

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 26 OCTOBER 2021

PREPARATION OF 2022/23 GENERAL FUND REVENUE & CAPITAL BUDGETS

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

ABSTRACT

This report informs members of the current position in relation to the 2022/23 Revenue & Capital Budget preparation process, identifies the main stages of the budget timeline and seeks approval of the proposed strategy/approach for the 2022/23 budget process.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- i) Approve the broad strategy and approach to the budget preparation as set out in Section 5 of this report.
- ii) Approve the budget timeline as set out in Appendix A to this report.
- iii) Note the final sign off of the Council's Revenue & Capital Budgets will take place in February 2022, in line with previous practice.

2. ALIGNMENT TO THE COUNCIL PLAN

2.1 This report contributes as a whole to the Council Plan.

3. BACKGROUND

3.1 In accordance with the Council's Financial Regulations, the detailed preparation of the 2022/23 revenue & capital budgets has now commenced. Financial year 2021/22 was extremely challenging to deliver a balanced budget and delivering the 2022/23 budget is anticipated to be even more challenging. This report outlines the strategy and approach to be taken for the preparation of the 2022/23 revenue & 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 2022/23 to 2024/25 has been prepared and will be reported to Angus Council on 4 November 2021. 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 & capital budget guidance for 2022/23 has been issued to all of the Council's Service Directors requiring that base revenue budgets are prepared and submitted to the Finance Corporate Support Team by 30 September 2021, with the initial draft capital plan / capital project bid submissions due to be returned by 8 October 2021.

The general process for the preparation of the 2022/23 revenue and capital budgets will ultimately lead to the setting of the Budget and Council Tax in February 2022. A copy of the indicative timeline for the 2022/23 revenue and capital budget process is attached at Appendix A.

This report focuses on the 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 revised and approved in 2017. Report 71/17 refers.

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 Services in August 2021. Each service has been preparing their detailed provisional base revenue budget for 2022/23 in consultation with their Finance Service contact and these were submitted to Corporate Finance on 30 September 2021.

5.2 Provisional Base Capital Budget Submissions

Following conclusion of the 2020/21 capital final accounts process, Services were asked to update their Provisional Capital Budget Volume approved at the Special Angus Council Meeting in March (report 71/21 refers). A comprehensive update of departmental capital programmes (based on the unaudited actual position at the close of the 2020/21 financial year) was undertaken over the summer months to inform the final 2021/22 capital budget position. This allowed the publication of the Council's Final Capital Budget Volume in August (report 264/21 refers) and has in effect formed stage one of the 2022/23 capital budget process.

The 2022/23 capital budget process will be based on updating the capital project priority model and the 2022/23 capital budget preparation guidance was issued to services early in September 2021. Each council Service will, in consultation with Finance contacts, prepare their proposals for capital expenditure from 2022/23 up to and including 2025/26.

Capital Plan / capital project bid submission were required to be returned by the 8 October and the review and validation process is underway, prior to be considered by the Policy & Budget Strategy Group and Shadow Budget Group in November.

5.3 Policy & Budget Strategy Group (PBSG) /Shadow Budget Group (SBG)

The PBSG, a member / officer group chaired by the Finance Convener, propose the broad revenue and capital budget strategy for 2022/23 financial year and beyond which is then determined at the Council Tax Setting meeting. The remit of the Group at the broadest level is to propose the Council's budget strategy over the short, medium and longer term in the context of the agreed corporate priorities of the Council, detailed in the Council Plan.

The SBG was created as part of the 2020/21 budget setting process for non-administration members to allow them to determine their budget strategy which can then be submitted as an alternative budget, over the short, medium and longer term in the context of the agreed priorities of the council. Officers sit on this group also and will provide relevant budget information to non-administration members and assist them should there be a wish to prepare an alternative budget. This will continue in 2022/23.

5.4 Broad Strategy and Approach

The strategy and approach proposed below is mainly consistent with the approach taken in previous years, with a couple of additional proposals. It should be noted that this report was finalised prior to PBSG meeting and SBG meeting to consider these:-

- Develop a high level long term (5-10 year) strategic financial plan
This 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. This plan will also feed future MTBS.
- Prepare a Medium Term Budget Strategy (rolling – 3 years revenue and 4 years capital)
The strategy would identify the resource available, the funding gap, priorities for investment and the plans and actions intended to deliver a balance budget (report going to Angus Council 4 November 2021)
- 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.
- Change Programme Savings
The strategy will seek to deliver all the required savings from the Change Programme.
- Target Led Savings
Although as mentioned above the strategy is to seek to deliver all the required savings from the Change Programme, this is getting more and more difficult and as part of the budget setting strategy for 2022/23 a service contraction element has been built into our revenue budget planning approach with the target of achieving 5% savings over the forthcoming 3-year period if required. This is a challenge for Services given the financial constraints the Council is working under.
- Priority Based Budget (PBB) emphasis
Officers will work with elected members to agree a shorter set of key priorities and principles.
- Use of COVID Funding (report 285/21 refers)
Report 285/21 detailed 3 funding sources available to assist with the budget strategy of the Council: General Fund Uncommitted Reserve at 31 March 2021; Uncommitted 2021/22 COVID-19 Grant Funding; COVID-19 Contingency Reserve, and the proposed use of these funding sources over the 4 year period, 2021/22 – 2024/25.
- Require Investments Bids / Budget Issues to be self-funded by services
Officers are recommending that that Service 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 requirement was first introduced for the 2018/19 budget setting and continues to be required to bring extra rigour and challenge to the budget process. This approach has been supported by the PBSG.
- 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 will continue with the tighter criteria that was adopted at the 2017/18 final outturn position. Decisions on requests need to be linked to the budget setting process.
- Angus IJB and ANGUSalive
Officers will ensure early dialogue with Angus IJB and ANGUSalive and will adopt PBB principles for those elements of the budget.

5.5 Special Committee & Setting the Council Tax

The Local Government Finance Act 1992 requires that Council Tax Band D level be set on or before the 10 March of the year preceding the financial year to which it will apply. Similar to the past few years, all decisions will be made via a Special Meeting of the Council and the budget

timetable has been drawn up to allow the Council Tax to be set in the week commencing 21 February 2022.

5.6 Common Good Funds

The Council's Policy Guidelines for accessing and maintaining the Common Good Funds are retained in report 138/21 to the Angus Council meeting of 13 May 2021 which approved the "Common Good Fund Policy Guidelines and Administrative Procedures". In terms of the Common Good revenue annual budget these state the following;

- The annual revenue account budget for the forthcoming financial year for the Common Good Funds will be prepared in accordance with that process undertaken for services of the Council following the budget preparation guidance issued by the "Section 95 Officer" (as defined in Section 95 of the Local Government (Scotland) Act 1973).
- A meeting of Members will be held to provide the opportunity for discussion of issues relating to the Common Good Funds and to allow Members to be formally consulted on the proposed one-off projects.
- The budget for the forthcoming financial year will be approved at an appropriate Council meeting in advance of the commencement of the financial year. This will include indicative budget projections for the following two financial years also e.g. income generation and maintenance costs so that members will have 3 year financial information.

5.7 Consultation and Engagement on our Plans & Budgets

The proposal for the communication and consultation processes for the Council's plans and budgets was agreed by Council on the 17 December 2020 (330/20 refers) with the content of the consultation and engagement tools for the 2022/23 planning and budgeting cycle subsequently approved by Angus Council on the 24 June 2021, (report 215/21 refers). A three-strand approach to consultation and engagement:

- Strand 1) We use the Delib Simulator tool to test it out and get feedback from the public on some of our existing Council Plan priorities.
- Strand 2) We use the Social Pinpoint tool to share key information about the Council's plans, budgets and challenges to enable an online conversation to take place with the public.
- Strand 3) We offer a phone-in/online questions and answer session where the public can contact us to ask questions about our existing plans and budgets and hopefully have them answered there and then, or if not, answers can be posted later. A video of the session could also be posted on the Council's You Tube channel.

The Simulator and Social Pinpoint Tools went live week commencing the 9 August and closed on the 30 September.

This will allow the results from the Simulator and Social Pinpoint engagement to be collated and taken into account as the Council starts to update and develop its plans and budgets for the 2022/23 financial year. This timing will allow all of the information to be considered together in the lead up to the 2022/23 plans and budgets being set. A summary of the output from the consultation work would be captured formally in a report to the Council in November 2021 and the learning from this year's engagement work used to inform future consultation and engagement work on our plans and budgets.

The engagement tools will give members a sense of some of the key issues being raised by citizens and how the public view our existing priorities but will not provide information on specific budget choices. Members would of course wish to reflect on the output from the consultation in finalising their plans and budgets, but this will be just one of many pieces of information to inform those considerations and there is no intention for the output from the work to determine specific decisions in the budget for 2022/23.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no financial implications arising directly from this report. The budget strategy proposed will be used to guide the ultimate delivery of a balanced and legal budget in February 2022.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 An equality Impact Assessment has been completed and is attached at Appendix B.

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

Appendix B – Equality Impact Assessment