

**ANGUS COUNCIL**

**MEETING OF ANGUS COUNCIL – 8 SEPTEMBER 2016**

**PREPARATION OF 2017/18 GENERAL FUND REVENUE & CAPITAL BUDGETS AND PRIORITY BASED BUDGETING**

**REPORT BY THE HEAD OF CORPORATE IMPROVEMENT & FINANCE**

**ABSTRACT**

This report appraises members of the current position in relation to the 2017/18 Revenue & Capital Budget preparation process, identifies the main stages of the budget timeline and seeks approval to retain the Priority Based Budgeting approach for the 2017/18 budget process that was introduced for the 2016/17 budget process.

**1. RECOMMENDATION(S)**

It is recommended that the Council:

- (a) note the contents of this report for its interest; and
- (b) approve the broad strategy and approach to the budget preparation as set out in Section 5 of this report.
- (c) approve the budget timeline as set out in Appendix A to this report.
- (d) note that final sign off of the Council's 2017/18 revenue and capital budgets will take place in February 2017 in line with previous practice

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN**

This report contributes as a whole to the local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016. The report's proposals are about how the Council ensures its limited resources are targeted at its priorities and the objectives set in the Single Outcome Agreement.

**3. BACKGROUND**

- 3.1 In accordance with the Council's Financial Regulations, the detailed preparation of the 2017/18 revenue and capital budgets has now commenced.

Members will be aware that the Council adopted a new Priority Based Budgeting (PBB) approach to the budget setting process in 2016/17, working to a high level budget strategy based on a number of principles and aspirations approved in report 348/15, with a view to better aligning the Council's resources with its priorities. The intention for the 2017/18 budget setting process is to continue to build on this PBB approach, therefore the need to focus on key strategic outcomes will once again be the key feature of the 2017/18 budget setting process.

This report outlines the strategy and approach to be taken for the preparation of the 2017/18 revenue and capital budgets.

## 4. CURRENT POSITION

- 4.1 As part of the council's medium term financial planning arrangements a Medium Term Financial Strategy (MTFS) is also prepared and updated annually. Work to update the existing MTFS to cover the period 2017/18 to 2020/21 is ongoing and will be reported to the full Council meeting on 20 October. This forward financial planning work is complementary to the budget setting process and helps ensure the Council is best placed to deal with the ongoing financial constraints facing local government, which are likely to continue for the foreseeable future.

Detailed revenue budget guidance for 2017/18 has been issued to all of the Council's directorates requiring that base revenue budgets are prepared and submitted to Corporate Improvement and Finance by 23 September 2016. Detailed capital budget guidance is expected to follow, around early September 2016 with initial draft Financial Plan / capital project bid submissions due to be returned to Corporate Improvement & Finance early October 2016.

The general process for the preparation of the 2017/18 revenue and capital budgets will ultimately lead to the setting of the Budget and Council Tax in February 2017. A copy of the indicative timetable for the 2017/18 revenue and capital budget process is attached at **Appendix A**.

Whilst this report focuses on General Fund budget setting, the process to set the Housing Revenue Account (HRA) revenue and capital budgets, follows broadly the same timetable as that set out in Appendix A, with the exception that the HRA budgets are considered and approved separately from the special meeting to set the Council Tax and generally a few days prior to that meeting.

The 2017/18 capital budget will once again be prepared under the self-regulating Prudential Code regime. The objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent, sustainable and consistent with local strategic planning, asset management planning and option appraisal.

Under the Prudential Code regime, the capital budget and the revenue budget/Council Tax setting processes are 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 (primarily increased Capital Financing Costs) to be considered relative to the priority of other calls on the revenue budget.

## 5. PROPOSALS

- 5.1 Provisional Base Revenue Budget Submissions  
Budget preparation guidance was issued to directorates in August 2016. Each Council directorate is therefore in the process of preparing their detailed provisional base revenue budgets for 2017/18, in consultation with their Finance Services contact.

- 5.2 Provisional Base Capital Budget Submissions  
Following conclusion of the 2015/16 capital final accounts process, directorates were asked to update their Provisional Capital Budget Volume (report 62/16 refers) capital expenditure intentions for 2016/17 to 2019/20 to reflect the impact of the 2015/16 actual year end position. This will allow publication of the Council's Final Capital Budget Volume in September and will in effect form stage one of the 2017/18 capital budget process.

The 2017/18 capital budget process will be based on updating the capital project priority model and 2017/18 capital budget preparation guidance is expected to be issued to directorates in early September 2016. Each council directorate will, in consultation with Finance staff, prepare their proposals for capital expenditure from 2017/18 up to and including 2020/21.

Financial Plan / capital project bid submissions will require to be returned in early October 2016 for review and validation, prior to their consideration by the Policy & Budget Strategy Group in late October.

### 5.3 Policy & Budget Strategy Group

The Policy & Budget Strategy Group (PBSG), a member/officer group chaired by the Finance Convener, will determine the broad revenue and capital budget strategy for the 2017/18 financial year and beyond, in line with agreed PBB principles. The remit of the Group at the broadest level is to determine the Council's budget strategy over the short, medium and longer term in the context of the agreed corporate priorities of the Council and the Community Planning Partnership.

The 3 non-Administration elected members resigned from the PBSG earlier this year. The opportunity for up to 4 non-administration member to join the PBSG still remains open.

Part of the Group's work for the 2017/18 budget process will be to ensure that the Council's budget planning is properly linked to the budget planning of our other Community Planning partners and that service and financial planning across the partnership is integrated and coherent.

### 5.4 Member-Officer Group (MOG)

As part of the revised budget setting process for 2016/17, an all-Council Member-Officer Group (MOG) was held in November 2015 to consider the draft budget package prior to formal submission to the Council. It is proposed to continue with this approach for the 2017/18 budget setting process to provide a forum to focus on the more strategic aspects and the impact on the delivery of priorities arising from the budget package being considered.

### 5.5 Special Committee & Setting the Council Tax

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.

In setting the 2016/17 budget, all decisions were made via a Special Meeting of the Council with no Special Service Committees. This was intended to streamline the process while continuing to ensure all key decisions were made on the same day.

In line with this approach it is again proposed that a single special meeting of Angus Council is held in February 2017 to approve the 2017/18 revenue and capital budgets and to set the council tax. The Council's budget timetable has been drawn up to allow the Council Tax to be set in the week commencing 13 February 2017.

As noted earlier, the Housing Revenue Account revenue and capital budgets are expected to be considered by a separate Special Communities Committee a few days prior to the special Council meeting.

### 5.6 Common Good Funds

Draft provisional base budgets for the Common Good Funds administered by the Council are prepared by the Common Good accountant, in accordance with the guidance issued to all directorates by the Head of Corporate Improvement & Finance. The draft budgets together with any bids for access to Common Good funding for proposed projects will be considered as part of setting the 2017/18 budget.

Council officers will meet local Members to consider and conclude on the treatment of each bid. A paper is then prepared for the PBSG, who make final recommendations regarding those bids which should be put forward for approval on budget setting day.

### 5.7 Consultation – Council Plan and Budget Priorities

Members will recall that consultation and communication exercises with the citizens of Angus and Council staff have been undertaken in previous years. A project team has recently been established to deliver a programme of public and stakeholder engagement for 2017/18, and work on this is currently in progress.

## **6 PRIORITY BASED BUDGETING PRINCIPLES**

6.1 As outlined in section 3 of this report, the Council agreed a number of Priority Based Budgeting (PBB) principles and aspirations as part of the budget process for 2016/17. It is proposed that the 2017/18 high level budget strategy should be based on a similar set of principles and aspirations, as described in sections 6.2 and 6.3 below.

## 6.2 Strategic Principles

The draft budget package for 2017/18 should:-

- Be framed to achieve the aspirations and commitments set out in the Single Outcome Agreement (SOA) and Council Plan and explain in broad terms how this will be done and what impact it will have.
- Ensure that joint resource planning with Community Planning Partners is undertaken and the implications of this are reflected in the draft budget proposals for the Council.
- Support delivery of Directorate Improvements Plans to 2019 for each Council Directorate
- Ensure the implementation of existing Transforming Angus change initiatives to maximise the financial value and service outcome benefits from the change programme.

## 6.3 General Principles

The draft budget package for 2017/18 should:-

- Enable the Council to set a legal and balanced 2017/18 revenue budget which puts the Council's finances on a sustainable footing for the medium term
- Enable the Council to set an affordable, prudent and sustainable capital investment programme which ensures investment continues to be made in the school estate, core infrastructure, technology and affordable housing
- Maximise the revenue budget savings which can be achieved from efficiency programmes and service redesign so as to restrict any reduction in service quality for customers to that which is unavoidable due to the Council's financial pressures
- Ensure financial capacity exists for projects and proposals of an invest to save nature
- Ensure that sufficient resources are in place to make sure the savings needed from the Transforming Angus Programme can be identified and are delivered, particularly: Agile Angus, Angus Digital, Help to Live at Home, Procurement and Channel Shift
- Protect/increase as far as possible spending and activity which is clearly preventative in nature
- Be framed so as to manage the key strategic, operational and budget risks facing the Council
- Avoid taking a one year only view and be based on a medium term outlook particularly with regards to delivery of budget savings and identification of savings programmes and options

6.4 It is intended that specific principles at a service level be developed later in the budget process and be tied into the further work and engagement intended around the next Council Plan.

## **7 NEXT STEPS**

7.1 Subject to the Council's agreement the above strategy will be used to guide the preparation of an overall package of budget proposals for members to consider at an all-Council MOG meeting in late November/early December 2016. The MOG meeting and any changes arising from it will then be used to prepare a final set of budget proposals for formal consideration by the Council in February 2017.

## **8. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report. The budget strategy proposed will be used to guide the ultimately delivery of a balanced and legal budget in February 2017.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

**REPORT AUTHOR: IAN LORIMER**

**EMAIL DETAILS: [Finance@angus.gov.uk](mailto:Finance@angus.gov.uk)**

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## APPENDIX A

<u>Date</u>	<u>Action</u>
<b>2016</b>	
14 June	Policy & Budget Strategy Group (PBSG) meet to agree 2017/18 budget strategy, timetable and approach incl. public engagement.
22 July	Head of Corporate Improvement & Finance requests updated Provisional Capital Budget Volume capital expenditure intentions.
August	Programme of public and stakeholder engagement for Autumn 2016 developed.
August	Head of Corporate Improvement & Finance issues Provisional Revenue Budget Guidance to Chief Officers and Finance service contacts.
August	Payroll, etc. information available to finance service contacts to assist in budget preparation.
August/early September	Chief Officers & Finance Service contacts prepare draft Provisional Base Revenue Budgets 2017/18.
August/September	Officers agree how budget, new Council Plan and Workforce Plan will fit together.
August/September	Agree process, timings and approach on IJB budget.
Early September	Head of Corporate Improvement & Finance issues capital budget guidance to directorates.
8 September	Report to Council on PBB principles/priorities and timetable/approach for 2017/18 budget.
8 September	Delivery of Council Plan/Future Budget briefing to all Council members.
Mid-September	PBSG meet to review TA savings delivery progress, budget strategy, Council Tax options, capital and special funds strategy.
<b>23 September</b>	<b>Chief Officers &amp; Finance Service Contacts return 2017/18 Provisional Revenue Budget submissions to Corporate Improvement &amp; Finance.</b>
September / October	Implementation of public & stakeholder consultation.
Late September/ early October	Budget validation process undertaken on budget submissions by Corporate Improvement & Finance officers.
Early November	PBSG meet to consider first draft of overall Council Plan, Workforce Plan and budget package (revenue, capital & special funds) prior to MOG.
Late November/ Early December	All-Council Member/Officer Group (MOG) meeting held to discuss draft budget package, delivery of PBB principles, feedback from public engagement, Council Plan themes and Workforce Plan.
December	2017/18 LG Finance Settlement announcement anticipated.
w/c 20 December	PBSG meet to confirm provisional budget position following decisions taken at Member/Officer meeting. Final consideration given to Council Tax intentions, etc.
<b>2017</b>	
January	Budget proposals finalised and draft reports prepared for Special Meeting of Angus Council.
Mid-January	PBSG meet to agree final budget & Council Tax proposals.
Mid-February	Housing rents to be fixed.
w/c 13 February (tbc)	Special Meeting of Angus Council to approve Provisional Revenue & Capital Budgets, budget savings proposals and agree the level of 2017/18 Council Tax.
March - May	Corporate Improvement & Finance co-ordinate preparation of the Final Revenue Budget Volume (incorporating Provisional Capital Budget) and the Budget Guide.

It should be noted that there may be a requirement for additional PBSG meetings outwith the above noted regular schedule of meetings to deal with capital only matters that may arise, e.g. the opportunity to bid for additional resources for specific projects. It may also be necessary for officers to undertake parallel meetings with non-administration members should there be a wish to prepare an alternative budget.