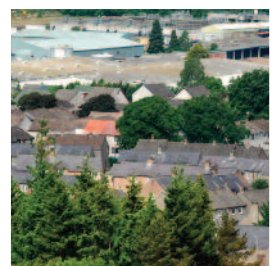
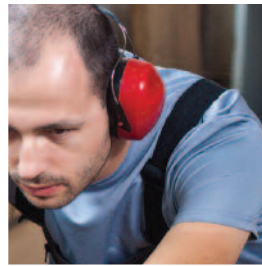
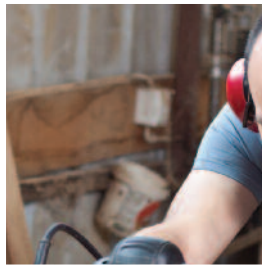


# SUMMARY FINANCIAL PLAN

Draft 2019/20 - 2021/22





**Councillor Angus Macmillan Douglas**  
Depute Leader and Finance Convener

## Foreword

Angus, like all Councils, is currently managing some of the most challenging circumstances it has ever faced. We have the perfect storm of rising costs and reducing income and that has meant many changes to the way the Council provides its services and in some cases how those services are paid for.

My focus since taking up the role of Finance Convener has been to ensure the Council improves its own efficiency as the first step so that services to the public can be protected as far as possible.

We have ambitious plans for Angus which are challenging to deliver with the money the Council has available but we believe our priorities can be achieved by focusing on the right things and reducing costs and waste where we can.

The budget proposals for 2019/20 to 2021/22 reflect the Council's ambitions and priorities and show that although significant savings have to be made we are also investing money in those areas we think are the most important.

Although our budget proposals for 2019/20 mean some reductions in services and an increase in charges for some services the emphasis of our savings is about efficiency and effectiveness and we believe this is a package of measures which will limit any possible negative impact on the services the people of Angus rely on each and every day.

As Finance Convener I remain committed to ensuring the limited resources the Council has are used to deliver maximum value for Angus taxpayers.

# Key messages

1. The Council has never been so stretched financially than it is just now and that isn't likely to change any time soon.
2. The Council relies on grant income provided by the Scottish Government for most of the money needed to pay for services the Council provides to the public. Council Tax income covers only **20%** of the net cost of providing services.
3. The Council's finances are being squeezed from three directions at the same – the money we get from Scottish Government has been reducing in real terms, inflation means it costs more to provide services each year and in some services there is more demand for support than there was before. This "triple whammy effect" over the last eight years means the Council has had to make big changes in the services it provides, how it provides them and the fees and charges it asks people to pay.
4. Although the Council has more to do to improve its efficiency it has done a huge amount to save taxpayers money and reduce its costs. The Council is still providing all the services it is required to by law and is doing so having saved **£43.4m (17%)** and reduced its staff by more than **500 (12%)** in the last five years alone.
5. The range of services provided by Angus Council is vast – Council services touch the lives of every person in Angus every day in some way – those services are important but they cost money and need to be paid for.
6. Despite the most challenging financial situation faced by Councils in a generation Angus Council still has responsibility for deciding how very large amounts of taxpayers money will be used and we intend to use that money in the services we think are the highest priority for local people as explained in our Council Plan.
7. The future for the Council looks very difficult and big questions about the sustainability of the current system of Council funding and the services Councils need to provide will have to be asked and answered in the very near future.

# Our finances

## How do they work?

It costs money to deliver the services the Council provides and the Council must comply with strict rules on how it manages and accounts for the use of that money.

There are four main parts to how the Council's finances are set up. We have:

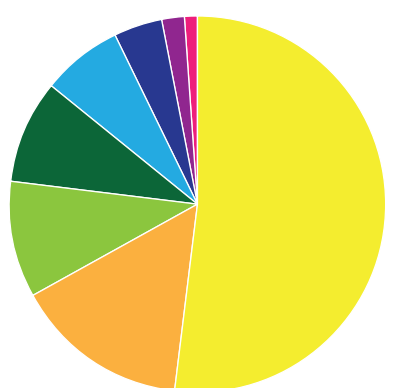
1. **General Fund Revenue** – this covers the day to day spending and income on all services provided except Council housing. The costs of staff, materials, fuel, debt, etc. for services such as schools, waste collection, roads, planning and social work sit under this part of the Council's finances
2. **Housing Revenue** – this covers the costs of staff, repairs, administration, etc. required to run the Council's housing service and the rental income received from tenants.
3. **General Fund Capital** – this covers spending and income on assets (buildings, vehicles, equipment, etc.) which will be used over a number of years to provide General Fund services.
4. **Housing Capital** – this covers the cost of building new and improving existing Council houses.

# General Fund Services

## Where the money comes from

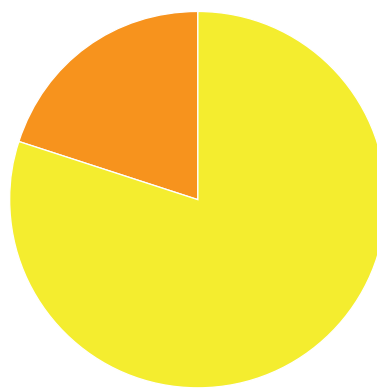
Where the money comes from depends on which of the four parts of the Council's finances we're looking at. The vast majority of money is in General Fund Revenue and this money comes from the public either through national taxation, from Council Tax or from the fees and charges the Council applies to some services. The pie charts below show the different sources and percentages. Gross income covers everything but net income is the most common way Council finances and budgets are presented.

Fig. 1 Sources of Gross Income



- 52% Revenue Support Grant
- 15% Council Tax
- 10% Other Income (incl. recharges)
- 9% Other Grants
- 7% Non-Domestic Rate Income
- 4% Fees & Charges
- 2% Contribution from Funds/Balances
- 1% Specific Grants

Fig. 2 Sources of Net Income



- 80% Funding set by Scottish Government – Revenue Support Grant, Specific Grants and Non-Domestic Rate Income
- 20% Council Tax

The Council relies on the Scottish Government, Angus Council Taxpayers, Businesses, the UK Government and customers using paid for services for all of its income. The amount of income the Council receives directly affects how much money is available to provide services.

Figure 2 shows just how dependent the Council is on the money it receives from the Scottish Government. At 80% of net income this is the biggest factor affecting the Council's budget decisions. Although Council Tax is a big bill for the taxpayer each year the money raised through Council Tax only pays for 20% of the cost of providing Council services.

The 80/20 ratio of grant funding to Council Tax creates a "gearing" effect. In Angus this means that a £2m (1%) reduction in Government Grant would need a 4% increase in Council Tax to make up the loss.

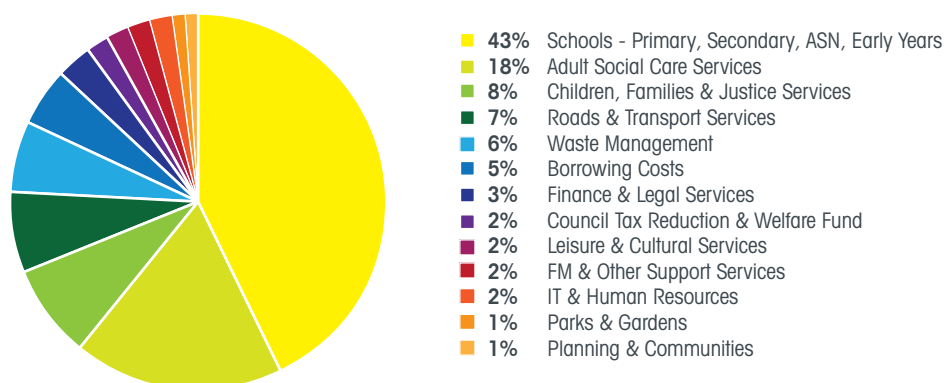
Although the Council collects non-domestic rates from Angus businesses this income goes into an all Scotland fund and is then redistributed to Councils as part of their total allocation of funding from the Scottish Government. The Government therefore decides how much of the non-domestic rate income collected locally comes back to Angus Council. The Council has no control over this part of its funding.

## Where the money goes

Angus Council like all Councils in Scotland is required by law to provide a very wide range of services. This covers huge services such as schools as well as much smaller services such as the maintenance of war memorials. Across Angus in almost every aspect of our daily lives there is a reliance on Council services many of which go unseen or are provided for the benefit of all citizens rather than directly to the individual.

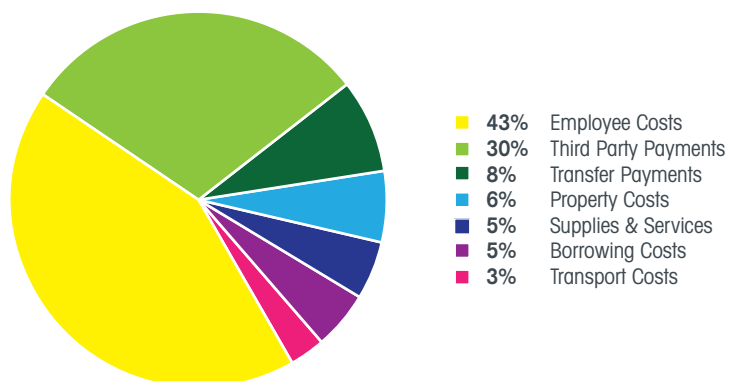
Figure 3 shows how much of the money the Council receives is spent on its main services. The diagram doesn't show all services only those with expenditure above £2m.

Fig. 3 **Main services and the percentage of the budget**



Most of the costs the Council has to pay for in providing services are for staff directly employed by the Council. The Council also buys in services from other organisations and makes payments to these "third parties". Figure 4 shows the main types of expenditure the Council pays for.

Fig. 4 **Main types of expenditure**



# The triple whammy challenge

For the last eight years the Council's General Fund Revenue Budget has been suffering from the effects of three big factors. The combined effect of these which in Angus Council we call the "Triple Whammy Challenge" has meant the Council having to make millions of pounds of savings in its budget and reduce its staff by hundreds of people.

Although the Council's finances are complex the reasons for the Council having to make significant and sometimes unpopular changes to service to save money or raise more income are actually quite simple – it's the "Triple Whammy".

## **Whammy Number 1 – Reductions in Government Grant**

As explained earlier 80% of the Council's net budget comes from Scottish Government grant support. As a consequence of the austerity measures affecting all public services and the priority given to some public services over others by the Scottish Parliament Councils in Scotland have seen their core grant funding from Scottish Government reduce in cash and real terms in recent years.

The Scottish Government's overall revenue budget has fallen by 1.65% between 2013/14 and 2017/18 but revenue funding to Councils has fallen by 6.92% over the same period.

## **Whammy Number 2 – Rising Costs Due to Inflation**

Council services are not provided in an economic vacuum. Pay and general inflation affects the Council's costs in the same way as it affects individuals and household budgets. Providing Council services needs staff, food, fuel, energy, vehicles, and other materials and the cost of all of these has been increasing each year because of inflation.

## **Whammy Number 3 – Rising Costs Due to Rising Demand/New Legislation**

Changes in the need for some services caused by an ageing population mean there is more demand on some Council services for help than previously. Meeting that demand sometimes needs more staff, buildings and equipment and that means higher costs.

Changes in legislation such as the ban on using landfill to dispose of non-recyclable household waste from 2021 can also result in higher costs which the Council must meet to comply with the law.

## **What Does the Triple Whammy Challenge Mean?**

When 80% of your income is falling and your costs are increasing because of inflation, demand and new legislation you have a problem. The combined effect of the triple whammy challenge has meant that Angus Council has had to find savings of £43.4m in the last five years and is expected to have to find another £10m of savings in setting its 2019/20 revenue budget. Further significant savings in future years are also expected to be needed.

The cumulative effect of having to find new savings year after year is exceptionally challenging and the fact the Council has up to now been able to keep most services running well is thanks to the hard work of staff and the willingness of Councillors to make difficult decisions when needed.



# Savings & efficiencies

## What's already been done?

The Council is required by law to achieve "Best Value" in all of its activities. Best Value means making efficient and effective use of the money, staff, buildings and equipment the Council has in order to provide good quality services at reasonable cost.

The Council has hundreds of duties it must carry out by law each day. Meeting those duties whilst getting the most value we can from each £1 of taxpayers money is part of achieving Best Value. The Council is subject to external audits and independent inspections which check on whether Best Value is being delivered.

Councillors and staff have over many years been working to improve the Council's efficiency and effectiveness and although some decisions have been unpopular with taxpayers the reality is that Angus Council is doing more now with less money in real terms than it has ever done before.

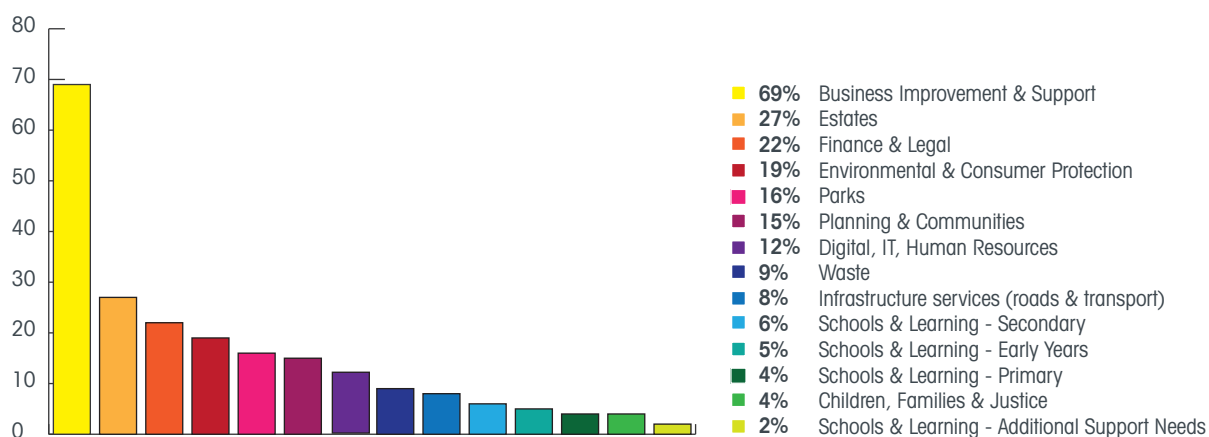
Even looking at only the last 5 financial years the Council has saved £43.4m (17%) and reduced its staff by more than 500 (12%) in that period. These are very large reductions in a short space of time and although some reductions in service and increases in charges have been part of those savings most of the savings have come from being more efficient, more innovative and more digital in how we provide services.

The Council has achieved hundreds of savings in the last five years to deliver £43.4m. Below are just a few of the more recent examples:

Reviews of various back office services 2018/19	£1.2m
Managers Review – 20% reduction in management	£1.1m
Agile working and reduction in number of Council offices	£0.6m
Savings from reviews in health and social care services (Angus IJB)	£3.6m
Savings in cultural and leisure services (Angus Alive)	£0.3m
Savings school staff – teachers and school office	£1.1m
Savings in borrowing costs	£1.0m

Despite the huge challenges the Council has tried to protect front line services and has made the largest percentage reductions in budgets in those services it considers will have the least effect on services to the public. Figure 5 shows the percentage savings by service in the last 3 years (2016/17 to 2018/19).

Fig. 5 **Percentage savings in last 3 years**





## What next?

The Councillors and staff of Angus Council recognise that despite the millions of pounds of savings achieved already there is more which can and needs to be done to improve the Council's overall efficiency. That has never been more needed than now because of the "triple whammy" challenge referred to earlier in this Plan.

The Council has a comprehensive "Change Programme" which has been running for a number of years and this Programme includes a large number of projects and ideas for saving money or generating more income for the Council. The full list of savings is included in the Council Plan but the largest ones are listed below.

	2019/20	2020/21	2021/22
<b>Economy</b>			
Procurement and Commissioning: Tayside Collaborative	175,000	500,000	650,000
Business Support Programme - Phase 2	340,000	260,000	
Purchase to Pay	60,000	150,000	
<b>People</b>			
AHSCP - Improvement and Change Programme	4,368,000	3,265,000	3,244,000
ANGUSalive - efficiency programme	300,000	300,000	230,000
Tayside Meals Centre - Tayside Contracts			138,000
<b>Place</b>			
Waste Shift Pattern Review	160,000		
Angus Schools for the Future (ASffF)		150,000	
Agile/Estate Review	555,000	426,000	329,000
Decarbonising our Environment (e.g. LED lighting, Active Schools)	110,000	95,000	
<b>Our council</b>			
Loans Fund Repayment Review		100,000	
ODZBB - Organisational Design/Zero Based Budgeting	2,400,000	600,000	
ODZBB - Phase 2		500,000	1,000,000
Workforce Change - Managers	194,711	64,214	
Workforce Change - Teachers	477,000	614,000	300,000
Workforce Pay, Grading and T&C Review	30,000	170,000	

All of the savings listed above are about doing things differently, finding new and less expensive ways of providing services and in some cases mean reorganising and reducing our workforce even further. Very few of them are expected to mean a reduction in service to customers. Angus taxpayers can be assured that although unpopular choices and reductions in some services can't be avoided completely everything that can be done is being done to improve the efficiency and effectiveness of Council services.

# Council Plan

## What priorities are we investing in?

The Council's Change Programme is intended to deliver real change across services and that doesn't just mean cuts to budgets and staff. There is also a need to invest where we can in areas the Council thinks are important for the benefit of the people of Angus.

It is important to remember that all public services including those provided by the Council are essential to us living in a civilised society and it is often those who are most vulnerable or most in need who require the Council's support.

The full list of investments is included in the Council Plan but the biggest ones are shown below and include a mix of capital projects which will boost the Angus economy and new initiatives which we hope will help people more and reduce costs and future demand for Council services. How some of these investments will be paid for has still to be decided.

	2019/20	2020/21	2021/22
<b>Economy</b>			
City Deal capital investment		4,500,000	
Digital Transformation		667,000	
Brechin Business Park Extension		3,000,000	
Integrated Transport Hub at Orchardbank, Forfar		400,000	
<b>People</b>			
Vulnerable Families		649,500	
Pilot prevention integrated service		500,000 (set aside)	
Care Services Digital Records Management		450,000	
Early Years		34,349,000	
Provision of Social Care Accommodation		1,400,000	
<b>Place</b>			
Roads surface dressing (additional)		750,000	
Schools for the Future/Early Years Expansion		32,000,000	
Accommodation for new ways of Working (Agile/Mobile)		2,000,000	
Increase Re-cycling		1,454,000	
Library/ACCESS Improvement Programme		2,674,000	
Tackling Climate Change		1,278,000	
Private Sector Housing Grants Programme		1,050,000	
Flood Management improvements		9,477,000	
Transport/Roads/Lighting/Drainage Infrastructure		13,698,000	
Council Housing		94,000,000	
<b>Our council</b>			
Estates review		200,000	
ICT Infrastructure/Equipment/Software		2,640,000	

# Our General Fund Revenue Budget Plans 2019/20 - 2021/22

The Council has a funding "gap" for 2019/20 of £15.3m which is 5.7% of the net budget. Increases in the Council's costs and reductions in its income mean that it doesn't have enough money to pay for services as they are currently provided. This means there is a gap between budgeted expenditure and income which needs to be closed. The table below shows the main causes of the funding gap.

## Funding Gap 2019/20 - Main causes

Cause	Value
Pay inflation – teachers and other staff (not already in base budget)	£4.6m
Cost and demand pressures in adult health and social care services	£4.4m
One-off budget savings in 2018/19 which need permanent solutions	£3.1m
Reduction in Scottish Government Grant for Core Services	£1.5m
Shortfall on 2018/19 Change Programme savings target	£0.7m
Waste disposal cost increases/income reductions	£0.6m
Teachers Pensions – rise in employer contribution costs	£0.5m
Energy costs inflation	£0.4m
Cost and demand pressures in children and family social work services	£0.3m
Unitary charge costs – Arbroath Primary Schools	£0.2m
Other budget adjustments and corrections	(1.0m)
<b>Total Funding Gap</b>	<b>£15.3m</b>

The funding gap for 2019/20 is huge and closing it is a major challenge for the Council. The Council is required by law to set a balanced budget each year which means it must find ways to match its expenditure to its income no matter how difficult this may be and no matter what impact on services this may have.

The Council's plans for closing the funding gap are shown in the table below but decisions about Council Tax levels and the use of Reserves will only be made on the day of the Special Council Meeting (21 February 2019) so remain "to be decided". A combination of Council Tax increases and use of Reserves will however close the gap in full.

## Measures to Close the Funding Gap 2019/20

Cause	Value
<b>Total Funding Gap</b>	<b>£15.3m</b>
Less Budget Savings from Change Programme	(£10.2m)
Less Other Savings and Budget Adjustments	(£1.9m)
<b>Adjusted Funding Gap before Council Tax and Reserves</b>	<b>£3.2m</b>
Less Council Tax Increase	To be decided
Less Use of Reserves	To be decided
<b>Remaining Funding Gap</b>	<b>£Nil</b>

More information about the Council's General Fund Revenue Budget is included in the official reports submitted to the Special Council Meeting of 21 February 2019 which are available on the Council's website.

# Our General Fund Revenue Budget Plans for 2020/21 and 2021/22

The Council published its Medium Term Budget Strategy (MTBS) for 2019/20 to 2021/22 in September 2018. This was in Report 263/18 submitted to the Council meeting on 6 September 2018 which can be found on the Council's website.

The MTBS was the Council's best estimate at that time of its expenditure, income and funding gaps for the financial years 2019/20, 2020/21 and 2021/22. These predictions about future budgets have now been updated taking into account what is known about the 2019/20 revenue budget and how the Council plans to close the funding gap for that year.

	2020/21 £m	2021/22 £m	2 Yr Total £m
<b>Projected Funding Gap (September 2018)</b>	<b>11.9</b>	<b>9.2</b>	<b>21.1</b>
Add Additional Cost of Improved Pay Deal	1.1	1.4	2.5
Adjustment for 2019/20 funding gap (note 1)	3.2	0	3.2
<b>Updated Funding Gap (February 2019)</b>	<b>16.2</b>	<b>10.6</b>	<b>26.8</b>
Less Future Change Programme savings	8.6	6.0	14.6
<b>Estimated funding gap still to be addressed (note 2)</b>	<b>7.6</b>	<b>4.6</b>	<b>12.2</b>

**Note 1** – this figure assumes no increase in Council Tax is applied in setting the 2019/20 budget and that the remaining 2019/20 funding gap is met from Reserves on a one-off basis. Whether a Council Tax increase will apply for 2019/20 will not be decided by the Council until 21 February 2019.

**Note 2** – the funding gap still to be addressed in 2020/21 and 2021/22 assumes no Council Tax increase is applied in either of those years. A 3% increase in each year would give the Council another £3.2m over the two years to help close the gap.

The figures above make it clear that the Council's finances on General Fund services are expected to continue to be under severe strain in the years ahead and that further changes to the services the Council provides will be needed.

# Our General Fund Capital Budget Plans 2018/19 to 2022/23

Although some parts of the Council's capital budget will not be decided until the Council sets its budget and Council Tax on 21 February 2019 the Council is planning to make significant investment in its schools, roads, vehicles, equipment and land for economic development in the current 5 year planning period.

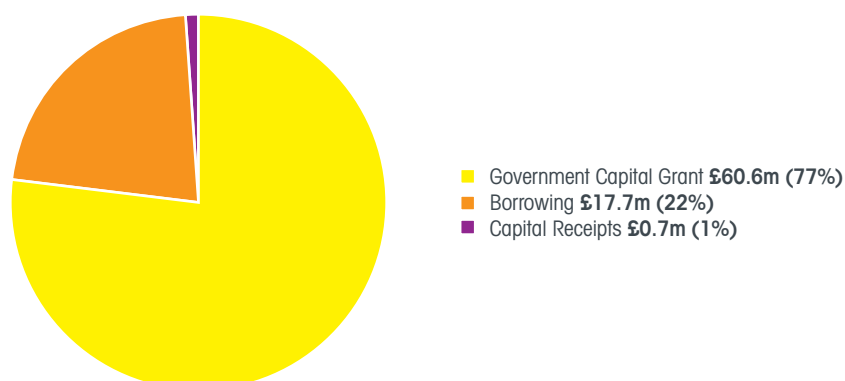
This investment is needed so that the Council can continue to provide its services to the public and includes investment which will reduce the Council's running costs in future years. A large part of the investment (which is paid for from Scottish Government grants) will also see expansion in early learning and childcare services to give Angus youngsters a great start to their learning and development. Investment in the Arbroath Flood Protection Scheme will also protect homes and businesses at risk.

In total the Council plans to spend £79m on capital projects up to March 2023 on General Fund services. Some of the planned projects include:

Area of Investment	Budgeted Spending
Road maintenance across Angus	£18.0m
Arbroath Schools Project (Phases 2 and 3a)	£14.0m
Property maintenance across Angus	£1.7m
Early Learning & Childcare Centres – Carnoustie & Forfar	£5.8m
IT Equipment for Schools	£1.0m
Conversion of Community Alarm System to Digital	£0.5m
Tay Cities Deal projects	£4.5m
Office Rationalisation Programme	£2.4m
Arbroath Flood Strategy	£10.3m

The Council's capital spending is paid for using a mix of Scottish Government Grant, borrowing, capital receipts from selling surplus assets and sometimes from using revenue budget money to pay for capital projects. In the current five year period of the capital budget the total spend of £79m is expected to be paid for as shown in Figure 6.

Fig. 6 **Funding of General Fund Capital Budget 2018/19 to 2022/23**



# Our Housing Revenue and Capital Budget Plans 2019/20 - 2022/23

The Council has to keep its spending and income on Council housing services separate to the other services it provides (those which are called General Fund services). Money raised from rents charged to tenants is therefore kept separate from the money raised from Council Taxes.

Unlike the Council's General Fund services which are under severe strain due to the triple whammy challenge mentioned earlier the Council's Housing financial position is much better. Careful management of housing assets and investment in those assets together with modest rent rises year on year have helped to bring about this healthy financial position for the Council's Housing service.

## Housing Revenue Budget 2019/20

Planned spending on day to day running costs is expected to be £29.3m in 2019/20 with most of that cost being paid for from rents charged to tenants for houses, garages and other services.

Fig. 7 Housing Revenue Spending 2019/20

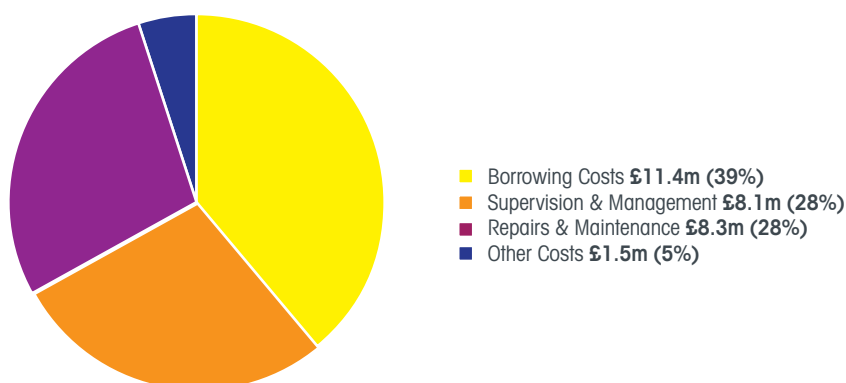
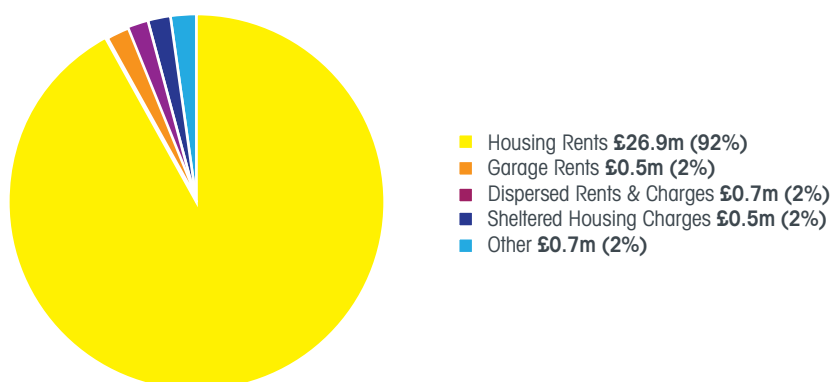


Fig. 8 Housing Revenue Funding 2019/20



## Housing Capital Budget 2019/20 - 2022/23

The Council is planning its biggest investment in Council housing in a generation in the next four years with £93.8m of investment planned. This investment will be paid for by borrowing, by making contributions from the housing revenue budget and by using housing reserve funds. The main areas of planned spend are shown in Figure 9.

Fig. 9 Housing Capital Spending 2019/20 - 2022/23

