

ANGUS COUNCIL

Special Budget Committee Meetings - 15 February 2001

Report 198/01

Provisional Revenue & Capital Budgets 2001/02- Background Report

Report By The Director of Finance

ABSTRACT

The purpose of this report is to apprise Members of the provisional revenue budget submissions of each Council department and of the departmental savings considered necessary to allow the Council to deliver a revenue budget within the resources expected to be available. The report also sets out the provisional capital budget submissions for those departments with capital expenditure.

1 RECOMMENDATIONS

For those aspects of the budget for which the Committee is responsible, the Committee is asked to:

- a) Note the provisional revenue budget submission(s) as contained in the 2001/02 Provisional Revenue Budget Volume (Report 199/01) as the base budget.
- b) Consider the savings proposals outlined in the separate 2001/02 Provisional Revenue Budget Savings Proposals Volume (Report 200/01) which have been prepared on a basis which will allow Angus Council to set a revenue budget in line with the expected level of available resources.
- c) Agree to recommend appropriate budget savings to the departmental budget(s) and that the revised budgeted net expenditure resulting therefrom go forward to the Special Budget Meeting later today when the final 2001/02 revenue budget for the Council will be determined and the Council Tax level set.
- d) Approve the provisional capital budget submission(s) as contained in the 2001/02 Provisional Capital Budget Volume (Report 201/01).

GENERAL FUND REVENUE BUDGET 2001/02

2 INTRODUCTION – REVENUE BUDGET

Report No.166/01 to the Finance and Information Technology Committee on 30 January 2001 apprised Members of the position regarding the government grant settlement (Aggregate External Finance) in relation to the Angus Council 2001/02 General Fund revenue budget. The report highlighted that the grant funding awarded by the Scottish Executive included substantial sums in respect of new burdens and hypothecated resources which severely restrict the sums available to meet the Council's budget pressures. In light of this it was noted that a budget savings exercise would be required in order to provide the Council with various options to enable a balanced budget to be set. These options included £1.1 million of departmental savings being 1% of the respective 2001/02 provisional revenue budgets.

A full series of the appropriate Committees is being held on 15 February 2001 to consider each department's provisional revenue budget 2001/02 and their respective savings proposals. Appendix 1 sets out a summary of the Council's departmental net expenditure position for 2001/02 based on the provisional base budgets and savings proposals.

3 FORMULATION OF BASE BUDGETS

Departmental base budgets have been prepared on an incremental basis using the 2000/01 budgets as a starting point and taking cognisance of significant factors adversely or favourably impacting on to budgetary requirements for 2001/02. All base budgets have been reviewed for accuracy and adequacy by the officer led Technical Validation (TVG) and Budget Review Groups (BRG).

Experience has shown that growth from one year's revenue budget to the next needs to be strictly controlled to avoid increases in departmental budget submissions significantly exceeding the increases in resources available to the Council. Control of budget growth allows the level of budget savings required to be kept to more manageable levels. The base budget preparation guidance issued by the Director of Finance identified those items of budget growth deemed allowable which, in the main, related to contractual or unavoidable expenditure pressures.

4 REVENUE BUDGET SPENDING CONSTRAINTS

With the removal of Expenditure Guidelines, the Council's revenue budget is no longer controlled by an externally imposed spending limit. Rather, budget spending levels are now determined by the amount of revenue resources which are available to the Council. These resources are forthcoming through grant funding from central government (Aggregate External Finance) and income raised locally through the Council Tax. In addition the Council may augment these resources on an ad-hoc basis from General Fund balances.

5 BUDGET RESOURCES EXPECTED TO BE AVAILABLE

It is not possible to confirm the total budget resources expected to be available to the Council for 2001/02 until key decisions on the setting of the Council Tax have been made (e.g. provision for non-collection, contributions to/from balances and special funds, council tax pressures, etc). These issues are covered in more detail in the separate Council Tax Setting Report (202/01) which will be considered following the Special Service Committee meetings.

In the absence of such Council Tax decisions assumptions have been made as to the likely level of resources so as to inform decisions regarding budget savings. On the basis of a standstill Council Tax level and assuming no contributions to or from balances or special funds an excess of expenditure over income of around £1.3 million will exist. On the basis of these assumptions departmental savings of 1% on 2001/02 provisional base budgets have been identified. These savings equate to just under £1.1 million in value terms. A funding gap of £0.2 million therefore exists prior to the key Council Tax setting decisions on contributions to or from balances and special funds, etc, being made. Options for bridging this funding gap, e.g. possible corporate savings, along with any contributions to or from balances and special funds will be considered as part of the Council Tax Setting process.

6 BUDGET SAVINGS STRATEGY

The Budget Review Group (chaired by the Chief Executive) met with Service Directors during December 2000 to review departmental base budgets. These meetings identified a number of budget issues and also indicated that departmental budget requirements, although based largely on a standstill position with regard to service delivery, would be above the resources available to the Council. As noted above, therefore, a revenue budget savings exercise has been undertaken in order to provide the Council with various options to enable a balanced budget to be set per:

- departmental savings totalling £1.1 million based on 1% of 2001/02 Provisional Base Budgets;
- possible corporate savings

As noted above, the requirement for corporate savings may be affected by decisions on the setting of the Council Tax which will be considered at the Special Budget Meeting later today when the final 2001/02 revenue budget for the Council will be determined and the Council Tax set.

7 IDENTIFICATION OF DEPARTMENTAL BUDGET SAVINGS PROPOSALS

In the calculation of departmental savings targets, a clear set of principles was established in order that all savings targets were determined in a consistent and fair manner. Each department's savings target was

calculated on the basis that all of the one-off savings accepted in setting the 2000/01 budget would require to be ongoing, and that only approved (allowable) items of growth within the budget could be accommodated in 2001/02.

Guidance notes were issued to departments to ensure the savings exercise was undertaken on a consistent basis. The guidance requested that Service Directors take cognisance of the results of the Priority Classification of Service Activities exercise which each department had undertaken over the preceding months. Although Service Directors were advised to fully review all areas of their budget, it was stressed that the savings identified must be as practical as possible, and that closure of facilities and proposals involving compulsory redundancies were to be avoided wherever possible. In addition, it was emphasised that service delivery must remain a priority.

It is emphasised that the financial climate within which the Council must deliver the revenue budget was taken fully into account and accordingly a corporate view of the Council's financial position was applied when savings were identified. Detailed examination of the savings proposals has been carried out and while the potential impact of some of them may cause concern, it is again stressed that such savings options are an inevitable consequence of the tight financial settlement within which the Council must operate. It should be noted that all of the savings offered up by departments will be required if Angus Council is to deliver a 2001/02 Revenue Budget within the resources expected to be available.

8 OTHER ISSUES PERTINENT TO THE 2001/02 REVENUE BUDGET

The following issues are also relevant to the consideration of the 2001/02 Provisional Revenue Budget submissions and savings proposals.

Policy Led Budgeting

Members may recall reports 1121/98 to the Policy & Resources Committee of 27 October 1998, 1097/99 to the meeting of Angus Council on 4 November 1999 and 727/00 to Angus Council on 29 June 2000 which set out proposals for various policy led budgeting initiatives. Some of these initiatives were one-off in nature whilst others, such as Angus Ahead and Investors in People, were to have financial implications covering a longer period.

The financial effect of approved Policy Led Budgeting projects which will be ongoing in 2001/02 has been built into the departmental budgets shown in the Provisional Budget Volume (Report 199/01). Section A of Appendix 2 sets out the amounts included within relevant budgets in respect of ongoing Policy Led Budgeting matters previously agreed.

In addition to the monies previously approved for Policy Led Budgeting projects for 2001/02, a number of the existing Policy Led Budgeting initiatives, for which funding was due to end in 2000/01, have been determined to have a critical ongoing role in delivering the Council's corporate policy objectives. Accordingly it is considered that the funding for these initiatives should form part of the mainstream core budget from 2001/02. These projects are set out in Section B of Appendix 2.

Service Developments

Members are advised that the local government finance settlement includes increases in funding for both Education and Social Work and a number of other recognised new burdens. Much of the increased resources for Education and Social Work has been hypothecated (ringfenced) for specific initiatives, or is for major developments such as the implementation of the McCrone pay deal for teachers.

Service development proposals on how the hypothecated resources for Education and Social Work and the recommended provisions for new burdens are to be built into the 2001/02 revenue budget are attached for ease of reference at Appendix 3. These sums have been included in the budget figures shown in the Provisional Revenue Budget Volume. It is emphasised that the allocation of the costs associated with these service developments across the various budget heads within Education and Social Work may require some refinement in due course, but the total addition to the budget will remain at the level indicated.

Unavoidable / Contractual Budget Issues & New Burdens

Through the BRG process a number of expenditure pressures were identified by Service Directors as likely to impact on their budgetary requirements in 2001/02. These were discussed and reviewed in detail by the BRG with support from Finance and service department officers. In light of the Council's overall financial position, the BRG took the view that only those items of a contractual or strictly unavoidable nature should be put forward for inclusion in the budget.

A summary of the recommended additions to the departmental budgets in respect of such budget issues is also set out in Appendix 3.

Joint Board / Arrangement Budgets

The 2001/02 revenue budget for the Tayside Fire Joint Board was agreed at the Board's meeting on 29 January 2001. In respect of the Fire Joint Board budget, the Angus share of total net revenue expenditure is some £3.494m, excluding loan charges.

The 2001/02 revenue budget for the Tayside Valuation Joint Board was agreed at the Board's meeting on 29 January 2001. In respect of the Valuation Joint Board budget, the Angus share of total net revenue expenditure is some £649k, excluding loan charges.

The 2001/02 revenue budget for the Tayside Police Joint Board was agreed at the Board's meeting on 29 January 2001. In respect of the Police Joint Board budget, the Angus share of total net revenue expenditure is some £15.057m, excluding loan charges. This sum reflects the net cost to the General Fund of CCTV provision in Angus; the remaining costs of CCTV are funded from the various Common Good Funds.

The 2001/02 revenue budget for the Tayside Contracts Joint Arrangement has yet to be determined. However from current information available from Tayside Contracts, the Angus share of the total estimated surplus is £210k. Although further issues on the Tayside Contracts budget may emerge in light of the decisions being taken on the awarding of Scottish Executive trunk roads contracts, it is considered reasonable for Angus Council to assume a £210k surplus level for budget purposes.

The appropriate allocations to Angus Council in respect of the Joint Boards and Joint Arrangement have been allowed for in the Budget Summary position shown in Appendix 1.

Surplus Local Tax Income

Once a Council collects or is certain to collect any outstanding Community Charge/Council Tax income, it must firstly use this to reduce or eliminate any outstanding deficits on its revenue account which have not previously been written off. Thereafter the Council has the option of using this "additional" income to: (a) build up its balances, (b) reduce future years' Council Tax levels or (c) use the income for service expenditure.

Therefore if a Council collects or can reasonably expect to collect additional Community Charge/Council Tax income over and above what has already been collected and/or allowed for by way of bad debt provisions then the amount of "additional" income can be used as "miscellaneous income" to hold down the net expenditure figure in the Council's budget.

A budgeted allowance of £700k has been included in the budget summary at Appendix 1 in respect of Surplus Local Tax Income, an increase of £40k on the 2000/01 level. This increase has been made having carefully analysed current collection levels and projected ahead on future collection levels. Although from past experience this increased budget level should be achievable, Members are advised that assuming such a high level of surplus local tax income carries a degree of risk.

Contributions to Special Funds

In line with previous years, consideration will need to be given to the level of possible contributions to the Council's various special funds. These funds permit the Council a degree of protection and flexibility, and form an integral part of the Council's overall financial management strategy. The actual total of Special Funds contributions and how this will be disbursed among the various Funds will be considered at the Special Budget Meeting later today when the final 2001/02 revenue budget for the Council will be determined and the Council Tax set.

9 REVENUE BUDGET DOCUMENTATION

The revenue budget information required for the Special Service Committees on 15 February 2001 is contained in this report and the two under-noted reports :

Report 199/01 - 2001/02 Provisional Revenue Budget Volume (Yellow Cover)

This Volume contains details of each department's budget submission for 2001/02, accompanied by a brief description of the proposed savings as they affect each service area and cost head. A commentary from each Head of Department is also given.

Report 200/01 - 2001/02 Departmental Savings Proposals Volume (Orange Cover)

This Volume provides more detail on each of the savings proposed by service departments. Each saving has been allocated a reference number, which identifies the department and the priority given to that saving by the Service Director (1 being the highest priority / most acceptable) e.g. SWRK - 1

The savings references in this Volume correspond to those contained in the Provisional Revenue Budget Volume. The relevant Provisional Revenue Budget Volume page number is shown against each of the savings in the Savings Proposals Volume to make cross-referencing between the two documents easier.

10 HEAD OF DEPARTMENT COMMENTS

Individual commentary submitted by each Head of Department on their 2001/02 Provisional Revenue Budget and Savings Proposals are contained in the 2001/02 Provisional Budget Volume. These provide additional contextual information on the issues affecting each department's revenue budget.

GENERAL FUND CAPITAL BUDGET 2001/02

11 INTRODUCTION - CAPITAL BUDGET

The Director of Finance wrote to all Chief Officers (excluding the Director of Housing) in September 2000 requesting:

- Financial Plan submissions of proposed capital expenditure for the period 2001/02 to 2003/04 in line with the departmental targets established by the Capital Budget Sub Group (CBSG) of the Budget Review Group (BRG);
- An update of departmental 2000/01 programmes.

As with the revenue budget, departmental Financial Plan submissions were reviewed by the Technical Validation Group to ensure that they were in accordance with the budget guidance issued by the Director of Finance.

12 RESOURCE CONSTRAINTS

The Scottish Executive limits the level of capital expenditure which local authorities can incur through the Section 94 Consent allocation system. Report 1290/00 to the Angus Council meeting of 14 December 2000 provided analysis of the Scottish Executive Finance Settlement and detailed the Council's Section 94 Consent allocations for 2001/02 to 2003/04.

It was noted in Report 1290/00 that significant sums have been top-sliced from the national total of capital resources for specific government initiatives prior to the calculation of each local authorities single allocation. It has yet to be decided how much of these additional resources, if any, will be awarded to each council and the extent of any ring-fencing that may apply. Reports will be brought forward to Committee detailing the implications of any further announcement by the Scottish Executive.

The Council may supplement its Section 94 Consent allocation through :

- capital receipts;
- Capital Funded from Current Revenue (CFCR);
- Anticipation of the following year's Section 94 Consent;
- Carry forward of unused Section 94 Consent from the preceding year (necessary to fund legally committed expenditure which has 'slipped')

In addition to the above resources the Council also includes an allowance for anticipated 'slippage' in the capital programme in recognition of the inevitable occurrence of unforeseen delays to capital projects. Appendix 4 details the estimated capital resources from each of these sources which the Council will have available in 2001/02 to fund the capital budget.

13 2001/02 CAPITAL BUDGET

A meeting of the CBSG, chaired by the Chief Executive, considered the Financial Plan submissions from a corporate perspective, comparing the submissions with the estimated resources available to finance capital expenditure in 2001/02. The total of submissions were in excess of the estimated capital resources and the CBSG, having regard to these legal commitments for 2001/02, made recommendations to the BRG meetings of downward revisions in departmental target levels in order to achieve a capital budget for 2001/02 in line with estimated resources.

The CBSG recommendations were approved at each BRG meeting. Chief Officers subsequently returned revised Financial Plan submissions in accordance with the revised targets for consideration at today's meetings as detailed within the Provisional Capital Budgets Volume (Report 201/01).

Appendix 4 provides a summary of the provisional departmental capital budgets for 2001/02 as contained in the Provisional Capital Budgets Volume. It will be noted that the total capital budget for 2001/02 of £9,054k is equal to estimated capital resources.

14 CAPITAL BUDGET DOCUMENTATION

The capital budget information required for the Special Service Committees on 15 February 2001 is contained in this report and the under-noted report :

Report 201/01 – Provisional Capital Budgets Volume (Green Cover)

This Volume contains details of each department's budget submission for 2001/02. The Volume contains details of expenditure distinguished between that anticipated to be / not anticipated to be legally committed at 31 March 2001.

15 CONSULTATION

The Chief Executive and Director of Law and Administration have been consulted in the preparation of this Report. In addition each Head of Department has been fully consulted in their respective areas of responsibility as contained in Reports 199/01, 200/01 and 201/01.

16 CONCLUSION

The proposed savings contained in the 2001/02 Revenue Budget Departmental Savings Proposals Volume attempt to limit the level of unpalatable savings proposals, and therefore represent the most acceptable budget savings options available and those which should have the least effect on service delivery.

The capital budget for 2001/02 has been prepared in line with the estimated available capital resources.

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 13/2000 issued on 7 December 2000 by the Scottish Executive
Scottish Executive letter of 19 January 2001 amending Finance Circular 13/2000.

IL/SJM
23 April 2001
PBV Background Report

ESTIMATED CAPITAL RESOURCES 2001/02

	<u>£000</u>
Section 94 Consent Single Allocation	6,245
Anticipation of 2002/03 Section 94 Consent	625
Estimated New Deal for Schools	584
Estimated Capital Receipts	400
Carry Forward of S94 Consent/Capital Receipts	841
Capital Funded from Current Revenue	-
Slippage Allowance	359
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Total	9,054
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PROVISIONAL DEPARTMENTAL CAPITAL BUDGETS 2001/02

<u>Department</u>	<u>£000</u>
Education	2,903
Contract Services	100
Cultural Services	10
Economic Development	1,455
Environmental & Consumer Protection	225
Miscellaneous	7
Planning & Transport	630
Property Services	645
Recreation Services	179
Roads	2,540
Social Work	360
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Total	9,054
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