

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 30 AUGUST 2022

PREPARATION OF 2023/24 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 2023/24 Revenue & Capital Budget preparation process, identifies the main stages of the budget timeline and seeks approval of the proposed strategy/approach for the 2023/24 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) Approve the revised arrangements for the PBSG as set out in section 5.3
- iv) Note the final sign off of the Council's Revenue & Capital Budgets will take place in February / March 2023, 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 2023/24 revenue & capital budgets has now commenced. Financial year 2022/23 was extremely challenging to deliver a balanced budget and delivering the 2023/24 budget is anticipated to be even more challenging. This report outlines the strategy and approach to be taken for the preparation of the 2023/24 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 2023/24 to 2025/26 will be prepared and will be reported to Angus Council on 3 November 2022. 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 expected to continue for the foreseeable future.

4.2 Detailed revenue & capital budget guidance for 2023/24 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 21 September 2022, with the initial draft capital plan / capital project bid submissions due to be returned by 8 October 2022.

- 4.3 The general process for the preparation of the 2023/24 revenue and capital budgets will ultimately lead to the setting of the Budget and Council Tax in February/March 2023. A copy of the indicative timeline for the 2023/24 revenue and capital budget process is attached at Appendix A.
- 4.4 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.
- 4.5 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 2022. Each service has been preparing their detailed provisional base revenue budget for 2023/24 in consultation with their Finance Service contact and these are to be submitted to Finance by 21 September 2022.

5.2 Provisional Base Capital Budget Submissions

Following conclusion of the 2021/22 capital final accounts process, services were asked to update their Provisional Capital Budget Volume approved at the Special Angus Council Meeting in March (report [65/22](#) refers). A comprehensive update of departmental capital programmes (based on the unaudited actual position at the close of the 2021/22 financial year) was undertaken over the summer months to inform the final 2022/23 capital budget position. This allowed the publication of the Council's Final Capital Budget Volume at this same committee (report [227/22](#) refers) and has in effect formed stage one of the 2023/24 capital budget process.

The 2023/24 capital budget process will be based on updating the capital project priority model and the 2023/24 capital budget preparation guidance will be issued to services early in September 2022. Each council service will, in consultation with Finance contacts, prepare their proposals for capital expenditure from 2023/24 up to and including 2026/27.

Capital Budget / capital project bid submissions are required to be returned by the 8 October with a review and validation process taking place, prior to being considered by the Policy & Budget Strategy Group in late November / early December.

5.3 Policy & Budget Strategy Group (PBSG)

The PBSG, a member / officer group chaired by the Finance Convener, develop a broad revenue and capital budget strategy for 2022/23 financial year and beyond which is then determined at the Council Tax Setting meeting. The PBSG has no decision making powers. The remit of the Group at the broadest level is to develop 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.

A revised approach and membership of the Policy & Budget Strategy Group for the 2023/24 planning and budget setting process has been proposed by officers and following discussion with the leadership of the Administration and Opposition Groups has been agreed. This will see the PBSG operate with a cross party membership for those stages of the budget preparation where the PBSG is receiving information from officers on revenue and capital budget submissions broadly speaking between August and December each year. For the final stage of the budget preparation where final proposals are developed the PBSG will become an Administration only group with non-Administration members being supported separately by officers should they wish to develop their own budget proposals.

These revised arrangements for PBSG are expected to result in a more efficient use of member and officer time, avoid duplication and will still enable different budget proposals to be developed by respective political groups. It is therefore proposed to have a small core group of members and officers for PBSG with other officers asked to attend or be available when required and for consideration of specific issues. Proposed membership is as follows:-

Elected Members	Senior Officers (note 1)
Leader of the Council	Chief Executive
Depute Leader of Council	Depute Chief Executive
Depute Leader / Finance Convenor	Director of Finance
2 Other Administration Members (Cllrs Cheape and Beattie)	Director of Legal & Democratic
Leader of main Opposition	Director of Str Pol, Transformation & PS Reform
Opposition Finance Spokesperson	Director of HR, DE, IT and Business Support
Non-aligned Member – Cllr Doran	Service Leader (Finance)

Note 1 – input from the Director of Infrastructure & Environment will be necessary when PBSG considers capital budget proposals (Nov/Dec each year). Input from the Director of Children, Families & Justice in her role as Chief Social Work Officer will also be required when finalising budget and policy options. The Manager – Communications input to any budget consultation discussions at PBSG will also be required

The Committee is asked to approve the revised arrangements for the PBSG as set out above.

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:-

- Council Plan update – the starting point for the preparation of the budget is to determine the objectives and priorities which that budget is intended to facilitate and that means reviewing and updating the Council Plan. A meeting has been set for 22 September with members to begin to prepare the council priorities for the next 5 years.
- Develop a high level long term financial planning framework
This framework 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 framework will inform future updates to the Council's MTBS. The Council's first long term financial planning framework was due to come to Council in September but has been delayed due to other work including the significant officer input required to prepare reports and provide advice on the levelling up funding bid considered by Council in June and again in July.
- Prepare a Medium Term Budget Strategy (rolling – 3 years revenue and 4 years capital)
The strategy identifies the resource available, the funding gap, priorities for investment and the plans and actions intended to deliver a balanced budget (report going to Angus Council 3 November 2022)
- Formal Budget Setting (March)
Members will be asked to agree the detailed budget for the year ahead (2023/24) and a high level budget and indicative savings plans for the following 2 years.
- Change Programme Savings
The strategy will seek to deliver all the required savings from the Change Programme. A full update to the Change Programme is underway including scenario planning and challenge panel meetings covering all services. A new Change Programme will be agreed as part of the budget setting process that will include any new projects identified through scenario planning exercises.

- Target Led Savings
Although the intention 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 was built into our revenue budget planning approach with the target of achieving 5% savings over the 3-year period, 2022/23, 2023/24 & 2024/25. The 5% target savings have been added into the Change Programme for monitoring.
- Budget Preparation Process & Reporting
Officers have identified a number of changes which will simplify the budget setting process and reduce the volume of information which members are asked to consider for the Special Council meeting to set the budget and Council Tax.
- General Fund Reserves Drawdown Strategy (report 285/21 refers)
Report 285/21 approved the use of uncommitted reserves to extend the previously agreed reserves drawdown strategy which would allow one-off funds to help balance future budgets and provide more time to deliver permanent savings required in the Council's core budget. The current drawdown strategy allows £2.0 million for 2023/24 and a further £1.0 million for 2024/25. This strategy will be subject to review as part of the 2023/24 budget setting process.
- Angus IJB and ANGUSalive
Officers will ensure early dialogue with the Angus Health & Social Care Partnership and ANGUSalive regarding those elements of the budget.

5.5 Special Committee & Setting the Council Tax

The Local Government Finance Act 1992 requires that Council Tax B and 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 late February or early March 2023.

5.6 Common Good Funds

The Council's Policy Guidelines for accessing and maintaining the Common Good Funds are detailed 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

For the 2023/24 budget setting process it is proposed that consultation on the Council's plans and priorities and how it deploys its resources be undertaken as part of the Place Strategy consultation to be undertaken. This will ensure a more holistic approach to consultation rather than having 2 separate consultation processes.

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 /March 2023.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment has been completed and is available as 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 - EIA