

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 3 SEPTEMBER 2024

PREPARATION OF 2025/26 GENERAL FUND REVENUE & CAPITAL BUDGETS

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

1. ABSTRACT

- 1.1 This report informs members of the current position in relation to the 2025/26 Revenue & Capital Budget preparation process, identifies the main stages of the budget timeline and seeks approval of the proposed strategy / approach for the 2025/26 budget process.

2. ALIGNMENT TO THE COUNCIL PLAN

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

3. RECOMMENDATIONS

- 3.1 It is recommended that the Committee:
- i) Approves the broad strategy and approach to the budget preparation as set out in Section 6 of this report;
 - ii) Approves the budget timeline as set out in Appendix A to this report;
 - iii) Notes the intended continuation of the revised arrangements for the Policy & Budget Strategy Group (PBSG) as set out in section 6.3; and
 - iv) Notes the final sign off of the Council's Revenue & Capital Budgets is intended to take place in February 2025.

4. BACKGROUND

- 4.1 In accordance with the Council's Financial Regulations, the detailed preparation of the 2025/26 revenue & capital budgets has now commenced. In financial year 2024/25 it was extremely challenging to deliver a balanced budget and delivering the 2025/26 budget is anticipated to be just as difficult. This report outlines the strategy and approach to be taken for the preparation of the 2025/26 revenue & capital budgets.

5. CURRENT POSITION

- 5.1 As part of the council's financial planning arrangements a Medium Term Budget Strategy (MTBS) covering the period 2025/26 to 2027/28 will be prepared and reported to Angus Council on 7 November 2024. This medium term financial planning work is complementary to the annual 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.
- 5.2 Detailed revenue & capital budget guidance for 2025/26 has been issued to all of the Council's Directors requiring that base revenue budgets are prepared and submitted to the Finance Corporate Support Team by 23 September 2024, with the initial draft capital plan / capital project bid submissions due to be returned by 30 September 2024.
- 5.3 The general process for the preparation of the 2025/26 revenue and capital budgets will ultimately lead to the setting of the Budget and Council Tax in February 2025. A copy of the indicative timeline for the budget process is attached at Appendix A.

- 5.4 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.
- 5.5 Under the Prudential Code, 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.

6. PROPOSALS

6.1 Provisional Base Revenue Budget Submissions

Budget preparation guidance was issued to Directorates in August 2024. Each Directorate will prepare their detailed provisional base revenue budget for 2025/26 in consultation with their Finance Service contact and these are to be submitted to Finance by 23 September 2024.

6.2 Provisional Base Capital Budget Submissions

Following conclusion of the 2023/24 capital final accounts process, services were asked to update their Provisional Capital Budget Volume approved at the Special Angus Council Meeting in February ([reports 51/24-59/24](#) refers). A comprehensive update of departmental capital programmes (based on the unaudited actual position at the close of the 2023/24 financial year) was undertaken over the summer months to inform the final 2024/25 capital budget position. This enabled the preparation of the Council's Final Capital Budget Volume which is submitted for approval at this same meeting of the committee (report 241/24 refers) and has in effect formed stage one of the 2025/26 capital budget process.

The 2025/26 capital budget process will be based on updating the capital project priority model and the 2025/26 capital budget preparation guidance was issued to services in late August 2024. Each council service will, in consultation with Finance contacts, prepare their proposals for capital expenditure from financial year 2025/26 up to and including 2028/29. The opportunity for new capital projects remains limited due to the scale of current projects and existing commitments.

Capital Budget / capital project bid submissions are required to be returned by 30 September with a review and validation process taking place prior to being considered by the Policy & Budget Strategy Group in late November.

6.3 Policy & Budget Strategy Group (PBSG)

The PBSG, a member / officer group chaired by the Finance Convener, will develop a broad revenue and capital budget strategy for financial year 2025/26 and beyond which is then confirmed 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 priorities, detailed in the Council Plan.

A revised approach and membership of the PBSG for the planning and budget setting process was agreed during 2023/24 and it is proposed that the PBSG will continue to 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, usually between August and January each year. For the final stage of the budget preparation, where final proposals are developed, the PBSG becomes an Administration only group with non-Administration members being supported separately by officers should they wish to develop their own budget proposals. The PBSG noted the contents of this report as its meeting on 22 August 2024.

These PBSG arrangements enable efficient use of member and officer time and avoid duplication, whilst still enabling different budget proposals to be developed by the respective political groups. The membership is as follows:-

| Elected Members | Senior Officers (note 1) |
|---|---|
| Leader of the Council | Chief Executive |
| Depute Leader of Council | Director of Finance |
| Finance Convenor | Director of Legal, Governance & Change |
| 2 Other Administration Members (Cllrs Cheape and Braes) | Director of HR, OD, DE, IT and Business Support |
| Leader of main Opposition | Service Leader (Finance) |
| Opposition Finance Spokesperson | |
| Non-aligned Member – (Cllr Doran) | |

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 Interim 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.

6.4 Broad Strategy and Approach

The strategy and approach proposed below is mainly consistent with the approach taken in previous years:-

- 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. The Council Plan was updated as part of the 2024/25 budget setting process and approved at the 29 February 2024 Special Council meeting ([Report 49/24](#) refers). No significant changes to the priorities in the Plan are anticipated but this will be part of the PBSG considerations.
- Use the Council's long term financial planning framework to project ahead
This framework provides 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. The framework is used to inform updates to the Council's MTBS. The Council's first long term financial planning framework was presented to Angus Council in September 2023.
- 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 7 November 2024)
- Formal Budget Setting (February)
Members will be asked to agree the detailed budget for the year ahead (2025/26) and a high level budget and indicative savings and Council Tax plans for the following 2 years.
- Change Programme Savings
The strategy will seek to deliver all the required savings required to achieve a balanced budget. At the February 2024 Budget Setting meeting the Council agreed a 3 year Change Programme and this will form the starting point for 2025/26 budget planning but will require to be updated. A new Change Programme will be agreed as part of the budget setting process that will include any new projects identified to meet future budget gaps as well as enabling and investment projects to provide a more rounded picture of all of the change activity being planned not just the savings and cuts required to achieve a balanced budget.
- General Fund Reserves - Proposed Budget Strategy for the Use of Reserve Balance over the Period 2024/25-2027/28 ([report 65/24](#) refers)
Report 65/24 approved a budget strategy for the use of the General Fund Reserve over the 4 year period from 2024/25 to 2027/28. The reserves strategy will be reviewed and amended if required as part of the 2025/26 budget setting process.

- Angus IJB and ANGUSalve
Officers will ensure early dialogue with the Angus Health & Social Care Partnership and ANGUSalve regarding those elements of the budget and the Council's funding to those partners.

6.5 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 late February 2025.

6.6 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". These guidelines will be followed in preparing the Common Good budgets.

6.7 Consultation and Engagement on our Plans & Budgets

For the 2025/26 budget setting process this will be subject to a separate report to Angus Council.

7. **FINANCIAL IMPLICATIONS**

- 7.1 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 2025.

8. **RISK MANAGEMENT**

- 8.1 The following risks from the Corporate Risk Register are relevant to this report:

- Financial Sustainability
- Transforming for the Future

9. **ENVIRONMENTAL IMPLICATIONS**

- 9.1 There are no direct environmental implications arising from the recommendations of this report.

10. **EQUALITY IMPACT ASSESSMENT**

- 10.1 An Equality Impact Assessment is not required as this report does not impact on people.

11. **CONSULTATION**

- 11.1 The Chief Executive and Director of Legal, Governance & Change have been consulted on this report.

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