

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 19 JUNE 2001

PREPARATION OF THE 2002/03 REVENUE BUDGET

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report appraises members of the current position in relation to the 2002/03 Revenue Budget preparation process, identifies the main stages of the budget cycle and seeks approval of the proposed approach to revenue budget preparation for the 2002/03 financial year.

1. RECOMMENDATION

It is recommended that the Committee:

- a) note the contents of this report for its interest;
- b) note the proposed changes to the Revenue Budget preparation process arising from the changes to the budget scrutiny and review process set out in Report 769/01;
- c) approve the approach to the budget preparation process as set out in Section 4 of this report.

2. INTRODUCTION

In accordance with the Council's Financial Regulations, the 2002/03 revenue budget preparation process will commence in due course. Detailed budget instructions will be issued to all of the Council's departments in July/August requiring that departmental base revenue budgets be prepared and submitted to the Finance department by late September/early October 2001.

This report outlines the general process for preparation of the 2002/03 revenue budget and highlights the key stages of the budget preparation timetable which will ultimately lead to the setting of the Council Tax in March 2002. A copy of the indicative timetable for the 2002/03 revenue budget process is attached at Appendix A.

For the information of members, attached at Appendix B is a brief glossary of terms utilised in this report. A full glossary of terms used in the revenue budget process is included in each year's Final Revenue & Capital Budgets Volume.

3. MAIN ISSUES**3.1 Forward Budget Projections**

Members will recall Report 586/01 on revenue budget projections for financial years 2002/03 to 2003/04. The report highlighted that the budget projections contained a number of assumptions, particularly with regard to the provisions allowed for by the Scottish Executive for new burdens, etc. within the grant totals for 2002/03 and 2003/04. No further detail on these new burdens has been forthcoming from the Scottish Executive, and therefore the budget projections currently assume that these will be fully funded by government grant. Any shortfall between what the Executive has provided for new burdens and initiatives, and the actual costs incurred locally in Angus could present a budget problem. Members of the Committee will be well aware of the extent to which Scottish Executive spending decisions impact on the Council's budget.

It is emphasised that the budget projections produced for the forward years do not represent guaranteed budget availability. These projections should be regarded purely as indicative best estimates which will require to be revisited once further Scottish Executive announcements are made. The detailed preparation of the 2002/03 revenue budget will therefore involve refining and scrutinising in more detail the budget estimates contained in the projections volume.

3.2 Changes to the Budget Scrutiny and Review Process

The move by the Scottish Executive towards fixed three year finance settlements has enabled local authorities to plan ahead with more certainty than has previously been the case. Report 769/01 to this committee looks in detail at the key issues associated with the development of 3 year budgeting and the proposed way forward for Angus Council. The report set out a number of proposed changes to the budget scrutiny and review process. These changes have been reflected in Section 4 below.

4. THE BUDGET PREPARATION PROCESS

4.1 Provisional Base Revenue Budget Submissions

During August and September 2001, each Council department will, in consultation with Finance department staff, prepare their detailed provisional base revenue budgets for 2002/03. Budget preparation guidance will be issued to departments in July/August 2001, and this guidance will reflect any agreed changes to the budget preparation process resulting from Report 769/01.

4.2 Budget Strategy Group

Report 769/01 proposes the creation of a new Budget Strategy Group (BSG), comprised of key elected members and Chief Officers. The main remit of this group would be to set the revenue and capital budget strategy for the period to 2003/04 as well as make the key decisions in setting the annual revenue and capital budgets.

4.3 Technical Validation Group

The proposed changes to the budget strategy and review process set out in Report 769/01 will result in the Technical Validation Group (TVG) process being replaced with a more informal verification process which scrutinises key budget issues without the need for a programme of formal meetings. To ensure the revenue budget guidance issued by the Director of Finance has been followed and as a means of confirming that key figures are verified, a detailed budget preparation and validation checklist will be introduced.

4.4 Budget Review Group

Previously, the budget papers emanating from the TVG were considered at a separate Budget Review Group (BRG) for each department - an officer group chaired by the Chief Executive. Under the new proposals, it is envisaged that the BRG will continue to exist, but would be simplified by the fact that most key budget strategy decisions would already have been taken by the BSG. The BRG would, as it does at present, provide a formal forum for discussion of key budget issues between officers prior to the budget meetings with conveners and vice-conveners.

In addition to its current remit, the BRG will also be required to consider departmental service planning intentions in conjunction with the budgets to ensure there is consistency between them. It is anticipated that BRG meetings will take place in early December.

4.5 Special Service Committees

The timing of some of the early January 2002 Committee meetings prevents all departmental base budgets being considered in the normal cycle of meetings during January and February 2002. It is therefore envisaged that Special Service Committees would continue to be held on a single day in February 2002, to consider the revenue budget. The Special Service Committees would review the provisional revenue budget submissions and any recommended adjustments arising from the Budget Review Group meetings. The recommendations of these meetings would then go forward to the

Council Tax setting meeting to be held later that same day, the date of which will coincide with CoSLA's Uniform Budget Day. All of the key budget decisions would therefore be taken on the one day, as was the case for 2001/02.

4.6 Setting The Council Tax

The Local Government Finance Act 1992 requires that the Council Tax Band D level be set on or before 10th March of the year preceding the financial year to which it will apply. Usually a uniform budget setting day is organised through CoSLA; this will not be announced until much later in the budget process, but it is anticipated that the date will be similar to that for 2001 (15th February). The Council's budget timetable has therefore been drawn up to allow the Council Tax to be set in the week commencing 11th February 2002.

5. CONSULTATION

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

6. HUMAN RIGHTS IMPLICATIONS

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

7. CONCLUSION

A number of changes are proposed for the preparation of the revenue budget in order to improve the budget scrutiny and review process. Further reports pertinent to the revenue budget process 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.

Draft Indicative Timetable For Preparation Of 2002/03 Revenue Budgets

<u>Date</u>	<u>Action</u>
2001	
May	Revenue Budget preparation procedures drafted.
19 th June 2001	Policy & Resources Committee consider budget preparation procedures.
June / July	Budget Strategy Group (BSG) meet to determine initial budget strategy for 2002/03 & 2003/04.
July / August	Director of Finance issues the necessary guidance notes and draft budget forms/returns to Chief Officers
Mid August	Supplementary Payroll etc. information issued to departments to assist in revenue budget preparation
August / September	Chief Officers prepare draft Provisional Base Revenue Budgets 2002/03 in conjunction with departmental accountants.
August / September	Budget Strategy Group (BSG) meet to finalise budget strategy for 2002/03 & 2003/04, including setting of budget envelopes, determination of savings strategy, etc.
Late September / Early October	Chief Officers amend 2002/03 budgets, identify savings, etc. in light of confirmed budget strategy, and return Provisional Base Revenue Budgets 2002/03 to Director of Finance.
October	Report on key elements of budget strategy for 2002/03 & 2003/04 submitted to Policy & Resources Committee for information/approval.
October / November	2002/03 Provisional Base Budgets, savings proposals, etc. reviewed & validated by Finance, in liaison with department.
November/December	BRG papers prepared by Finance in conjunction with departments.
November / December Committee Cycle	Reports submitted to service committees confirming budget envelopes and providing commentary on pertinent issues.
Early December	BRG meetings consider revenue budget. Main issues arising to be noted by Finance (budget adjustments) and Chief Executive's (corporate/policy issues) departments.
2002	
December 2001 / January 2002	Finance department prepare draft Provisional Revenue Budgets and Savings Summary Volumes, for review by Chief Officers and Conveners.
Early/mid January	Member/Officer meetings held to finalise 2002/03 revenue & capital budgets.
January	Housing rents to be fixed.
w/c 11 th February	Provisional Revenue Budgets, savings proposals and adjustments arising from BRG & Member/Officer meetings reported to Special Service Committees. Special meeting of Angus Council considers Minutes of Special Service Committees and report by Finance Convener and agrees the level of 2002/03 Council Tax.
March/April	Finance Department co-ordinate preparation of the Final Revenue & Capital Budget Volume and the Budget Guide.

AGGREGATE EXTERNAL FINANCE - This is the funding which is outwith Council control i.e. is determined by Central Government. The Scottish Parliament sets the level for public expenditure, including the Scottish Executive allocation for local authorities, during its budgeting exercise, and thereafter an allocation is given to each of the local authorities. AEF includes Revenue Support Grant (RSG), Non-Domestic Rate Income (NDRI), and Specific Grants and is paid by the Executive to help finance the cost of General Fund services.

COUNCIL TAX/COUNCIL TAX BAND - The Council Tax is a part property related tax and a part personal tax, a combination of the previous rates system and community charge. In respect of property, however, the tax is not related to an estimated rental income (as rates were) but to an estimated capital value which should be more readily assessed. In addition, there is a "personal" element retained in the tax in that there is a 25% reduction where there is only a single occupant in a property. The Government has set eight basic valuation bands for the Council Tax within which property is grouped. The valuations range from Band A (up to £27,000), which incurs two-thirds of the basic charge (Band D), to Band H, the highest range (property valued at over £212,000), which incurs twice the Band D level of charge.

EXPENDITURE GUIDELINES - The Expenditure Guideline system is the mechanism by which the Scottish Executive controls local government spending in Scotland. Local authorities are issued with an Expenditure Guideline which is the Executive's measure of the total expenditure which they should incur. The Expenditure Guideline covers all General Fund revenue expenditure except that relating to Urban Programme and transfers to/from Funds and Balances.

GENERAL FUND - The account which records the revenue expenditure and income of all the Council's services apart from Council Housing.

REVENUE EXPENDITURE - The continuing day-to-day running expenses on the provision and upkeep of services which are met from current income.

