

ANGUS COUNCIL

MEETING OF ANGUS COUNCIL – 7 SEPTEMBER 2017

PREPARATION OF 2018/19 GENERAL FUND REVENUE & CAPITAL BUDGETS

REPORT BY THE HEAD OF CORPORATE FINANCE

ABSTRACT

This report appraises members of the current position in relation to the 2018/19 Revenue & Capital Budget preparation process, identifies the main stages of the budget timeline and seeks approval of the proposed strategy/approach for the 2018/19 budget process.

1. RECOMMENDATION(S)

It is recommended that the Council:

- (a) approve the broad strategy and approach to the budget preparation as set out in Section 5 of this report;
- (b) approve the budget timeline as set out in Appendix A to this report;
- (c) note that final sign off of the Council's 2018/19 revenue and capital budgets will take place in February 2018 in line with previous practice; and
- (d) Note the intention to work on a high level budget and savings plan covering 2019/20 and 2020/21 with this also being presented to Council in February 2018.

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 2018/19 revenue and capital budgets has now commenced. Financial year 2017/18 was the closest the Council has come to being unable to deliver a balanced budget and delivering the 2018/19 budget is anticipated to be even more challenging. This report outlines the strategy and approach to be taken for the preparation of the 2018/19 revenue and capital budgets.

4. CURRENT POSITION

- 4.1 As part of the council's financial planning arrangements a Medium Term Budget Strategy (MTBS) covering the period 2018/19 to 2020/21 has been prepared (Report 274/17 refers). This medium term 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 2018/19 has been issued to all of the Council's directorates requiring that base revenue budgets are prepared and submitted to Corporate Finance by 22 September 2017. Detailed capital budget guidance is expected to follow, in early September 2017 with initial draft Financial Plan / capital project bid submissions due to be returned to Corporate Finance early October 2017.

The general process for the preparation of the 2018/19 revenue and capital budgets will ultimately lead to the setting of the Budget and Council Tax in February 2018. A copy of the indicative timeline for the 2018/19 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 HRA also has a long term 30 year business plan which was reviewed and approved in 2017. Report 71/17 refers.

The 2018/19 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 2017. Each Council directorate is therefore in the process of preparing their detailed provisional base revenue budgets for 2018/19, in consultation with their Finance Services contact.

5.2 Provisional Base Capital Budget Submissions

Following conclusion of the 2016/17 capital final accounts process, directorates were asked to update their Provisional Capital Budget Volume (report 60/17 refers) capital expenditure intentions for 2017/18 to 2020/21 to reflect the impact of the 2016/17 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 2018/19 capital budget process.

The 2018/19 capital budget process will be based on updating the capital project priority model and 2018/19 capital budget preparation guidance is expected to be issued to directorates in early September 2017. Each council directorate will, in consultation with Finance staff, prepare their proposals for capital expenditure from 2018/19 up to and including 2021/22.

Financial Plan / capital project bid submissions will require to be returned in early October 2017 for review and validation, prior to their consideration by the Policy & Budget Strategy Group

5.3 Policy & Budget Strategy Group

The Policy & Budget Strategy Group (PBSG), a member/officer group chaired by the Finance Co-ordinator, will determine the broad revenue and capital budget strategy for the 2018/19 financial year and beyond. 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.

5.4 Broad Strategy and Approach

The PBSG has agreed the strategy and approach to the budget setting which included the following proposals:-

- Develop a high level long term (5-10 year) strategic financial plan

The plan will provide a forward look around the potential impact of changes in cost drivers, service demand, population etc, how these might impact on the Council financially and the outcomes it seeks to deliver.

- Prepare a Medium Term Budget Strategy (rolling - 3 years revenue, 4 years capital)

The strategy would identify the resources available, the funding gap, priorities for investment and the plans and actions intended to deliver a balanced budget (Report 274/17 on the agenda for this meeting refers).

- Formal Budget Setting (February)

Members will be asked to agree the detailed budget for the year ahead and a high level budget and indicative savings plans for years 2 and 3.

- Require Investment Bids/Budget Issues to be self-funded by services

The PBSG has agreed that Directorate budget issues will no longer be corporately funded and services will have to self-fund these from other savings and efficiencies on an ongoing basis unless exceptional circumstances are agreed to apply. This will be a significant change to how the Council has prepared its budget for the last 20 years but is something which now needs to be applied to bring extra rigour and challenge to the budget process.

- Cease the 50% budget carry forward scheme

The scheme provides flexibility, however past experience has shown that there will often be no firm plans for spending 50% carry forwards so future carry forward resources will only be for defined and agreed priorities.

- Retain 100% carry forwards but review prioritisation/criteria

The Council and individual services need some flexibility to manage budgets across financial years so the scheme should continue but tighter criteria will be adopted for this facility from 2017/18 onwards with decisions on these being linked directly to the budget setting process.

5.5 All Council Budget Strategy

An all-Council Budget Strategy meeting will be held in January 2018 to consider the draft budget package prior to formal submission to the Council in February.

5.6 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 2017/18 budget, all decisions were made via a Special Meeting of the Council with no Special Service Committees. A similar approach for 2018/19 is intended to apply. The Council's budget timetable has been drawn up to allow the Council Tax to be set in the week commencing 12 February 2018.

5.7 Common Good Funds

Draft provisional base budgets for the Common Good Funds administered by the Council are prepared by the Common Good finance contact, in accordance with the guidance issued to all directorates by the Head of Corporate 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 2018/19 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.

5.8 Stakeholder Consultation

Extensive consultation with Angus Communities has been ongoing in recent months on the priorities for Angus to inform the Local Outcome Improvement Plan (LOIP), locality plans and the new Council Plan. Those documents will be used to guide budget decisions so that financial resources are allocated based on agreed priorities for the Council and Angus communities. Where appropriate consultation with stakeholders will also be part of any service reviews undertaken to support the budget preparation process e.g. in relation to budget savings.

6 **NEXT STEPS**

- 6.1 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 Budget Strategy meeting in mid January 2018. The Budget Strategy 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 2018.

7. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report. The budget strategy proposed will be used to guide the ultimate delivery of a balanced and legal budget in February 2018.

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.

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List of Appendices:

Appendix A - Budget Timeline