

ANGUS COUNCIL

RESOURCES & CENTRAL SERVICES COMMITTEE – 16 JUNE 2005

PREPARATION OF THE 2006/07 REVENUE BUDGET

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report appraises members of the current position in relation to the 2006/07 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 2006/07 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 2006/07 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 2005.
- 2.2 This report outlines the general process for preparation of the 2006/07 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 2006. A copy of the indicative timetable for the 2006/07 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 2006/07 (together with 2007/08) 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 2006/07 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 2006/07 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 2006/07 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 2004 provided firm base grant totals for the financial years 2005/06 to 2007/08. The Executive will however provide a confirmed and updated financial settlement for financial year 2006/07 in December 2005, which will take into account any new Scottish Executive policy initiatives which impact on the Spending Review 2004 announcements. This may involve the revision of Angus Council's previously announced grant total for 2006/07. Any such change will necessitate a review to determine the impact onto the 2006/07 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 XXX/05 to this Committee (Preparation of the 2005/2009 Financial Plan and 2006/07 General Fund Capital Budget).
- 3.3.3 The introduction of the Prudential Code means that the capital budget and the revenue budget/Council Tax setting processes 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.

3.4 Best Value Improvement Plan

- 3.4.1 An improvement plan was agreed with the Accounts Commission following their Best Value audit of the Council. In accordance with this, the Council will seek to further integrate policy and planning to allow budgets, the corporate plan and departmental service plans to match corporate priorities and objectives. This will involve the further revision of service planning guidelines to assist departments in producing their plans in tandem with the budget process.

4. THE BUDGET PREPARATION PROCESS

4.1 Provisional Base Revenue Budget Submissions

- 4.1.1 During August and September 2005, each Council department will, in consultation with Finance department staff, prepare their detailed provisional base revenue budgets for 2006/07. Budget preparation guidance will be issued to departments in July/August 2005.

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 2006/07 budget process on 28 February 2005, in order to give early consideration to the revenue and capital budget strategy for the 2006/07 financial year and beyond. A further meeting of the BSG was held on 23 May 2005, to give further consideration to future budget strategy, including a continuation of the programme of Best Value service reviews and Efficient Government Initiative reviews to help ensure the Council does not have an over-reliance on a pro-rata budget cuts methodology.
- 4.2.2 The next scheduled meeting of the BSG is to be held on 14 November 2005. The aim of this meeting will be to review and if necessary update the revenue and capital budget strategy for the 2006/07 financial year, and to assess the provisional revenue budget submissions in overall terms, as well as make key decisions in setting the annual revenue and capital budgets.

4.3 Review & Validation Process

- 4.3.1 In late October/early November 2005 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. 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 5 and 7 December 2005.

4.5 Special Service Committees

- 4.5.1 The timing of some of the early January 2006 Committee meetings prevents all departmental base budgets being considered in the normal cycle of meetings during January and February 2006. It is therefore envisaged that Special Service Committees will continue to be held on a single day in February 2006, 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 has been the case for several years.

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 2005 (10 February). The Council's budget timetable has therefore been drawn up to allow the Council Tax to be set in the week commencing 6 February 2006.

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 2005/06 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.

David S Sawers
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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.