

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE - 19 JUNE 2001

PREPARATION OF THE 2001/2005 FINANCIAL PLAN AND
2002/03 GENERAL FUND CAPITAL BUDGET

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report appraises members of the main stages in the Financial Plan process and seeks approval of the proposed approach to the preparation of the 2001/2005 Financial Plan and 2002/03 General Fund capital budget.

1. RECOMMENDATIONS

It is recommended that the Committee :

- a) note the contents of this report for its interest ;
- b) note the changes to the Financial Plan 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 Financial Plan preparation process as set out in Section 4 of this report.

2. INTRODUCTION

In accordance with the Council's Financial Regulations, the 2001/2005 Financial Plan preparation process will commence in due course. The setting of the Council's 2002/03 General Fund capital budget is an integral part of this process. Detailed budget guidance will be issued to all of the Council's departments in August / September requiring departmental submissions to be prepared and submitted to the Finance department by early October 2001.

This report outlines the process for preparation of the 2001/2005 Financial Plan and highlights the key stages in the preparation timetable. A copy of the indicative timetable for the 2001/2005 Financial Plan process is attached at Appendix A.

3. MAIN ISSUES**3.1 Capital Resources**

The actual capital resources available to the Council in 2002/03 will be addressed during the Financial Plan process. However the following commentary may be made at this time on the principal sources of financing for the Council's capital budget :

Section 94 Consent Net Allocation

The results of the Scottish Executive's Comprehensive Spending Review 2000 established firm capital allocations for financial years 2001/02 to 2003/04. Angus Council's Section 94 Consent Allocation for 2002/03 is £6,304k. It should be noted that the Scottish Executive have earmarked a significant amount of the national total of capital resources for specific government initiatives which are not reflected in local authorities capital allocations. These will be issued to Councils on a different basis, in some cases through a competitive bidding process.

Capital Funded from Current Revenue (CFCR)

The 2001/02 capital budget includes £530k of CFCR funding in respect of the Roads department - £100k from the Roads & Transport Renewal & Repair Fund and £430k from the Local Capital Fund (LCF). Consideration will be required to be given to the continuation of the LCF funding during the 2002/03 budget process.

Capital Receipts

The Council can augment its capital resources through the generation of capital receipts. This can be through the securing of contributions from funding partners, which effectively reduces the input required of the Council, or more general receipts, such as the sale of assets, which provide an additional resource to allow further capital expenditure.

The assessment of the likely level of resources available in 2002/03 from the above sources will be a critical part of the Financial Plan preparation process. **However, it should be noted that the 2002/03 capital programme as it currently stands in the 2000/2004 Financial Plan will be significantly in excess of available resources.**

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 FINANCIAL PLAN PREPARATION PROCESS

4.1 Financial Plan Submissions

Financial Plan preparation guidance will be issued to departments in August / September 2001. The guidance will include departmental submission targets for the period 2002/03 to 2004/05 in order to ensure that total submissions are not significantly at variance with anticipated resources. These target submission levels will allow departments to concentrate on those projects which have a realistic prospect of being undertaken in the foreseeable future. During September / October 2001, each Council department will, in consultation with Finance department staff, prepare their proposals for capital expenditure from 2002/03 up to and including 2004/05 as well as undertaking a review of their 2001/02 programmes.

4.2 Capital Project Appraisals

Last year saw the introduction of Angus Council's system of Capital Project Appraisal (CPA) which provided valuable information to aid the Capital Budget Sub Group in determining those priority projects to be taken forward by the Council. Once again, departments will be required to produce CPA for those projects with an estimated gross total cost greater than £100,000 and anticipated to be legally committed in 2002/03 or 2003/04 which were not subject to CPA last year.

Finalised CPA will be submitted by departments in late October for consideration in the 2001/2005 Financial Plan cycle.

4.3 Budget Strategy Group

This is a new group which it is proposed should be created comprising of both key elected members and Chief Officers. The main remit of the 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. The Budget Strategy Group (BSG) will therefore set the broad budget strategy and direction for the 2001/2005 Financial Plan and the 2002/03 capital budget.

4.4 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 capital 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.

4.5 Capital Budget Sub Group

The Capital Budget Sub Group (CBSG) is an officer group chaired by the Chief Executive and concentrates on the strategic and budget co-ordination issues relating to the Financial Plan process. Under the proposed new arrangements the CBSG will take its broad direction from, and act in an advisory capacity to, the BSG rather than was the case previously the BRG.

4.6 Budget Review Group

The Budget Review Group (BRG) - an officer based group chaired by the Chief Executive - would continue to 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.

4.7 Special Service Committees

The Special Service Committees anticipated to be held in February 2002 to consider the revenue budget will also consider the Financial Plan submissions revised in light of the adjustments arising from the CBSG and BRG meetings.

5. HUMAN RIGHTS IMPLICATIONS

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

5. CONSULTATION

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

6. CONCLUSION

A number of changes are proposed for the preparation of the Financial Plan in order to improve the budget scrutiny and review process. Further reports regarding the preparation of the Financial Plan will be brought forward, as required, as the budget cycle progresses.

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 :-

Finance Circular 13/2000 issued on 7 December 2000 by the Scottish Executive.

TIMETABLE FOR COMPLETION OF THE 2001/2005 FINANCIAL PLAN

Appendix A

Date	Action
19 June 2001	Report submitted to Policy & Resources Committee on preparation of the 2001/2005 Financial Plan
End June / Early July	Capital Budget Sub Group meet to plan ahead for 2002/03 and 2003/04 and advise BSG of issues to take into account in forming the capital budget strategy
August / September	Director of Finance issues guidance to all Chief Officers on the preparation of departmental Financial Plan submissions
Early October	Draft Financial Plan submissions to be returned by Chief Officers to the Director of Finance
End October	Finalised Capital Project Appraisals submitted to the Co-ordinating Officer within the Finance department to aid in the 2001/2005 Financial Plan process
November	Capital Budget Sub Group (CBSG) meet to consider departmental Financial Plan submissions and advise BSG accordingly
Early December	BRG meetings consider key budget issues prior to the budget meetings with conveners and vice-conveners
December / January 2002	Departments informed of BSG / CBSG decisions and revise Financial Plan submissions as necessary
Mid February	Special Service Committees consider departmental revised Financial Plan submissions
Late March	Scottish Executive confirmation of 2002/03 Section 94 Consent Net Allocation
March / April	Finance department co-ordinate preparation of Final Revenue & Capital Budgets Volume and Budget Guide
May / June	Preparation of monitoring budgets for 2002/03 on availability of final actuals for 2001/02