

**ANGUS COUNCIL**

**Resources and Central Services – 16 June 2005**

**Angus Council Revenue Budget Projections for 2006/07 & 2007/08**

**Report By The Director of Finance**

**ABSTRACT**

This report advises members of the outcome of the departmental budget projections exercise for 2006/07 and 2007/08. This exercise will also facilitate departments producing Service Plans by providing a budgetary context.

**1. RECOMMENDATIONS**

- 1.1 It is recommended that the Council note the contents of this report and the associated projections volume (Annex A to this report), which is available in the members lounge.

**2. BACKGROUND**

- 2.1 Members will be aware that one of the key elements of Best Value implementation is for Councils to move to a longer-term outlook in terms of service planning and budgeting. The Council has embraced this longer-term approach for the last few years through the preparation of corporate and service plans and revenue budget projections for forward years. The latest Projections Volume covers financial years 2006/07 and 2007/08.
- 2.2 Detailed revenue budget projections for 2006/07 were outlined in Report 777/04 to this Committee on 17 June 2004. These revenue budget projections have been updated to reflect latest information and additional work undertaken to prepare an initial budget projection for 2007/08.

**3. BUDGET PROJECTIONS 2006/07 and 2007/08**

- 3.1 The following section details the assumptions made in preparing the revenue budget projections for 2006/07 and 2007/08.
- 3.2 **It should be noted that the departmental budgets detailed in the Revenue Budget Projections Volume are indicative only and do not reflect either a guaranteed maximum or minimum budget provision for either 2006/07 or 2007/08. Departmental revenue budgets will not be finalised until the conclusion of the budget process within each respective financial year.**

## Revenue Budget Resources

- 3.3 The Scottish Executive's Spending Review 2004 provided a three year Finance Settlement for local authorities covering the period 2005/06 to 2007/08 in December 2004. This information, together with the estimated income from the indicative Council Tax level, has enabled the total projected revenue budget resources for 2006/07 and 2007/08 to be determined with a fair degree of certainty.
- 3.4 In preparing the projections, it has been assumed that any further government initiatives that may be introduced will be fully funded by additional government grant and will therefore 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.

## Expenditure Assumptions

- 3.5 The main assumptions which were made in determining projected revenue budget expenditure for 2006/07 and 2007/08 are outlined below: -

- **Existing levels of Angus Council service delivery will continue i.e. service delivery methods and levels remain in line with those in 2005/06, with no provision for any service developments;**
- Pay awards have been assumed as:
  - 2.0% for teachers from 1 April 2006 and 2.25% from 1 April 2007, in accordance with the previously agreed settlement;
  - 3.0% for APT&C / manual from 1 April in each year;
  - 3.0% for Chief Officers from 1 April in each year.
- Employer's superannuation contributions for Chief Officers, APT&C employees and manual workers increase from 275% to 295% of the employees' contribution rate in 2006/07 and 295% to 315% in 2007/08. Those contributions in respect of teachers are set by the Scottish Public Pensions Agency. In the absence of any notification for 2006/07 onwards, employers contributions have been assumed to remain unchanged from 2005/06;
- Salary increments for 2006/07 & 2007/08 are assumed to be in line with those for 2005/06 for all employees;
- National Insurance rates are assumed to remain unchanged. There has been no indication from Central Government in Budget announcements that these rates will be altered. It should be noted that this represents a budget risk for the Council, as any change in the rates applied could have significant budget implications for the Council (the 1% rate increase applied in financial year 2003/04 added circa £340k to the Council's employee costs budget);
- Education and Social Work will receive the full year-on-year estimated increase in Grant Aided Expenditure, as determined by the Scottish Executive, as an addition to their budgets in 2006/07 and 2007/08;
- Joint Boards will receive the full year-on-year estimated increase in Grant Aided Expenditure, as determined by the Scottish Executive, as an addition to their budget in 2006/07 and 2007/08;

- A package of budget cuts, Best Value Service Review savings and Efficient Government Initiative savings totalling £2.215 million in 2006/07 and £1.950 million in 2007/08 will require to be attained in order to achieve balanced budgets;
- The 2006/07 and 2007/08 revenue budget projections reflect the funding strategy for the A92 PFI project agreed by the Strategic Policy Committee at its meeting on 28 October 2003 (report 1237/03 refers);
- Limited provisions for general inflation and other, as yet unidentified, allowable budget additions have been made;
- Provisions for increased insurance costs and non-domestic rates have been made;
- Provision has been made for the increased costs of waste disposal resulting from the Landfill Tax escalator and the gate fees payable for incineration of waste at the DERL plant as outlined in report 412/04 to the Council meeting of 25 March 2004;
- The Council's energy contracts are due to be re-negotiated for financial year 2007/08. The outcome of these negotiations will not be known for sometime, however, it has been assumed that energy costs will increase by 10%. This does not allow for any increase in the Climate Change Levy, which may increase to help fund the Government's programme of renewable energy. This area represents a budget risk for the Council;
- It has generally been assumed that the initiatives currently being introduced by the government will be cost neutral to the Council.

#### 4. SUMMARY OF THE PROJECTIONS

- 4.1 The Revenue Budget Projections Volume provides an overall summary of the Council's projected aggregate budgets for 2006/07 and 2007/08 including estimated cuts/savings requirements and the indicative Council Tax level. In addition, the volume contains budget information for each Council department for 2006/07 and 2007/08. The key figures of note are summarised in the table below: -

	<b>Financial Year</b>	
	<b><u>Projected</u></b> <b><u>2006/07</u></b>	<b><u>Projected</u></b> <b><u>2007/08</u></b>
Indicative Council Tax Increase - £	£52	£52
- %	5.0%	4.8%
Indicative Council Tax	£1,089	£1,141
Amount Available For Contribution to Balances / Essential Infrastructure Funds	£1.535m	£1.535m
Best Value Service Review Efficiency Savings	£0.615m	£0.300m
Departmental Budget Cuts	£1.600m	£1.650m

## 5. IMPLICATIONS FOR THE COUNCIL

- 5.1 The indicative increase in Council Tax for 2006/07 and 2007/08 and the continuation of budget cuts / efficiency savings in each year point to difficult decisions being required when it comes to setting the actual Council Tax for each of these years.

## 6. CONSULTATION

- 6.1 The Chief Executive and Director of Law & Administration have been consulted in the preparation of this report. In addition each Chief Officer has been involved in the preparation of the budget projections for their respective departments

## 7. CONCLUSION

- 7.1 Although the overall results of the budget projections can be viewed only as indicative at present, they do highlight the likelihood that an excess of departmental budget requirements over available revenue budget resources will continue to require the Council to implement budget cuts and efficiency savings.

DAVID S SAWERS  
Director of Finance

**Background Papers** :- 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 8/2004, "Local Government Finance Settlements: 2005/06, 2006/07 and 2007/08", issued on 8 December 2004 by the Scottish Executive;
- ◆ Finance Circular 2/2005, "Local Government Finance Settlements: 2005/06, 2006/07 and 2007/08" issued on 11 March 2005 by the Scottish Executive.