

**ANGUS COUNCIL**

**RESOURCES & CENTRAL SERVICES COMMITTEE – 17 JUNE 2004**

**PREPARATION OF THE 2005/06 REVENUE BUDGET**

**REPORT BY THE DIRECTOR OF FINANCE**

**ABSTRACT**

This report appraises members of the current position in relation to the 2005/06 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 2005/06 financial year.

**1. RECOMMENDATION**

1.1 It is recommended that the Committee:

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

**2. INTRODUCTION**

2.1 In accordance with the Council's Financial Regulations, the 2005/06 revenue budget preparation process will commence in due course. Detailed budget guidance 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 2004.

2.2 This report outlines the general process for preparation of the 2005/06 revenue budget and highlights the key stages of the budget preparation timetable which will ultimately lead to the setting of the Council Tax in February 2005. A copy of the indicative timetable for the 2005/06 revenue budget process is attached at [Appendix A](#).

**3. MAIN ISSUES**

**3.1 Forward Budget Projections**

3.1.1 A report on revenue budget projections for financial year 2005/06 (together with 2006/07) is also being presented to this Committee. The budget projections in that report contain a number of assumptions, particularly with regard to the implementation of new initiatives by the Scottish Executive. It is generally assumed that new government initiatives will be cost neutral to the Council. In the event that resources provided by the Scottish Executive are not sufficient to meet the costs locally in Angus, corrective action will be necessary to contain the higher costs within departmental resources and the overall Council budget. Members of the Committee will be aware of the extent to which Scottish Executive spending decisions impact on to the Council's budget.

3.1.2 It is emphasised that the budget projections currently being produced for 2005/06 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 2005/06 revenue budget will therefore involve refining and scrutinising in more detail the budget estimates which will be contained in the projections volume.

3.1.3 It should be noted that the budget projections for 2005/06 indicate that budget cuts are likely to be required in order to contain revenue expenditure within the resources available. The Budget Strategy Group (BSG) is currently considering alternative strategies in order to achieve these cuts.

### **3.2 Spending Review 2004**

- 3.2.1 The Scottish Executive's Spending Review 2002, including a revised Finance Settlement announced in December 2003, provided firm base grant totals up to and including 2005/06. A further spending review is taking place at present which will provide local authorities with a revised grant total for 2005/06, and totals for 2006/07 and 2007/08 for the first time. This may involve the revision of Angus Council's previously announced grant total for 2005/06. Any such change will necessitate a review to determine the impact onto the 2005/06 revenue budget.

### **3.3 Prudential Framework**

- 3.3.1 The Local Government (Scotland) Act 2003 provided for the introduction of a new regime for the control of local authority capital investment from 1 April 2004.
- 3.3.2 The new prudential arrangements have seen the abolition of the Section 94 Consent regime and the introduction of a new system of self-regulation, known as the Prudential Code, which has been developed by CIPFA in consultation with all local authorities and regulatory bodies. Further detail on the Prudential Code is included as part of Report 775/04 to this Committee (Preparation of the 2004-2008 Financial Plan & 2005/06 Capital Budget).
- 3.3.3 The introduction of the Prudential Code means that the capital budget and the revenue budget/Council Tax setting process are now inextricably linked. Within the restricted resources available to the Council there is a need for the impact of capital investment decisions on the revenue budget (increased Capital Financing Costs) to be considered relative to the priority of other calls on the revenue budget. Whilst the introduction of the Prudential Code has required a more extensive input to the revenue budget process it is not envisaged that this will impact upon the general timetable the Council has worked to in recent years and this is reflected in Appendix A.

## **4. THE BUDGET PREPARATION PROCESS**

### **4.1 Provisional Base Revenue Budget Submissions**

- 4.1.1 During August and September 2004, each Council department will, in consultation with Finance department staff, prepare their detailed provisional base revenue budgets for 2005/06. Budget preparation guidance will be issued to departments in July/August 2004.

### **4.2 Budget Strategy Group**

- 4.2.1 The Budget Strategy Group (BSG), a Member/Officer group chaired by the Leader of the Council, held its first meeting of the 2005/06 budget process on 6 May 2004, in order to give early consideration to the revenue and capital budget strategy for the 2005/06 financial year and beyond. A further meeting of the BSG was held today (17 June 2004), to discuss potential areas for Best Value cross-cutting service reviews which could assist the Council in beginning to move away from a pro-rata budget cuts methodology.
- 4.2.2 The next meeting of the BSG is expected to be held in early November. The aim of this meeting will be to review and if necessary update the revenue and capital budget strategy for the 2005/06 financial year, and to assess the provisional revenue budget submissions in overall terms, as well as make the key decisions in setting the annual revenue and capital budgets. It should also be noted that the outcomes of the 2004 Spending Review may not be known by that time and the budget strategy will require to be reviewed in light of Scottish Executive finance settlement announcements.

### **4.3 Review & Validation Process**

- 4.3.1 In late October/early November 2004 Finance will, in conjunction with departments, carry out a verification process in order to review and validate provisional revenue budget submissions made by departments, to ensure that the revenue budget guidance issued by the Director of Finance has been followed.

- 4.3.2 The aim of this validation process is to ensure that the information which is submitted to the Budget Review Group (BRG) - see 4.4 below - is as accurate and comprehensive as possible.
- 4.3.3 Following completion of the validation process, it is intended that each service committee will be provided with a summary of their respective department's base budget submission in the November/December committee cycle.

#### **4.4 Budget Review Group**

- 4.4.1 Following the review and validation process outlined above, departmental revenue budget submissions will be considered at a separate Budget Review Group (BRG) for each department – an officer group chaired by the Chief Executive. The BRG meetings will, as in previous years, provide a formal forum for discussion of key budget issues between officers prior to the budget meetings with conveners and vice-conveners, but will be simplified by the fact that most key budget strategy decisions will already have been taken by the BSG. The BRG will also consider departmental service planning intentions in conjunction with the budgets to ensure that there is consistency between them.
- 4.4.2 The BRG meetings are scheduled to take place on 7 and 15 December 2004.

#### **4.5 Special Service Committees**

- 4.5.1 The timing of some of the early January 2005 Committee meetings prevents all departmental base budgets being considered in the normal cycle of meetings during January and February 2005. It is therefore envisaged that Special Service Committees will continue to be held on a single day in February 2005, to consider the revenue budget. The Special Service Committees will review the provisional revenue budget submissions and any recommended adjustments arising from the Budget Review Group meetings. The recommendations of these meetings will 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 will therefore be taken on the one day, as was the case for the 2004/05 budget process.

#### **4.6 Setting The Council Tax**

- 4.6.1 The Local Government Finance Act 1992 requires that the Council Tax Band D level be set on or before 10 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 2004 (12 February). The Council's budget timetable has therefore been drawn up to allow the Council Tax to be set in the week commencing 7 February 2005.

### **5. CONSULTATION**

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

### **6. HUMAN RIGHTS IMPLICATIONS**

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

### **7. CONCLUSION**

- 7.1 The budgetary process as described in this report is largely similar to that adopted in 2004/05 and is in line with the Council's Financial Regulations. Further reports pertinent to the revenue budget process will be brought forward, as required, as the budget cycle progresses.

**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.