

**ANGUS COUNCIL**

**POLICY & RESOURCES COMMITTEE – 28 APRIL 2015**

**2015/16 FINAL REVENUE BUDGET DOCUMENTS**

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

**ABSTRACT**

This report seeks Council approval for the 2015/16 Final Revenue Budget Volume (incorporating Provisional Capital Budget 2015/16) and the Budget Guide Booklet to be issued by the Head of Corporate Improvement & Finance as soon as these are available.

**1. RECOMMENDATION(S)**

It is recommended that the Committee:

- (i) Approve the amendments to departmental 2015/16 revenue budgets and corporate provisions as detailed in section 5 of this report;
- (ii) Note that a comprehensive update of the 2014/2019 Financial Plan (incorporating a final 2015/16 capital budget) will be undertaken once actual expenditure for financial year 2014/15 has been established;
- (iii) Note that a separate Final Capital Budget Volume 2015/16 will be submitted to this committee for approval following the summer recess; and
- (iv) Approve that the Head of Corporate Improvement & Finance publish the 2015/16 Final Revenue Budget Volume together with the Budget Guide Booklet as soon as these are available in accordance with the arrangements set out in this report.

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

This report supports services in the delivery of all local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2014-2017.

**3. BACKGROUND**

Reference is made to Item 3 of the minute of the Special Meeting of Angus Council of 12 February 2015 which approved the revenue and capital budgets for the 2015/16 financial year.

As is normal course at that time, a number of items had been allowed for corporately but not yet allocated to departmental budgets e.g. pay award provision. The allocation of some of these items is now possible and will be reflected in each services' revenue budget for 2015/16 included in the Final Revenue Budget Volume. In addition to the allocation of these corporate items, each Council service is given the opportunity to undertake any virement adjustments considered necessary to reflect changes in circumstances that have arisen since the base budgets were first formulated in September 2014. All these adjustments are undertaken on a cost neutral basis within the approved budget totals agreed by the Council in setting the Council Tax.

Members will recall that last year details of the provisional 2014/15 capital budget and the 2013/2017 Financial Plan were included within the Final Revenue Budget Volume. This

reflects the requirement to undertake a comprehensive update of the Financial Plan once the final actuals for the preceding year are available. Consequently, details of the provisional 2015/16 capital budget and the 2014/2019 Financial Plan will be included within the 2015/16 Final Revenue Budget Volume after which a separate 2015/16 Final Capital Budget Volume will be produced for consideration by this committee in September 2015.

#### 4. CURRENT POSITION

In previous years the volume was a relatively detailed reference document and contained detailed service profile information and budget information broken down over the specific service areas of each department. The volume for the 2015/16 revenue budget will include detailed budget information for each area of council service, including budgeted personnel associated with each service and a number of overall budget summaries are also included in the volume. Service profiles will not however be included as this is in effect duplication of service information contained in other council publications.

#### 5. PROPOSALS

##### Adjustments to Directorate Budgets

The directorate revenue budgets for 2015/16 approved at the Special Meeting of Angus Council on 12 February 2015 have been amended for the following matters for the purposes of preparing the Final Revenue Budget Volume:-

##### 2015/16 Total Revenue Support Grant

Report 59/15 noted that the Council's Total Revenue Support Grant for 2015/16 had been provisionally set at £200.046 million. Finance Circulars 1/2015 and 2/2015, issued by the Scottish Government on 5 February and 12 March 2015 respectively, provided further detailed information on the Council's overall 2015/16 grant total. In addition to this a letter was issued by the Scottish Government on the 11 February with regard to the indicative allocation of grant funding in relation to the Teacher Numbers/Ratios commitment. As a result, the Council's Total Revenue Grant Support for 2015/16 has increased by a further £5.457 million to £205.503 million. This reflects the inclusion of additional grant support for the following purposes, as set out in Table 1 below:-

Table 1 – Additional Grant Support

<u>Initiative</u>	<u>Grant Allocation</u> £m
<b>Provisional Revenue Support Grant</b>	<b>200.046</b>
Discretionary Housing Payments (net)	0.046
Council Tax Reduction Scheme (incl. Admin Cost)	5.185
<b>Total per FC 1/2015 &amp; 2/2015</b>	<b>205.277</b>
<b>Teacher Number Grant Funding (Scottish Government letter dated the 11 February)</b>	<b>0.226</b>
<b>Revised Total Revenue Grant Support</b>	<b>205.503</b>

These sums have been added to the relevant base budget in 2015/16 to support costs being incurred by services in these areas. Overall these adjustments have a neutral effect on the Council's overall budget position as explained below.

##### 2015/16 Pay Award & Living Wage Provision

A corporate provision of £2.355 million was made in the Provisional Budget Volume (Report 60/15 refers) to allow for the estimated costs of the 2015/16 Pay Awards for Teachers, Chief Officers and Local Government Employees, and Superannuation changes.. As the 2015/16 pay award is still the subject on ongoing negotiations at a national level it is proposed to hold this corporately until the pay award is agreed.

However a 1% increase has been agreed nationally for Elected Members and £7k in respect of this has been provided for within Members Services revenue budget for 2015/16, leaving a balance on the corporate provision of £2.348 million.

### Teacher Number/Ratios and Government Grant Funding

Some further budget issues emerged as part of finalising the 2015/16 revenue budget in relation to Teacher Numbers and the Scottish Government Grant position. Supplementary information to report 59/15 was issued to members to highlight the possible issue with 2 savings identified in relation to teacher numbers totalling £0.351 million. It was highlighted that the savings may not prove deliverable without putting both an element of the existing grant allocation (£0.958 million) as well as additional government grant of approximately £0.220 million at risk (later confirmed at £0.226 million).

Further discussions at national level have since confirmed that the whole amount of grant (£1.184 million) which the Government have made conditional on maintaining teacher numbers as well as pupil/teacher ratios would be put at risk if the Council implemented the 2 savings flagged as at risk in the supplement to Report 59/15. Given this position these savings cannot be implemented and as set out in the supplementary paper to report 59/15, it is proposed that the net shortfall of £0.125 million (£0.226m additional grant less £0.351m savings no longer deliverable) is made good from the Provision for Additional Burdens budget for 2015/16. It is highlighted that the Scottish Government will be undertaking additional monitoring of teacher numbers and the pupil / teacher ratio during 2015/16 to ensure that local authorities are maintaining agreed commitments. The budget risk in this area has not thus concluded with the issuing of the Finance Circular.

### Property Maintenance & Energy Budgets

Departments have been advised of the final property maintenance budgets for 2015/16, and these will be reflected in the Final Revenue Budget Volume. Budget adjustments for Property Maintenance are cost neutral to the Council in overall terms.

As detailed in report 59/15, a provision of £0.175 million was included in the Provisional Budget Volume in respect of anticipated increases in the Council's energy costs. This budget provision was based on estimated energy procurement rates in line with information supplied by Procurement Scotland. The detailed energy budget for 2015/16 has now been prepared and applied to service budgets and in many cases there has been a reduction in the budget required for 2015/16, totalling £0.309 million corporately. This also means that the provision of £0.175 million is no longer required which increases the balance on the energy provision to £0.484 million. An element of risk remains in respect of energy costs as pass-through charges can increase twice-yearly; in addition the Procurement Scotland rates upon which the budget has been based represent average rates across Scotland, therefore there remains a small risk that the actual charges to the Council may be higher. The balance on the energy provision of £0.484 million is therefore proposed to be held corporately within the Provision for Additional Burdens budget in Other Services at present.

### Corporate Rates Provision

A corporate provision of £0.100 million was allowed for in the 2015/16 provisional revenue budget in recognition of the proposed increase in non-domestic rate poundage in 2015 (report 59/15 refers). The non-domestic rate poundage has been confirmed at 48p with a 1.3p large business supplement, which represents a circa 2.0% increase on the 2014/15 rate (47.1p). Accordingly, a sum of £0.100 million has been allocated to services based on uplifting each department's 2014/15 rates budget by 2.0%.

### Council Tax Reduction Scheme

A corporate provision of £0.300 million was allowed for in the Other Services 2015/16 provisional revenue budget. This represents the Council's share of the funding required to maintain the benefits available from the Council Tax Reduction Scheme at existing levels following the abolition of Council Tax Benefit from 1 April 2013. Finance Circular 1/2015 issued by the Scottish Government on 5 February provided further detailed information on the Council's overall 2015/16 grant total for the Council Tax Reduction Scheme and confirmed a grant funding total of £5.185 million. An equivalent sum has therefore been added to the Other Services Budget to provide support for the loss of council tax income that will arise as a result of the Council Tax Reduction scheme.

Table 2 below summarises all of the various revenue budget adjustments for 2015/16 as detailed in the paragraphs above.

Table 2 – Summary of Budget Adjustments

	Provisional Budget Volume (Report 59/15) £m	Updated Position £m	Net Increase/ (Decrease) £m	
Pay Award & Living Wage (Angus Council employees)	2.355	2.355	-	
Reduction in Energy & Street Lighting Budget	5.632	5.323	(0.309)	*
Energy Provision	0.175	0.000	(0.175)	
Teacher Numbers/Ratios and Government Grant Funding (net)	0.000	0.125	0.125	*
Non Domestic Rates	0.100	0.100	-	*
Council Tax Reduction Scheme	0.300	0.300	-	
Creation of Corporate Equalities budget	0.000	0.002	0.002	*
Increase in COSLA fee	0.075	0.076	0.001	*
<b>GRAND TOTAL</b>	<b>8.637</b>	<b>8.281</b>	<b>(0.356)</b>	

\* These items have now been adjusted in directorate budgets.

It may be noted from the above that the budget adjustments outlined in this report result in net current headroom in the 2015/16 revenue budget of £0.356 million. It is proposed that this sum be added to the 2015/16 Provision for Additional Burdens (PfAB) within Other Services to address budget issues arising during 2015/16 and/or to assist in setting the 2016/17 revenue budget. This will give a revised PfAB budget of £0.881 million. This sum will provide a contingency to safeguard the Council against potential risks arising during 2015/16 as it is possible that number of other potential budget pressures may call on the PfAB budget, with the recent update regarding the national care home fee settlement possibly being one of them. Funding packages for new budget pressures will be brought back to committee for approval should they arise.

#### Budget Guide

The Budget Guide is intended for use as a summary reference document and presents the key facts and figures in relation to the Revenue and Capital Budgets.

This guide provides a range of information likely to be of use or interest to elected Members and officers of the Council itself as well as members of the public. Included within the guide are statements showing the calculation of the Council Tax, the 2015/16 Council Tax charges for each valuation band and a comparison of Council Taxes across Scotland. Also included is information on Council house rents, the capital expenditure plans for the Council, sources of local authority finance, and a summary of the budgeted position on the various Common Good Funds administered by the Council.

In previous years the guide has been produced in printed format for distribution from various council offices. It is however proposed to only produce an electronic version of the guide for 2015/16 and place this on the Council's website..

#### Publication

Work is ongoing to finalise the documents and Council approval is sought for the Head of Corporate Improvement & Finance to publish the volume and guide as soon as these have been finalised.

## 6. FINANCIAL IMPLICATIONS

The financial implications have been detailed earlier in this report but may be summarised as follows:-

- Adjustment of corporate budget provisions and allocation of a number of these to departments has been undertaken. The result of this is a net increase of £0.356 million to the Provision for Additional Burdens in Other Services as per Table 2 above;

**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:

- Local Government Finance Circular No 1/2015 issued on 5 February 2015
- Local Government Finance Circular No 2/2015 issued in 12 March 2015

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List of Appendices: none