

PREPARATION OF THE REVENUE AND CAPITAL BUDGET 2002/03 TO 2003/04 –
PROGRESS UPDATE

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report updates the Committee on the progress being made on forming the Council's General Fund revenue and capital budget strategy for the period 2002/03 to 2003/04. The report also provides a general update on the progress of the 2002/03 budget preparation cycle and seeks approval to make the necessary arrangements to set the 2002/03 Council Tax on 14th February 2002.

1 RECOMMENDATIONS

The Committees are asked to :

- a) note the progress being made on the formation of the Council's revenue and capital budget strategy for the period 2002/03 to 2003/04
- b) note the latest position with regard to the preparation of the 2002/03 General Fund Revenue Budget and 2001/2005 Financial Plan
- c) agree that the necessary arrangements be made to allow the Council to set the 2002/03 Council Tax on CoSLA's Uniform Budget Day of 14th February 2002
- d) note that the finalised budget strategy in respect of financial year 2002/03 will be brought forward to special meetings of the relevant committees on 14th February 2002
- e) note for their interest the Council Tax trends shown in Appendix A
- f) note that further reports will be brought forward as the 2002/03 budget process progresses

2 BACKGROUND

This report describes the progress which has been made in formulating a medium term revenue and capital budget strategy for the Council. The report also provides the Committees with a detailed update on the progress being made in preparing the Council's 2002/03 General Fund revenue and capital budgets and outlines the steps necessary to conclude the 2002/03 budget setting process.

3 DEVELOPMENT OF THE COUNCIL'S BUDGET STRATEGY

3.1 Introduction

Members will recall report 769/01 (Three Year Budgeting – Key Issues And Proposed Way Forward) submitted to the Policy & Resources Committee on 19 June 2001 which recommended a number of changes to the Council's budget setting process. In particular the report recommended that the Council begin developing its budget strategy on a more medium term (2-3 year) basis. The main benefits from the approach proposed in the report were envisaged to be as follows:-

- it should encourage a more strategic approach to service planning and budgeting;
- it should provide conveners and their service directors with much more certainty on the resources to be available to them in future years which in turn should allow them to plan ahead more effectively;
- savings and other decisions should be focused on achieving sustainable solutions;
- it should be slightly less resource intensive overall for both members and officers;
- it should allow policy priorities to have much more influence on how the restricted resources available to the council are to be allocated to particular services i.e. the budget should become more policy focused than in previous years.

Report 769/01 also recommended changes to the budget scrutiny and review processes wherein a new Budget Strategy Group (BSG) was to be created. The main remit of this group was to devise the Council's revenue and capital budget strategy for the period to 2003/04 including the approach to budget savings to be adopted (if required), any contributions to funds and balances, Council Tax decisions, etc.

3.2 Development of the Council's Budget Strategy – Progress to Date

Members will appreciate that the development of a budget strategy is a complex and time consuming process which requires consideration of many relevant factors, not least of which is the impact of Scottish Executive initiatives. With this in mind the Budget Strategy Group have been considering a number of matters in order to shape a budget strategy for the Council for the medium term. An initial meeting of the BSG was held on 13th September 2001, at which the overall context in which the Council's revenue and capital budgets for the period to 2003/04 was discussed.

A further meeting of the BSG was held on 7th November 2001 to begin fleshing out a budget strategy for the Council. The BSG's main focus was on the following issues:-

- Policy Priorities For Budget Strategy Purposes
- Overall Resource Constraints
- Special Fund Issues
- Updated Financial Settlement Information From The Scottish Executive
- New Burdens and Budget Issues

Policy Priorities For Budget Strategy Purposes

In an environment of financial constraint and finite resources the budget process necessitates difficult choices being made on competing priorities. With this in mind the BSG considered it essential that some broad policy priorities be set to guide the development of the Council's budget strategy.

The following broad policy priorities have been provisionally established by the BSG:-

- to limit the extent of budget cuts made in departmental budgets;
- to ensure unavoidable / contractual budget issues are addressed within the budget;
- to ensure adequate replenishment of the Council's Special Funds;
- to secure as far as possible a sufficient general fund balance contingency based on the established policy of 2½% of net budget;
- to provide, where possible, funds for discretionary departmental and corporate service developments / budget issues and, where considered appropriate, the continuation of policy led budgeting initiatives.

Overall Resource Constraints

Members are aware that on both revenue and capital activities the Council is constrained in what can be achieved by the resources available. Following the removal of Expenditure Guidelines, the Council's revenue budget is no longer controlled by an externally imposed spending limit. Budget spending levels are however still constrained by the amount of revenue resources which are available to the Council through grant funding from central government (Aggregate External Finance) and income raised locally through the Council Tax.

On capital expenditure the Scottish Executive limits the level of capital expenditure which the Council can incur through the Section 94 Consent allocation system. This permits only a very modest level of capital expenditure by the Council when compared to the asset base which requires investment.

Development of the Council's budget strategy is taking into account these resource constraints although final conclusions have yet to be drawn. The Committees are advised that this process will require difficult choices to be made regarding competing priorities and will inevitably mean some element of budget cuts being applied on both revenue and capital expenditure.

Special Fund Issues

Members will be aware that the Council holds various Special Funds within its General Fund Account as part of its longer term financial management strategy. These Special Funds give the Council a degree of protection over the longer term from potential risk due to unforeseen significant expenditure calls where insufficient current revenue or capital budget provision may exist. Report 1381/01 which is also on the agenda for this meeting of the Committee recommends replenishment of certain of the special funds during the current year. In view of the policy priorities described above the BSG will be taking into account any possible need to further replenish the Council's Special Funds as the budget strategy is developed.

Updated Financial Settlement Information From The Scottish Executive

The Council received details of its financial settlement for the period 2001/02 (year 1) to 2003/04 (year 3) in December 2000. Since that time a number of policy initiatives have been launched by the Executive which will impact on the previous settlement announcements (e.g. the funding arrangements for free personal care for the elderly). The Executive intend providing the Council with a confirmed and updated financial settlement for financial 2002/03 in December 2001. Members are advised that these announcements could have an impact on the Council's revenue and capital budgets and accordingly will require to be taken into account in finalising the budget strategy.

New Burdens and Budget Issues

In submitting their budgets service directors are given an opportunity to identify particular budget issues or new burdens affecting their service and to identify areas for potential service developments. These issues reflect a mix of national factors which will affect all Council's and local matters specific to Angus Council's area.

Members are advised that there are a large number of such potentially significant budget issues which will require to be addressed. These issues include:-

- Environmental Health Burdens
- Implementation of Free Personal Care for the Elderly
- Implementation of the new national scheme of concessionary fares
- Climate Change Levy & Other Possible New Fuel Levy's
- Reintegration of Nursery Specific Grant Within Mainstream AEF
- Implementation of McCrone recommendations
- Resource Transfer to Commission for the Regulation of Care
- Montrose Bridge Replacement

The above is by no means an exhaustive list and it will be necessary for the BSG to give due consideration to all such issues in finalising the Council's budget strategy.

The BSG have however agreed that the following burdens be specifically allowed for in the 2002/03 revenue budget given that they are of a completely unavoidable, and in the case of the aggregates tax, statutory nature :-

- Single Status (reduction in the working week of former manual workers)
- Aggregates Tax (impact on revenue budget only)

3.3 Development of the Council's Budget Strategy – Next Steps

Although good progress has been made in bringing together a revenue and capital budget strategy there are still many issues to be resolved before final conclusions can be made. In particular the Council will need to assess the impact of the updated financial settlement for 2002/03 which the Scottish Executive are expected to announce during December.

In light of the above members will appreciate that it is still too early in the budget process to give an indication of likely Council Tax levels for 2002/03. The Committees are however advised that the extent of pressure on Council budgets will put upward strain on Council Tax levels.

The Committees may find it useful to know how Council Tax levels have moved since reorganisation both here in Angus and elsewhere in Scotland. A summary of movements on Council Tax levels from financial year 1996/97 to 2003/04 is shown in Appendix A. Members are advised that the Council Tax figures shown for financial years 2002/03 and 2003/04 are indicative at present and are based on those levels declared by Councils when they set their actual 2001/02 Council Tax levels earlier this year.

3.4 Future Years

As indicated above financial year 2002/03 represents year 2 of the Scottish Executive's current 3 year Spending Review period. The Council have been given details of its financial settlement on both the revenue and capital budget up to the end of financial year 2003/04 but these may change in light of the updated settlement figures to be provided by the Executive.

In the meantime further work is currently being taken forward at officer level as regards financial year 2003/04 and in the case of the financial plan financial year 2004/05 also.

4 2002/03 REVENUE BUDGET PREPARATION – PROGRESS TO DATE

4.1 Introduction

Reference is made to Report 766/01 to the Policy & Resources Committee of 19th June 2001 wherein the procedures to be followed in the preparation of the 2002/03 revenue budget were outlined. The report described the general process of the revenue budget preparation and set out a budget timetable based on setting the Council Tax in the week commencing 11th February 2002.

4.2 Cycle of Special Service Committee Meetings & Council Tax Setting Meeting

CoSLA have indicated a Uniform Council Tax setting day of 14th February 2002. The budget process is being progressed with this date in mind. It is proposed that, as was the case for the 2001/02 budget setting, a cycle of special committee meetings be held on that day prior to a Special Meeting of the Council to set the Council Tax. In this way all of the key budget decisions will be taken on the one day (14th February).

The above arrangements may require some changes to the normal Committee schedule (a meeting of Angus Council is already scheduled for 14th February 2002). The Committee is therefore asked to agree that the necessary arrangements to be made to allow the Council to set the 2002/03 Council Tax on CoSLA's Uniform Budget Day of 14th February 2002.

4.3 Provisional Base Budget Submissions

All General Fund departments have now submitted their provisional base budgets for the 2002/03 financial year and each of these has been subject to a technical validation process. Reports outlining the provisional base budgets for each department are being submitted to the November / December 2001 cycle of committees for their respective interests.

4.4 Budget Review Group

Following the Budget Strategy Group meetings mentioned above the next stage in the budget process is the Budget Review Group (BRG) meetings – an officer group chaired by the Chief Executive. BRG meetings are scheduled to take place on 5th and 14th December 2001, and will consider in more detail departmental provisional base budget submissions for 2002/03 (including budget issues and budget cuts proposals – see below). Recommendations concerning departmental revenue budgets arising from the BRG meetings will be brought forward for consideration at the special budget meetings proposed for 14th February 2002.

4.5 Budget Cuts Proposals

Members may recall report 586/01 (Revenue Budget Projections Volume 2002/03 – 2003/04) to Angus Council on 7 May 2001 which set out the projected budget position for the Council over the years in question. That report indicated that based on the assumptions made in the projections budget cuts of £1.750m would be required to balance the budget in financial year 2002/03.

Members are advised that changes to the 2002/03 projected budget are inevitable given that the budget is now being worked up to a greater level of detail and the likelihood that some of the assumptions made in the projected budgets will change. It was nevertheless considered appropriate to ask service directors to identify provisional budget cuts proposals for 2002/03, against the anticipated backcloth of financial constraints, to ensure that any necessary amendments could be made to base budgets on a timeous basis once the overall budget strategy was finalised by the BSG.

These proposals have now been received from departments, and were presented to the BSG meeting on 7th November 2001 for initial consideration. The full implications of the budget cuts proposals will however require to be assessed in greater detail at the BRG meetings due to take place on 5th and 14th December 2001 and will thereafter be submitted to the relevant service committees proposed for 14th February 2002.

4.6 Budget Issues

As indicated above there are a large number of budget issues facing the Council in setting its 2002/03 revenue budget. The full implications of all service developments, budget issues and new burdens will be assessed in detail at the BRG meetings. Some of these issues will however require clarification from the Scottish Executive and so it may not be possible to fully conclude on these until the new calendar year. The outcome from consideration of these issues will be submitted to the relevant service committees proposed for 14th February 2002

5 2001/2005 FINANCIAL PLAN PREPARATION – PROGRESS TO DATE

5.1 Introduction

Reference is made to Report 767/01 to the Policy & Resources Committee of 19th June 2001 wherein the procedures to be followed in the preparation of the 2001/2005 Financial Plan and 2002/03 capital budget were outlined. The report described the general process of the financial plan preparation and set out a budget timetable based on setting the provisional capital budgets for each department by mid February 2002.

Members will also be aware that reports have been submitted to the November / December 2001 committee cycle detailing, for their respective interest, departmental Financial Plan submissions as returned to the Director of Finance.

5.2 Provisional Financial Plan Submissions

Following approval of Report 767/01, the Director of Finance wrote to all Chief Officers (excluding the Director of Housing) requesting that Financial Plan submissions of proposed capital expenditure for the period 2002/03 to 2004/05 be made in line with targets established by the Capital Budget Sub Group (CBSG) of the Budget Strategy Group (BSG), and a review be undertaken of the 2001/02 capital programmes.

Departmental Financial Plan submissions were reviewed and validated by the Director of Finance, in conjunction with departments, to ensure compliance with the budget guidance. The CBSG met on 18 October 2001 to consider the Financial Plan submissions and the 2002/03 capital budget in particular, and put forward proposals to the BSG meeting of 7 November 2001 regarding departmental programmes for 2002/03. These proposals, which in effect bring departmental 2002/03 capital budgets in line with the estimated resources to be available, were accepted by the BSG subject to their further review through the Budget Review Group process.

5.3 Budget Review Group

Departmental Financial Plan submissions will be reviewed in more detail at the respective BRG meeting. The BRG will act as a forum for Chief Officers to highlight any particular capital budget difficulties which they face over the Financial Plan period. It may be that some adjustments are made to departmental 2002/03 capital budgets in light of the BRG process and emerging factors which arise in the intervening period. Recommendations concerning departmental financial plan submissions (including 2002/03 capital budgets) arising from the BRG meetings will be brought forward for consideration at the special budget meetings proposed for 14th February 2002.

It should be noted that the 2003/04 and 2004/05 capital programmes are currently significantly over-subscribed when compared with estimated capital resources. This funding gap will require to be addressed as the Financial Plan process progresses in order to reduce it to a more manageable level.

5.4 Government Announcements

The results of the Scottish Executive's Comprehensive Spending Review 2000 established firm capital allocations for financial years 2001/02 to 2003/04, permitting the Council to estimate with some certainty its Section 94 Consent Allocation for 2002/03. Official notification of this is not expected until March 2002 however.

6 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

7 HUMAN RIGHTS IMPLICATIONS

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

8 CONSULTATION

The Chief Executive and the Director of Law & Administration have been consulted on the contents of this report.

9 CONCLUSION

Good progress is being made in working up the Council's revenue and capital budget strategy for the period 2002/03 to 2003/04. Naturally a particular focus is being given to the 2002/03 revenue and capital budgets since the context in which these budget are being set is more certain. Nevertheless the Council's budget strategy decisions are being taken following due consideration of the medium term budget and financial issues facing the Council.

Preparation of the 2002/03 revenue budget and 2001/2005 financial plan is progressing well. Further reports pertinent to these budget processes will be brought forward, as required, as the budget cycle progresses.

DAVID S SAWERS
Director of Finance

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 preparing this report.

Shown in descending order of percentage increase 1996/97 to 2001/02 for each family group

FAMILY GROUP	BAND D COUNCIL TAX 1996/97 **		BAND D COUNCIL TAX 1997/98 **		BAND D COUNCIL TAX 1998/99		BAND D COUNCIL TAX 1999/00		BAND D COUNCIL TAX 2000/01		BAND D COUNCIL TAX 2001/02		INCREASE 1996/97 - 2001/02		INDICATIVE BAND D COUNCIL TAX 2002/03 ***		INDICATIVE BAND D COUNCIL TAX 2003/04 ***		PROJECTED INCREASE 1996/97 - 2003/04		
	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	
Family Group A	443.21		486.00		558.00		621.00		684.00		747.00		303.79	68.5	809.75	868.05	424.84	95.9			
Shetland	480.00		515.00		595.00		624.00		690.00		754.00		274.00	57.1	824.12	899.94	419.94	87.5			
Orkney	675.00		801.00		938.00		881.00		984.00		984.00		309.00	45.8	1,022.38	1,052.03	377.03	55.9			
Argyll & Bute	590.00		714.00		731.00		766.00		817.00		857.00		267.00	45.3	898.99	943.04	353.04	59.8			
Dumfriess & Galloway	591.00		643.00		695.00		719.00		777.00		855.00		264.00	44.7	919.00	966.00	375.00	63.5			
Aberdeenshire	558.00		612.00		639.00		670.00		725.00		785.00		227.00	40.7	855.00	925.00	367.00	65.8			
Scottish Borders	718.00		858.00		892.00		936.00		963.00		1,001.00		283.00	39.4	1,036.04	1,072.30	354.30	49.3			
Midlothian	550.00		599.00		656.00		688.00		724.00		765.00		215.00	39.1	815.00	867.00	317.00	57.6			
Comhairle Nan Eilean Siar (Western Isles)	670.00		724.00		760.00		788.00		858.00		909.45		239.45	35.7	954.92	993.12	323.12	48.2			
East Lothian	607.50		652.00		699.00		724.00		786.00		824.50		217.00	35.7	865.73	909.02	301.52	49.6			
Moray	658.50		718.96		776.47		799.00		839.00		889.00		230.50	35.0	939.00	989.00	330.50	50.2			
Highland	699.00		732.00		732.00		758.00		795.00		875.00		176.00	25.2	935.99	982.98	283.98	40.6			
Perth & Kinross	659.00		679.00		709.00		734.00		771.00		821.00		162.00	24.6	891.00	967.00	308.00	46.7			
Angus	630.00		697.00		737.00		763.00		813.00		869.00		239.00	37.9	923.00	972.00	342.00	54.3			
Average for Family Group																					
Family Group B	678.00		776.00		782.00		819.00		900.00		954.00		276.00	40.7	1,011.24	1,061.80	383.80	56.6			
Sliding	621.00		662.00		729.00		765.00		810.00		859.00		238.00	38.3	910.00	964.00	343.00	55.2			
East Renfrewshire	692.00		753.00		831.00		872.00		913.00		951.00		259.00	37.4	989.00	1,029.00	337.00	48.7			
Clackmannanshire	678.00		792.00		829.00		858.00		888.00		919.00		241.00	35.5	951.17	984.46	306.46	45.2			
West Lothian	660.00		718.00		751.00		788.00		827.00		877.00		217.00	32.9	927.00	977.00	317.00	48.0			
North Ayrshire	668.00		771.00		790.00		830.00		830.00		871.52		203.52	30.5	906.38	933.57	266.57	39.8			
East Dunbartonshire	624.00		680.00		699.00		719.00		757.00		813.00		189.00	30.3	854.00	897.00	273.00	43.8			
Falkirk	714.00		779.00		819.00		848.70		878.40		922.00		208.00	29.1	967.18	1,014.57	300.57	42.1			
East Ayrshire	694.00		747.00		771.00		809.00		849.00		891.00		197.00	28.4	935.00	981.00	287.00	41.4			
File	731.00		765.00		792.00		792.00		832.00		874.00		143.00	19.6	918.00	964.00	233.00	31.9			
South Ayrshire	678.00		746.00		775.00		806.00		843.00		888.00		210.00	31.0	931.00	975.00	297.00	43.8			
Average for Family Group																					
Family Group C	647.00		712.12		794.00		823.50		873.00		934.11		287.11	44.4	980.82	1,029.86	382.86	59.2			
City of Aberdeen	805.00		982.00		1,074.00		1,074.00		1,094.00		1,120.00		315.00	39.1	1,164.80	1,211.39	406.39	50.5			
City of Glasgow	762.00		831.00		863.00		888.00		933.00		1,012.00		250.00	32.8	1,062.60	1,115.73	353.73	46.4			
Inverclyde	801.00		920.00		990.00		1,034.00		1,056.00		1,046.00		245.00	30.6	1,071.10	1,097.88	296.88	37.1			
City of Dundee	724.00		793.00		859.00		880.00		901.00		924.00		200.00	27.6	959.11	995.56	271.56	37.5			
South Lanarkshire	812.00		978.00		1,011.00		981.00		999.00		1,024.00		212.00	26.1	1,064.96	1,107.56	295.56	36.4			
West Dunbartonshire	738.00		783.00		812.00		844.00		876.00		907.00		158.00	21.4	940.80	987.84	249.84	33.9			
North Lanarkshire	758.00		787.00		822.00		844.00		876.00		907.00		148.00	19.7	938.75	971.61	213.61	28.2			
North Lanarkshire	812.00		837.00		867.00		889.00		915.00		960.00		148.00	18.2	998.40	1,028.35	216.35	26.6			
City of Edinburgh	769.00		853.00		907.00		923.00		953.00		988.00		219.00	28.5	1,028.00	1,067.00	298.00	38.8			
Average for Family Group																					
Scottish Average	708.00		783.00		827.00		849.00		886.00		929.00		221.00	31.2	973.00	1,016.00	308.00	43.5			
Difference b/t Angus and Scottish Average	-6.9%		-13.3%		-14.3%		-13.5%		-13.0%		-11.6%		-26.7%		-8.4%		-4.8%				0.0%

* Audit Scotland - Family Group of Authorities for Council Tax purposes
 ** excludes District Equalisation Scheme adjustment

*** these are the Council Tax projections of each Council as declared when they set their 2001/02 actual Council Tax. The actual Council Tax charges for 2002/03 will be set in February 2002 and could vary from the figures shown
 # - these are assumed averages based on the projected Council Tax of each Council in financial year 2002/03 and 2003/04. The calculation assumes no changes to either the tax base or non-collection levels of each Council from those applied in 2001/02
 #* - these figures use the assumed averages for financial years 2002/03 and 2003/04 and are therefore purely indicative