that all of the savings offered up by departments, including the corporate savings, will be required if Angus Council is to deliver a Revenue Budget for 1998/99 within the capping limit of £117.035 million.

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 1997/98 savings exercise would require to be ongoing, and that only approved items of growth within the budget could be accommodated.

Experience over the last couple of years has shown that growth from one year's revenue budget to the next needs to be strictly controlled otherwise departmental budget submissions tend to increase beyond the increases allowed by the Scottish Office in Council Tax capping limits. Control of budget growth means that the percentage level of budget savings required will be less than if no control of budget growth was applied. The base budget preparation guidance issued by the Director of Finance identified those items of budget growth deemed allowable.

Service Directors, in preparing their 1998/99 base budgets, identified areas where "non-allowable" budget growth was considered necessary. These areas were reviewed by the BCG and Service Directors were asked to identify how such non-allowable growth could be accommodated within existing resources, e.g. by making alternative savings elsewhere within their budget. For the purposes of finalising the 1998/99 budgets, all non-allowable growth has been addressed as part of the provisional base budget total for each department, mainly by making compensating budget adjustments.

Departmental base budgets have been prepared using the 1997/98 final budgets as a starting point and rolling these forward taking account of known factors which will affect overall budget requirements. All base budgets have been reviewed for accuracy and adequacy by the BCG. Some budget adjustments have been necessary following this review, and these are incorporated in the departmental provisional base budgets presented to the Committee in the 1998/99 Provisional Revenue Budget Volume (Report 193/98).

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 wherever possible. 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.

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 identified. 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.

5 OTHER ISSUES PERTINENT TO THE 1998/99 REVENUE BUDGET

Pre-School Education - In September 1997, the government announced plans for the development of the role of local authorities in pre-school education and set out details of the new grant scheme and initiatives to replace the nursery voucher scheme which has been operating since the autumn of 1996.

The government has pledged to provide education in the pre-school year to every child whose parents wish it by the winter of 1998/99. Funding for pre-school education is to be handled by local authorities by means of a specific grant from the government. The new arrangements will replace vouchers by June 1998. The Education base budget for Nursery Education shows a cost neutral position as all costs of Nursery Education provided by Angus Council are currently expected to be met from the new grant arrangements.

Secretary Of State Initiatives - in line with the position in 1997/98, the Secretary of State is again 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 is proposed to be applied in Angus Council's 1998/99 Revenue Budget is £560k (see Appendix 1) which is considered both reasonable and prudent in the context of recent trends in the collection of local taxation debts.

(ii) Spend To Save Schemes

The Scottish Office have indicated that the Spend to Save scheme is again available in financial year 1998/99. Under this scheme Councils can obtain a special grant to fund particular initiatives which require expenditure now in order to save in the longer term. In order to obtain this special grant Councils require to give up an equal amount from their Section 94 Consent capital allocations. This initiative provides Angus Council with more flexibility in determining how to use its revenue and capital resources but does not represent new money.

Angus Council has brought forward a number of spend to save initiatives during the 1996/97 and 1997/98 financial years which will yield savings into the future. These initiatives include the cessation of the lease of 3 of the least used Automatic Public Conveniences, and other schemes. The expected savings generated from these various schemes have been taken into account in the preparation of base budgets for 1998/99, or are reflected in the departmental savings proposals.

The use of the spend to save scheme does however reduce the level of available resources for capital expenditure and therefore the extent of its use, in practice, is restricted. As the capital programme is already tightly constrained it is recommended that the Council do not use the Spend to Save facility in 1998/99. However if worthwhile initiatives do come forward during the year then it may be possible to fund them from the revenue balance.

5 OTHER ISSUES PERTINENT TO THE 1998/99 REVENUE BUDGET (continued)

Secretary Of State Initiatives (continued)

(iii) Capping Flexibility Scheme

Members may be aware of the capping flexibility scheme recently announced by the Scottish Office. The Secretary of State following representations from COSLA and individual councils has put in place a scheme which will allow some authorities the option of extra capping flexibility in 1998/99.

The main principles of the scheme are as follows:-

- The maximum increase in capping limit will be 0.25% of each council's adjusted 1997/98 budget. In the case of Angus Council this equates to £280k.
- The scheme will be available only to those councils which ultimately set a Band D Council Tax increase in 1998/99 of less than £60.
- The amount of additional capping flexibility each council takes up (which can be less than the maximum increase available) will be deducted from each council's composite capital consent allocation for 1998/99.
- The flexibility scheme is available in 1998/99 only.
- The additional expenditure in capped budgets which the scheme would allow in 1998/99 will not count into future years capping calculations and so has no lasting benefit in that regard.

Whilst the capping flexibility scheme would provide additional spending power of up to £280k in 1998/99 (equivalent to only 0.24% of Angus Council's 1998/99 capping limit) this would be at the expense of the already severely constrained composite capital programme. Given this and the fact that the scheme is only available as a short term capping relaxation in 1998/99 with no lasting benefit in terms of capping calculations into future years, it is considered that the scheme does not provide significant added benefit to Angus Council in setting its 1998/99 revenue budget. It should also be noted that use of the scheme would reduce the level of grant payments in respect of loan charges in future years. Accordingly it is recommended that the Council should not take advantage of the flexibility offered by the Secretary of State.

Joint Board / Arrangement Budgets - The 1998/99 Revenue Budgets for the Tayside Police, Tayside Fire and Tayside Valuation Joint Boards were agreed at the Board meetings on 16th February 1998. In addition the 1998/99 Revenue Budget for the Tayside Contracts Joint Arrangement was also considered and agreed on 16th February 1998. The appropriate allocations to Angus Council have been allowed for in the Budget Summary position shown in Appendix 1.

New Deal For Schools - Members will be aware of the Scottish Office announcements in relation to the New Deal for Schools. Some £1.639 million has been included in the 1998/99 local government finance settlement for Angus Council in this regard and it is intended that the proposed application of these new resources for service delivery be considered and reviewed as part of the budget setting process for Education. A separate report by the Director of Education has been prepared in this regard.

6 REVENUE BUDGET DOCUMENTATION

The information required for the Special Service Committees on 23 February 1998 is contained in this report and the two undernoted reports :-

Report 193/98 - 1998/99 Provisional Revenue Budget Volume (Yellow Cover)

This Volume contains details of each department's budget submission for 1998/99, accompanied by a brief description of the proposed savings as they affect each service area and cost head. A commentary from each Head of Department is also given.

Report 194/98 - 1998/99 Departmental Savings Proposals Volume (Blue 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 and the priority given to that saving by the Service Director (1 being the highest priority / most acceptable) e.g. EDUC - 1

The savings references in this Volume correspond to those contained in the 1998/99 Provisional Revenue Budget Volume. The relevant Provisional Revenue Budget Volume page number is shown against 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 1998/99 Provisional Revenue Budget and Savings Proposals and these are contained in the 1998/99 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 193/98 and 194/98.

9 CONCLUSION

The proposed savings contained in the 1998/99 Revenue Budget Departmental Savings Proposals Volume attempt to limit the level of unpalatable savings proposals, and therefore represent the most acceptable budget savings options available and those which should have the least effect on service delivery. However these savings must be viewed against the backcloth of the cumulative impact of the 1996/97 and 1997/98 savings also.

DAVID S SAWERS
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 3/1998 issued on 13 February 1998 by the Scottish Office

IL

18 February 1998

Prov. Rev. Budget Summary Rpt - Spcl Committees.Doc

Angus Council Provisional Revenue Budget 1998/99

<u>Summary Statement of Net Expenditure</u>	1997/98 Final Budget £'000	Provisional Base Budget 1998/99 £'000	Proposed Savings £'000	Revised Provisional Base Budget 1998/99 £'000
<u>(A) Direct Services</u>				
Education	46,923	47,015	(494)	46,521
Social Work	20,951	22,055	(648)	21,407
Roads	5,623	5,679	(170)	5,509
Cultural Services	2,021	2,099	(63)	2,036
Environmental & Consumer Protection	4,649	4,922	(147)	4,775
Planning, Transport & Economic Development	2,693	2,750	(83)	2,667
Recreation Services	5,097	5,445	(163)	5,282
Miscellaneous Other Services	737	736	0	736
Other Housing - Capping Expenditure Element	355	361	0	361
Contract Services (Net Surplus)	(350)	(302)	0	(302)
Sub-Total	<u>88,699</u>	<u>90,760</u>	<u>(1,768)</u>	<u>88,992</u>
<u>(B) Central Support Services</u>				
Chief Executive (including Members' Services)	1,199	1,236	(37)	1,199
Finance (General)	1,261	1,338	(40)	1,298
Finance (Revenues)	1,360	1,385	(42)	1,343
Law & Administration	1,973	2,018	(55)	1,963
Information Technology	932	962	(29)	933
Personnel	764	787	(21)	766
Property Services	1,228	1,252	(38)	1,214
Local Offices	182	202	(6)	196
Deduct: Central Support Recharge to Non-General Fund Services	(1,491)	(1,477)	0	(1,477)
Sub-Total	<u>7,408</u>	<u>7,703</u>	<u>(268)</u>	<u>7,435</u>
<u>(C) Joint Boards</u>				
Police	12,291	13,195	(272)	12,923
Fire	2,765	3,041	(138)	2,903
Valuation	522	586	(20)	566
Sub-Total	<u>15,578</u>	<u>16,822</u>	<u>(430)</u>	<u>16,392</u>
<u>(D) Joint Arrangements</u>				
Tayside Contracts (Net Surplus - Angus Share)	(210)	(196)	0	(196)
Sub-Total	<u>(210)</u>	<u>(196)</u>	<u>0</u>	<u>(196)</u>
Sub-Total of A, B, C and D	<u>111,475</u>	<u>115,089</u>	<u>(2,466)</u>	<u>112,623</u>
Add:				
New Deal Resources (not included in Education base budget)	0	1,639	0	1,639
Local Government Reform Costs	223	244	(6)	238
Local Tax Collection (additional income)	(910)	0	(560)	(560)
Capital Financed from Current Revenue (CFCR)	1,250	1,250	0	1,250
Other Capping Expenditure (Arbroath Harbour Capital Financing Costs)	51	45	0	45
Pay Awards Provision (97/98 provision allocated to depts.)	0	2,150	(350)	1,800
TOTAL NET EXPENDITURE FOR CAPPING PURPOSES	<u>112,089</u>	<u>120,417</u>	<u>(3,382)</u>	<u>117,035</u>
<u>Non-Capping Expenditure</u>				
Capital Financing Costs	9,165	9,712	0	9,712
Police & Fire CFR	70	64	0	64
Other Non-Capping Expenditure	30	0	0	0
Valuation Joint Board Non-Capping Savings	0	0	(12)	(12)
Urban Programme/Programme For Partnership (Net of Specific Grant)	41	23	0	23
Other Housing - Non-Capping Expenditure Element	769	775	0	775
Interest on Revenue Balances	(50)	(50)	0	(50)
Non-Domestic Rates Discretionary Relief	0	19	0	19
Council Tax Benefits	190	213	0	213
TOTAL NET EXPENDITURE (Before Government Grant)	<u>122,304</u>	<u>131,173</u>	<u>(3,394)</u>	<u>127,779</u>

