

ANGUS COUNCIL

SPECIAL BUDGET MEETING OF ANGUS COUNCIL – 12 FEBRUARY 2015

PROVISIONAL REVENUE & CAPITAL BUDGETS 2015/16 – BACKGROUND REPORT

REPORT BY THE HEAD OF CORPORATE IMPROVEMENT & FINANCE

ABSTRACT

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

1. RECOMMENDATIONS

1.1 It is recommended that the Council:-

- i) Note that the Angus Council Revenue Grant Support allocation for 2015/16 was provisionally set at £200.046 million, per Finance Circular 9/2014 as set out in section 2;
- ii) Note the provisional revenue budget submission(s) as contained in the 2015/16 Provisional Revenue Budget & Savings Proposals Volume (Report 60/15) and summarised in **Appendix 1** as the base budget;
- iii) Note and approve the investment bids as detailed in the Provisional Revenue Budget & Savings Proposals Volume (Report 60/15) and shown in columns C and D of the Summary Statement of Net Expenditure at **Appendix 1** that have been added to directorate budgets;
- iv) Note that the savings for 2015/16 and 2016/17 shaded in grey and marked with an asterisk in the Provisional Revenue Budget & Savings Proposals Volume (Report 60/15), previously approved in Report 84/14 to the Special Meeting of the Council on 13 February 2014, require to be amended/rephased or are no longer considered deliverable;
- v) Note that the savings for 2015/16 and 2016/17 which are not shaded and marked with an asterisk in the Provisional Revenue Budget & Savings Proposals Volume (Report 60/15) are those which were previously approved in report 84/14 and remain unchanged
- vi) Approve the budget savings proposals for 2015/16 outlined in the 2015/16 Provisional Revenue Budget & Savings Proposals Volume (Report 60/15) which have replaced those savings no longer considered deliverable and have been prepared on a basis which will allow Angus Council to set a balanced and sustainable revenue budget in line with the level of resources expected to be available in 2015/16;
- vii) Approve the budget savings proposals for 2016/17 outlined in the Provisional Revenue Budget & Savings Proposals Volume (Report 60/15) which have replaced those savings no longer considered deliverable in accordance with the approach set out in sections 6 and 7 of this report;
- viii) Note and approve the Common Good Fund bids for funding as shown in **Appendix 2**;
- ix) Note and approve the review of charges proposals shown in **Appendix 3**;
- x) Approve the provisional capital budget submission(s) as contained in the 2015/16 Provisional Capital Budget Volume (report 61/15); and
- xi) Note the prospects for public spending in 2016/17 & beyond, including the areas of strategic priority / budget risk that may require future investment, as set out in section 10 of this report.

2. ALIGNMENT TO ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT

- 2.1 The revenue and capital budget proposals set out in this report, including the investment bids recognised and the budget savings being recommended, have been assessed for their impact on the achievement of the Council's corporate priorities and the specific targets and objectives within the Single Outcome Agreement. Following this assessment the budget as proposed (and subject to the further decisions to be made on the use of balances and special funds) is considered to be in keeping with the current priorities and targets, albeit there may be an impact on the speed at which priorities and targets can be achieved. Savings have been applied to each directorate based on those savings considered achievable and investment bids have been recognised in priority areas of service to meet unavoidable commitments. Proposed capital budgets also reflect the Council's corporate priorities.

3. BACKGROUND - GENERAL FUND REVENUE BUDGET 2015/16

- 3.1 Angus Council's Revenue Grant Support allocation for 2015/16 has been provisionally set at £200.046 million as detailed in Finance Circular (FC) 9/2014. This is a gross increase in headline revenue grant support of £0.526 million (0.3%) compared with the level of grant support for 2014/15 (£199.520 million). However, after adjusting for funding which has not yet been distributed for 2015/16 in respect of the Council Tax Reduction Scheme, Discretionary Housing Payments and 1 + 2 Languages (estimated at £4.602 million in total) and additional resources provided in support of specific initiatives (£3.012 million), there is a projected net increase of £718,000 (0.4%) compared with grant support received in 2014/15. Table 1 below summarises the movement in revenue grant support:-

Table 1 – Revenue Grant Support

	£m	£m
2014/15 Revenue Grant Support		199.520
Adjustments per FC 6/2014 & FC 9/2014:		
<i>Items Not Yet Distributed:</i>		
- Council Tax Reduction Scheme (2014/15 allocation)	(4.183)	
- Discretionary Housing Payments (2014/15 allocation)	(0.328)	
- 1 + 2 Languages	(0.091)	(4.602)
<i>Additional Resources:</i>		
- Free School Meals Primary 1-3	1.267	
- Children & Young People Bill		
• Early Learning & Childcare (vulnerable 2 yr. olds)	0.750	
• Early Learning & Childcare (3 & 4 yr. olds, looked after 2 yr. olds)	0.581	
• Continuing Care	0.097	
• Through Care & Aftercare	0.064	
• Kinship Care	0.057	
• Changed Eligibility for Aftercare	0.015	
• GIRFEC (Getting It Right For Every Child)	0.009	
- Teachers Pay	0.046	
- Self Directed Support	0.096	
- Hostels Grant	0.030	3.012
- Council Tax Freeze		1.398
- General Increase (mainly due to increased population)		0.718
Total Adjustments		0.526
2015/16 Revenue Grant Support per FC 9/2014		200.046

- 3.2 This level of grant is conditional upon the Council agreeing to deliver on some commitments as specified by the Scottish Government and as set out in the letter of 9 October 2014 from the Cabinet Secretary for Finance, Employment and Sustainable Growth. If the Council does not commit to the specifics of the funding package offered from the Scottish Government, then the Council's revenue grant support for 2015/16 will reduce by £2.3 million (1.1%).
- 3.3 The two main commitments that the Council is expected to deliver as part of the 2015/16 Settlement being offered is to maintain the current Council Tax freeze and to maintain teacher numbers in line with pupil numbers, including securing places for all probationer teachers who require a place under the teacher induction scheme. This has a significant bearing on the

Council's 2015/16 budget strategy and the People Directorate's savings proposals. Sanctions in relation to teacher numbers which were in place for 2014/15 had been suspended for 2015/16 pending the work to reach an in-principle agreement on an Educational outcomes-based approach between the Scottish Government and Local Government. Given that there is uncertainty over the future arrangements around teacher number commitments the provisional budget and savings proposals for the People Directorate were prepared on the assumption that the previous commitment and associated sanctions will remain in place. Following the Cabinet Secretary's budget announcement on 4 February 2015, sanctions relating to teacher numbers have been re-introduced, and will be applied on a Council by Council basis should no agreement with COSLA be reached. Savings proposed by the People Directorate include proposals to reduce teacher numbers in line with school roll reductions, however the teacher number commitment is based on teacher:pupil ratios, therefore based on the information currently available, the Council's current budget proposals remain valid.

- 3.4 The proposals in this and the related budget reports for this meeting are intended to allow the Scottish Government's required commitments to be achieved albeit the Council Tax freeze won't be determined until report 62/15 is considered by the Council and the Local Government Finance (Scotland) Order 2015 is approved by Parliament. Subject to these caveats it is considered that the Council can set its budget on the basis of the various elements of the funding deal being achieved.
- 3.5 Finance Circular 9/2014 also provides details of a revised Business Rates Incentivisation Scheme (BRIS) introduced in 2014/15 following a review of the original BRIS by a Joint Scottish Government/COSLA Review Group. The revised scheme is intended to better incentivise the growth of the local tax base and better reflect factors impacting growth which are within the local authority's control rather than factors which the local authority is unable to influence. The new scheme provides annual targets for Non-Domestic Rate Income (NDRI) for each individual council based on buoyancy levels (i.e. growth in the tax base). Targets are set on a baseline which includes a share of the national buoyancy assumption, as well as historic average growth at an individual local authority level. Each authority that exceeds its target will retain a 50% share of the additional rates income generated, with the Scottish Government retaining the other 50% excess. Those authorities that do not reach their target will continue to be compensated by the Scottish Government up to the level of their agreed published distributable amount of NDRI for the year in question through increased General Revenue Grant. No additional NDRI income has been assumed in respect of the BRIS in the Council's provisional revenue budget for 2015/16.

4. FORMULATION OF BASE BUDGETS

- 4.1 Directorate base budgets have been prepared on an incremental basis using the 2014/15 budget as a starting point, allowing for those items of budget growth deemed allowable in accordance with the Head of Corporate Improvement & Finance's guidance and taking cognisance of significant factors adversely or favourably impacting on to budgetary requirements for 2015/16. Base budgets have been reviewed for accuracy and adequacy through the technical validation process and at the Member Officer Group meetings. The bulk of allowable budget growth in 2015/16 is made up of the annual cost of the incremental progression along pay scales and unavoidable commitments in respect of PPP projects.
- 4.2 **Appendix 1** sets out a summary of the Council's net expenditure position for 2015/16 based on the provisional base budgets and budget savings proposals for each Directorate.

5. REVENUE BUDGET SPENDING CONSTRAINTS

- 5.1 Budget spending levels are determined by the amount of revenue resources that are available to the Council. These resources comprise revenue grant support from the Scottish Government and income raised locally through the Council Tax and other fees and charges. In addition the Council may supplement these resources on an ad-hoc basis by taking money from General Fund balances (if available).

6. BUDGET RESOURCES EXPECTED TO BE AVAILABLE

- 6.1 It is not possible to confirm the total budget resources expected to be available to the Council for 2015/16 until key decisions on the setting of the Council Tax have been made (e.g. provision

for non-collection, contributions to/from General Fund Balances and Special Funds, etc). These issues are covered in more detail in the separate Council Tax Setting Report (Report 62/15).

- 6.2 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 the Net Expenditure as detailed in the Summary Statement of Net Expenditure at **Appendix 1**, approval of the budget issues as set out in columns C and D and set out in detail in the Provisional Revenue Budget & Budget Savings Proposal Volume (report 60/15 refers) and assuming a standstill Council Tax level, a shortfall of income over expenditure of around £0.296 million will exist in 2015/16. A three year package of budget savings covering 2014/15 – 2016/17 was approved in setting the 2014/15 revenue budget (Report 84/14 refers). As part of the budget preparation process for 2015/16, Directorates were asked to review their approved budget savings proposals for 2015/16 & 2016/17 to ensure that the savings remain deliverable. Where any of these savings were no longer considered deliverable, or where the phasing needed to be revised, this was to be highlighted on budget submissions along with the proposed alternative saving(s).

Revised budget savings/efficiencies have been identified by services for 2015/16 totalling £5.586 million which based on the assumptions detailed above leaves a working fund balance available of £5.290 million based on the assumptions outlined above.

- 6.3 Members are advised that this funding availability is indicative only and will be affected by decisions on the contributions to or from General Fund Balances and Special Funds that are to be agreed through the Council Tax Setting process.

7. BUDGET SAVINGS STRATEGY & DIRECTORATE SAVINGS PROPOSALS

- 7.1 The Council has moved away from a single year approach to budget savings thus providing more flexibility to services. In view of this, as mentioned above, a 3 year package of savings was approved in report 84/14 covering the period 2014/15 – 2016/17 so as to give Members a framework for setting a balanced budget.
- 7.2 Directorates were therefore asked only to review their approved budget savings proposals for 2015/16 and 2016/17 to ensure that the savings remain deliverable. In total for the 3 year period 2014/15 – 2016/17 £18.728 million of budget saving were approved in report 84/14. Table 2 below summarises the total savings submitted for approval over the three year period per report 84/14, and the revised savings proposals which are detailed in report 60/15 :-

Table 2 – Total Budget Savings Proposals

	Savings 2014/15 £'000	Savings 2015/16 £'000	Savings 2016/17 £'000	Total 3 Year Savings £'000
Savings approved per Report 84/14	6,095	6,740	5,893	18,728
Revised savings as per Report 60/15	6,095	5,586	6,789	18,470
Variance	0	(1,154)	896	(258)

- 7.3 The main point to note is that savings of £1.154 million have been rephased from 2015/16 to 2016/17, and there is a small shortfall of £0.258 million compared to the savings originally approved per Report 84/14. The revised savings for 2015/16 are sufficient to allow a balanced budget to be achieved. It should be noted that all of the budget savings contained in report 60/15, are expected to be required if Angus Council is to deliver a revenue budget in each respective year within the resources expected to be available.
- 7.4 Report 60/15 lists **all** savings for 2015/16 and 2016/17 which were approved in report 84/14. Those savings which are no longer considered deliverable, or which require to be amended/rephased, have been shaded in grey and marked with an asterisk in report 60/15. Revised savings, to replace those no longer considered deliverable, or which are to be amended/rephased, are detailed in a separate table within each Directorate's budget pages in report 60/15. Members are being asked to approve only the revised savings for 2015/16 and

2016/17 on the basis that those savings which are unchanged have already been approved. Savings which remain unchanged from report 84/14 are shown for noting only. Providing all of the savings (original) and those that have been revised in a single budget report ensures there is a new single reference point with regard to the Council's savings plans.

Future Years Budget Savings

- 7.5 Having regard to the savings and investment proposals detailed in Report 60/15, the headline figures contained in the Medium Term Financial Strategy (MTFS) 2015/16 – 2018/19 (Report 271/14 refers) have been updated to assess the impact of these proposals. The updated headline figures show that the projected funding gap for 2015/16 – 2017/18 remains circa £11 million under the pessimistic assessment. Over the 4 year period 2015/16 - 2018/19, the funding gap could extend to £20 million on a pessimistic basis. The Policy & Budget Strategy Group (PBSG) agreed at their last meeting on 19 December 2014 that savings options to address the funding shortfall identified in the MTFS should be via a mixed approach - a combination of the larger corporate savings programme and some departmental savings options
- 7.6 Work is ongoing by the Council Management Team to deliver a list of future savings projects and ideas, and whilst the emphasis will remain on delivering most of the Council's future savings requirements from significant corporate reviews, policy changes, service re-designs and especially the Transforming Angus programme, it is considered prudent to continue to identify an element of the savings required to come from efficiencies at individual departmental level.
- 7.7 In light of this a new 3 year package of savings is being identified covering the period 2016/17 – 2018/19, in line with the most recent MTFS. It is intended that this savings package will be presented to the Council for approval, together with an updated MTFS report, in June alongside a fully developed list of corporate/Transforming Angus, etc. savings so that Members may consider the position as a complete package.

8 OTHER ISSUES PERTINENT TO THE 2015/16 REVENUE BUDGET

- 8.1 The following issues are also relevant to the consideration of the 2015/16 Provisional Revenue Budget submissions and budget savings proposals.
- 8.2 New Burdens and Initiatives to be funded from the Financial Settlement
The Local Government Finance Settlement (paragraph 2.1 refers), includes funding to continue implementation of the Children and Young People Bill, and free school meals for children in Primary 1 - 3. The Council will therefore need to address these along with a number of other pressures, including general inflation and increases in the charges from third party providers of services, from within its revenue grant allocation. Overall, while the adjusted level of grant support has increased marginally for the council, subject to delivering the Scottish Government commitments, the level of budget pressures facing the Council exceed the grant support available.
- 8.3 Investment Bids
Through the budget process a number of areas where investment is required in 2015/16 were identified. These were discussed and reviewed in detail at the Member / Officer Group (MOG) meetings with support from Finance and service department officers.
- 8.4 The discussions with regard to these investment bids highlighted that these could be split into two distinct categories:
- Those that represent an ongoing need for 2015/16 and future years;
 - Those that may represent a one-off requirement for 2015/16 only.
- 8.5 Overall a total of £7.007 million is recommended for funding of which £6.438 million is recommended to be funded on an ongoing basis and £0.569 million on a one-off basis. Both categories of investment have been added into directorate revenue budgets where they are unavoidable. However, those of a one-off nature will be removed from directorate revenue budgets during the 2016/17 budget process. A full description of these budget pressures for each Directorate can be found in the Provisional Revenue Budget & Savings Proposals Volume (Report 60/15) under the Investment Bids section.

8.6 The recommended additions to the directorate provisional revenue budgets in respect of these investments are set out in columns C and D of the Statement of Net Expenditure at **Appendix 1**.

8.7 In addition it is proposed to make provision for some additional cost pressures or specific initiatives as detailed in the Statement of Net Expenditure at **Appendix 1**.

- Energy Budgets (including Street Lighting) – £175,000 - this represents a budget risk to the Council, particularly as definitive rates for 2015/16 have yet to be finalised.
- Corporate Rates Provision - £100,000 – this is based on the Scottish Government's confirmation that the increase in the 2015/16 non domestic rate poundage will be restricted to 2%.
- Pay Award - £2.355 million – to cover the costs of a pay increase for all staff including teachers plus the impact of applying the Living Wage in the Council and Tayside Contracts. The 2015/16 pay award is still the subject on ongoing negotiations at a national level.
- Other Services - Council Tax Reduction Scheme - £300,000 – following the abolition of Council Tax Benefit from 1 April 2013 this represents Angus Council's estimated share of the funding required to maintain the benefits available from the Council Tax Reduction scheme at existing levels.
- Other Services – provision for additional burdens - £525,000 - this will be used if required to meet any budget issues arising during 2015/16 which cannot be managed via Directorate budgets.

8.8 Common Good Funds

Through the MOG process, Strategic Directors identified a number of projects for consideration for funding from the Common Good Funds. These were discussed and reviewed in detail by each Common Good Fund's local members and noted at the relevant MOG meeting. In light of these discussions the projects outlined in **Appendix 2** were agreed for funding at this time, and these are reflected in the Common Good Funds budgets contained in the Provisional Revenue Budget & Savings Proposals Volume (Report 60/15).

8.9 Review of Charges

As part of the budget process a number of directorates have identified proposals for reviewing the charges levied for the provision of certain Council services. Some of these are the subject of separate reports to this meeting of the Council (reports 56/15, 57/15, 58/15 refer). A summary of the proposals not covered by those separate reports is included as **Appendix 3** to this report. The financial impact of the proposed review of charges has been reflected in the provisional revenue budget figures shown in **Appendix 1**. The financial benefit of some of the review of charges proposals have also been put forward by directorates as a means of contributing to their budget savings.

8.10 Revenue Contribution to Capital Budget

A review of the affordability of capital commitments over the next 25 years was undertaken and highlighted that towards the end of that period the Capital Financing Costs budget is projected to be insufficient to meet the estimated capital financing costs that will arise on future capital commitments. Therefore a provision of £700,000 introduced in 2008/09 has been maintained to reduce the level of capital debt the Council would otherwise have in accordance with the 2015/16 budget projections.

8.11 Capital Financing Costs (Loan Charges)

The separate Prudential Indicators report (Report 64/15) outlines that the provision for capital financing costs within the 2015/16 revenue budget is considered sufficient to meet the commitments as contained in the Provisional Capital Budgets Volume (Report 61/15). However it should be noted that any material amendment to the capital budget for 2015/16 would almost certainly necessitate amendment to the Prudential Indicators, and could conceivably require amendment of the capital financing costs provision. Any amendment to the capital financing costs provision would also have consequences in respect of the overall revenue budget for 2015/16.

8.12 Surplus Local Tax Income

A budgeted allowance of £50,000 has been included in the budget summary at **Appendix 1** in respect of Surplus Local Tax Income. Delivery of this income will be dependant upon continued good performance on Council Tax collection by Finance officers and is not necessarily guaranteed for future years.

8.13 Joint Board / Arrangement Budgets

The 2015/16 revenue budget for the Tayside Valuation Joint Board was agreed at the Board meeting in January 2015. Angus Council's share of the Joint Board's net expenditure is £0.757 million, excluding Electoral Registration Services which are budgeted for separately within Other Services.

8.14 The 2015/16 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 £0.218 million.

8.15 The appropriate allocations to Angus Council in respect of the Joint Board and Joint Arrangement have been allowed for in the position shown in **Appendix 1**.

8.16 Contributions to/from General Fund Balances and Special Funds

In line with previous years, consideration will need to be given to the level of possible contributions to or from the Council's General Fund Balances and 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 contributions to/from General Fund Balances and Special Funds, and how this will be disbursed among the various Funds, is considered in the separate Report 62/15.

9 KEY ASSUMPTIONS & RISKS

9.1 The Council has a statutory duty to set a "balanced" budget each year taking into account the estimates of its expenses and incomes for the period. As members will appreciate all budgets are, by definition, only a best estimate and therefore carry a degree of risk. It is important to assess each year's proposed budget from the perspective of the risk inherent and the resilience of that budget to changing circumstances.

9.2 Management of Budget Risks in General

The management of budget risk is integral to the Council's approach to budget setting and critically no Director is required to accept a budget which they don't believe is capable of delivery. There are however 4 main elements to the management of budget risks by the Council which are worth highlighting as described below.

- Assessment of Investment Requirements

The Council's budget process ensures that all significant budget issues that require investment can be raised by Directors and discussed and assessed by both officers and members prior to the budget being set. A process of risk assessment is applied through the MOG process so that if resources don't allow investment proposals to be recognised in full there is an understanding of how much risk is involved in taking such a decision.

- Savings Capable of Delivery

The process of identification of savings is subject to the same rigorous review and assessment process as is applied to investment bids so that members and senior officers can be confident that any savings being proposed are capable of implementation in the form and within the timescales being assumed. The Council has a long history of taking difficult but pragmatic decisions on budget savings and of such savings being achieved.

- Provision for Inflation

Inflation and other pressures on costs caused by demand or changing circumstances are a key consideration of each year's budget process. In broad terms the Council does not normally provide for the effects of general inflation within the budget but rather provides additional resources where these are needed for specific spending pressures (as identified through the investment bid process).

- Contingencies / Special Funds

Another critical element of the Council's management of budget risk is the availability of contingencies both within the budget and in funds and balances. Existing Council policy is to set aside around 1.3% of the net budget as a contingency in General Fund Balances. This currently equates to circa £3.250m. In light of ongoing negotiations regarding pay awards

for 2015/16 for local authority staff, and other budget risks, it is considered prudent to increase this contingency to £4.0m (1.6%) in 2015/16. In addition, significant replenishment of the Council's Renewal & Repair Fund each year ensures that further resources are available on an emergency basis during the year if insufficient resources are available in mainstream revenue and capital budgets. Within the revenue budget itself the Council holds a contingency sum - the provision for additional burdens.

- 9.3 The above approach ensures the Council does not set its budget based on unrealistic assumptions or targets but the management of budget risk continues once the financial year has commenced through the various budget monitoring activities which are undertaken.
- 9.4 In addition, all budget submissions have been considered from a risk perspective and no unmanageable risk issues have been identified for those proposals submitted for approval.
- 9.5 Specific Risks in 2015/16 Revenue Budget
It is considered that the main risks associated with investment bids and budget savings for 2015/16 have been addressed within the proposals set out elsewhere in this report. Sufficient provision will be made for unavoidable budget issues and the proposed budget savings are considered to be achievable by the Directors who are required to implement them.
- 9.6 General inflation has been recognised where appropriate through the investment bids. Significant sums of budget carry forwards from 2014/15 have also been agreed (reports 504/14 & 46/15 refer) which will assist directorates to manage their budgets in 2015/16 and if required respond to changing circumstances.
- 9.7 Provision within the 2015/16 budget for other risk items and uncertainties has also been allowed for (paragraph 8.7 refers).
- 9.8 In summary as author of this report I am content that based on the latest information available and my discussions with the Chief Executive and all other Strategic Directors that the proposed 2015/16 revenue budget is realistic and achievable. I also believe that reasonable contingency provision has been or will be made in both the budget and through balances and special funds which will deliver a budget which has a degree of resilience to deal with changes in circumstances or additional cost pressures which might arise during 2015/16.
- 9.9 Members will however appreciate that further risk lies beyond the 2015/16 budget in relation to further funding cuts in real terms which seem likely to apply. Further comment on this is given at Section 10 of this report but the key issue is to set a budget for 2015/16 that is realistic and which can provide flexibility for future years.

10 PROSPECTS FOR 2016/17 & BEYOND

- 10.1 Members will be aware that the financial challenges facing local government are set to continue for the foreseeable future so with this in mind Members are asked to note the following in the context of the 2015/16 budget setting process:-
- The Council needs to set a 2015/16 budget which recognises that significant financial difficulties will continue beyond 2015/16, i.e. there is a need to be responsible, prudent and avoid taking short term decisions. *The budget proposals for 2015/16 have accordingly sought to balance the need for investment in services now with the need to provide financial flexibility into the future.*
 - Council Directorates need to continue to consider very carefully the extent to which they enter into longer term expenditure commitments moving forward. It must be recognised that any additional expenditure on a particular service will simply increase the burden of savings to be made in other areas. *All Directors have been reminded of this as part of finalising the 2015/16 budget strategy.*
 - The Council has already begun to plan for 2016/17 and later years in terms of budget savings, but further work in this regard is required. A detailed review of all budgets is essential in order to minimise the impact of required savings and to ensure the maximum efficiency possible. *A number of areas of further work have been identified which officers will progress during 2015/16 with a view to amending service delivery to ensure sustainability of services moving forward and/or to deliver budget savings in future years.*

- 10.2 During the course of preparing the 2015/16 revenue budget some areas of risk and/or strategic priority have been identified that will undoubtedly impact on the council in future years and which may need further investment. These issues are summarised below:-
- Demographics – changes to the population are placing increased pressures on certain council services. There is likely to be a requirement for increased investment in these services but the exact cost burden cannot be confirmed at this stage.
 - Third Party Inflation – third party providers of services on behalf of the Council are likely to continue to place additional strain on the council in future years to recognise their cost pressures. Although the council is committed to working with providers to increase efficiencies, it is likely further investment will be necessary to continue deliver of these critical services.
 - Schools Projects (Brechin & Forfar) – it may be necessary to provide some additional net revenue funding to support increased revenue costs such as lifecycle maintenance, facilities management and non-domestic rates associated with these capital investment projects.
- 10.3 An update of the Council's Medium Term Financial Strategy (agreed in June 2014) will be provided by the summer and will pick up the impact of these issues.

11 REVENUE BUDGET DOCUMENTATION

- 11.1 The revenue budget information required for the Special Meeting of Angus Council on 12 February 2015 is contained in this report and the under-noted report: -
- Report 60/15 – 2015/16 Provisional Revenue Budget & Savings Proposals Volume (Pink Cover)**
- 11.2 This Volume contains details of each directorate's budget submission for 2015/16, accompanied by a brief commentary on the overall strategy for each service, a description of the proposed budget savings and investment bids as they affect each service area, each saving and investment has been allocated a reference number, which identifies the directorate, business unit and service area along with the priority given to that saving/investment by the Director and Head of Service (1 being the highest priority / most acceptable) e.g. PSL-S-14 (P) = People, Schools & Learning, saving priority 14, Primary. Those savings which are shaded and marked with an asterisk require to be amended and revised savings to replace these are included in a separate section for each Service.

12 BACKGROUND – GENERAL FUND CAPITAL BUDGET 2015/16

- 12.1 Reference is made to report 258/14 to the Policy & Resources Committee of 20 June 2014 which outlined the procedures to be followed in the preparation of the 2014/2019 Financial Plan and 2015/16 capital budget.
- 12.2 Capital budget preparation guidance was issued by the Head of Corporate Improvement & Finance with directorates / divisions required to submit financial plans based on an approved list of priority projects, as well as details of proposed new priority projects.
- 12.3 Table 3, below, details the various meetings at which capital budget strategy, issues relating to specific capital projects, financial plan submissions and new priority project bids were considered:

Table 3

Policy & Budget Strategy Group	24 September 2014, 28 October 2014, 19 December 2014
Member / Officer Meetings	13 and 27 November 2014

- 12.4 A programme of long-term funding strategy measures has been developed which is intended to maintain levels of capital expenditure into the future. Report 63/15 on the long-term affordability of the General Fund Financial Plan provides full detail of the various measures which have been developed.

13 CAPITAL RESOURCES

13.1 Background

The 2014/2019 Financial Plan, incorporating the 2015/16 capital budget, has been prepared under the self-regulating Prudential Code regime.

Members will be aware that under the Prudential Code the level of capital expenditure is not the key influence within the setting of the Financial Plan, rather the affordability and sustainability of the revenue budget consequences of capital investment decisions (including any subsequent impact on the Council Tax) are the major factors. The 2014/2019 Financial Plan has been prepared in this context and further information relating to the Prudential Code is contained in Report 64/15.

13.2 2015/16 Local Government Finance Settlement

Finance Circular 9/2014 (issued on 11 December 2014) provided updated details of funding allocations for 2014/15 and 2015/16, from those previously announced as part of the 2011 Spending Review (Finance Circular 2/2014 refers). Table 4, below, details Angus Council's capital support for each year:

Table 4 – Angus Council Capital Support

Funding Source	2014/15 £m	2015/16 £m
General Capital Grant (including Urban Broadband, Flooding, Free School Meals and Early Years & Childcare)	18.351	23.845
Specific Capital Grant - Cycling, Walking and Safer Streets	0.173	0.174
Total Support for Capital	18.524	24.019

Members are asked to note that Government supported borrowing was removed in 2011/12 and this continues to be the case. This means that all borrowing which is now undertaken by Angus Council is in effect 'prudential borrowing'.

14 OUTCOME OF THE LONG TERM AFFORDABILITY REVIEW

- 14.1 A thorough exercise has been carried out by Finance officers to assess the long-term affordability of the 2014/2019 Financial Plan. Looking at the position over 25 years, from 2015/16 to 2039/40, as well as an update on the 2014/15 position, a detailed comparison of loan charges grant, loan charges budget and the loan charges costs arising from both past and projected capital expenditure has been undertaken.
- 14.2 It has of course been necessary to make a number of assumptions in order to project forward future levels of: capital expenditure; loan charges grant; loan charges budget and loan charges costs. On the basis of these assumptions (as set out in report 63/15), the long term affordability exercise has determined that the projects contained within the 2014/2019 Financial Plan are both affordable and sustainable.
- 14.3 In addition to the assumptions noted above, members will note that additional resources have been provided for a small number of high priority capital projects, which are now included in the Provisional Capital Budget Volume (report 61/15):
- Property Portfolio Improvements (Chief Executive's – Economic Development)
 - Restenneth Landfill Development (Communities – Regulatory, Protective & Prevention Services)
 - Capitalised Property Maintenance (Communities – Technical & Property Services)
 - Roads Preventative Capital Maintenance (Communities – Technical & Property Services)
 - Arbroath Primary Schools Phase 3 – (People – Schools & Learning)
 - Information & Communications Technology Equipment (People – Schools & Learning).

15 2014/2019 FINANCIAL PLAN (INCORPORATING THE 2015/16 CAPITAL BUDGET)

- 15.1 The 2014/2019 Financial Plan details, for the General Fund, the total cost and phasing of the priority capital projects to be undertaken by Angus Council over the next 5 years. These costs are shown on an outturn basis, i.e. including an allowance for inflation. The capital expenditure on each departmental capital programme is differentiated, for budget planning purposes, between that which is anticipated to be legally committed by 31 March 2015 and that which is not anticipated to be legally committed by 31 March 2015.
- 15.2 Funding elements such as specific capital grants and CFCR are reflected within the financial plan itself, netted off against the gross cost of particular projects. Anticipated capital receipts from the sale of assets are not shown in the financial plan however (unless committee approval has been given to ring-fence a receipt for a particular project), as the decisions regarding the utilisation of such receipts are taken as part of the final accounts process. Similarly, the one off contributions from the revenue budget and general capital grant are not reflected within the financial plan and are used to reduce borrowing at the year end. The exception to this is where it is utilised against non-enhancing expenditure (i.e. expenditure classified as capital but which does not enhance an Angus Council asset) – in such instances general capital grant is shown netted off against the gross cost of the relevant project within the financial plan.
- 15.3 Additionally one-off revenue resources of £1.450 million are being added to the Council's Capital Fund. This represents a one-off boost to capital expenditure levels as it has allowed an equivalent level of capital spend to be added to the capital programme.
- 15.4 Appendix 4 provides a summary of the provisional directorate capital budgets for 2015/16 as contained in the Provisional Capital Budget Volume and shows an estimated net capital expenditure of £45.757 million. Appendix 4 also shows that after the inclusion of a slippage allowance, the agreed contingency and removal of the oversubscription level built into the programme, as well as the application of corporate capital receipts, general Scottish Government capital grant and the one-off contributions from the revenue budget and the Capital Fund, the funding of the provisional capital budget will require new borrowing of £15.537 million in 2015/16.

16 CAPITAL BUDGET DOCUMENTATION

- 16.1 The capital budget information required for the Special Budget Meeting on 12 February 2015 is contained in both this report and report 61/15 – Provisional Capital Budget Volume (green cover). The budget volume contains details of each directorate's budget submission for 2015/16 and their overall financial plan submission for the period 2014/2019.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Finance Circular 6/2014 issued on 7 July 2014 by the Scottish Government
- Letter of 9 October 2014 from the Cabinet Secretary for Finance, Employment & Sustainable Growth
- Finance Circular 9/2014 issued on 11 December 2014 by the Scottish Government

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List of Appendices:

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Appendix 2 - Common Good Fund Bids

Appendix 3 – Review of Charges

Appendix 4 – Provisional Capital Programme