

Medium Term Budget Strategy
2023/24 to 2025/26 Update
(General Fund Services)



Angus Council Medium Term Budget Strategy
2023/24 to 2025/26 Update

Table of Contents

	Page
Section 1 – Background & Need For A Medium Term Budget Strategy	2
Section 2 - Revenue Budget Financial Projections (2023/24 – 2025/26)	3
Section 3 – Bridging the Projected Funding Gap	8
Section 4 - Capital Budget Financial Projections (2023/24 – 2026/27)	11
Section 5 – Conclusions	13

SECTION 1 – BACKGROUND & NEED FOR A MEDIUM TERM BUDGET STRATEGY

- 1.1 As a matter of good business practice all organisations should plan ahead in order to achieve their objectives. The Council first undertook medium term financial planning for the period 2010/11 to 2013/14 through a report approved at the Council meeting on 25 June 2009 (report 510/09 refers), setting out the financial challenges ahead and began to map out how the Council might meet these challenges through efficiency reviews and cost reduction strategies.
- 1.2 The medium term budget strategy (MTBS) is an update to the Strategy which was last agreed and approved in November 2021 (report 339/21 refers).
- 1.3 The need for a MTBS has been set out in previous strategy documents but it is considered important to emphasise that future service provision in Angus needs to be driven by clear policy objectives so that the limited resources available to the Council can be allocated on a priority based approach. In May 2015 the Council approved the adoption of priority based budgeting (PBB) as the approach to preparation of future revenue budgets. It is recognised that this is difficult to achieve in practice because so many of the Council's services are seen as valuable or essential, but it is essential that the Council continues to build on the work that has already commenced to continue to seek to better align resources to priorities. To this end, officers undertook a series of Zero Based Budgeting / Organisational Design reviews of service budgets during the 2018/19 financial year as part of the Council's change programme and aspects of this work is continuing. More recently Challenge Panel sessions have been undertaken in recent months with services to identify further options for savings for inclusion in the Change Programme savings as part of the budget process. All options identified by services will require further detailed work to be undertaken to identify potential savings and risks.
- 1.4 Whilst the need for a policy driven approach to resource allocation is undoubtedly the best way forward, the Council must first have an appreciation of the resources and the constraints on those resources which are likely to exist so that policy decisions can be taken on an informed basis.

SECTION 2 - REVENUE BUDGET FINANCIAL PROJECTIONS- UPDATE (2023/24 TO 2025/26)

Purpose of the Projections

- 2.1 The focus of the projections is to identify the main areas of cost pressure over the period of the Budget Strategy and to identify the extent of influence the Council can have on such pressures. The projections also identify the likely gap between the cost of service provision and the resources estimated to be available to provide them in terms of government grant, local taxation, etc.

Background to the Projections

- 2.2 Making financial projections is a difficult exercise for an organisation such as the Council which is subject to unpredictable demands for service, regular changes in legislation and which is funded mostly by government grant. Due to world events and in particular the current level of inflation the financial projections are now even more difficult.
- 2.3 Notwithstanding the very serious challenges which arise from preparing meaningful financial projections over the medium term it is essential this exercise is undertaken to inform future service delivery / efficiency plans.
- 2.4 The projections are based on a review of all of the Council's main costs, incomes and grant funding and as a result of the lack of certainty over many of these it means that the projections have not sought to apply the level of precision and detailed calculation that would normally apply to the preparation of the Council's annual budget. The projections are, rather, based on broader assumptions over what may impact on costs and incomes over the 3 year period. The projections will therefore be subject to significant refinement as part of the annual budget setting processes but they do provide a broad indication of the Council's projected financial position based on the assumptions made.

Assumptions (Baseline Projection)

- 2.5 Medium term budget projections such as those set out in this strategy document are based heavily on assumptions. Changes in these assumptions can have a material effect on the end outcome. The projections make assumptions falling into 2 broad categories:-
- A) Issues which are known about or can reasonably be foreseen which will create upward pressure on costs e.g. pay inflation, PPP commitments, energy costs, schools for the future unitary charges, etc.
 - B) Issues which can be anticipated as areas of budget risk but where the extent of the risk is uncertain e.g. the cost of an ageing population.
- 2.6 Clearly some assumptions are more material to the end results than others, so listed below are the assumptions made on the most material items. All assumptions and costs are based on the 3 year period 2023/24 to 2025/26.

Pay Inflation & Pressures

- 2.7 Pay awards and other pay related cost pressures are assumed to cost around £15 million over the 3 years. At the time of finalising this report agreement has been reached for the pay awards for non-teaching employees for 2022/23. The teachers' pay award remains outstanding for agreement and a projection based upon the latest employer's offer has been used. A full assessment of the budgetary impact of these assumptions is ongoing but a provisional estimate of £3.7 million has been made in the projections for the net additional cost to the Council compared with the 2022/23 budget provision. Increases of 4% for 2023/24 and 2% increase for 2024/25 and 2025/26 have been assumed.
- 2.8 The above figure incorporates estimated increases to the Living Wage (including on payments made to Tayside Contracts) and additional costs for pay increments.

School & Public Transport Costs

- 2.9 It has been assumed that inflationary and tender price increases will add around £0.9 million to the Council's costs over the 3 years. The projections assume a continuation of current service levels as a starting point.

Third Party Inflation (Excluding IJB)

- 2.10 The Council commissions services from other providers as an alternative to direct provision by its own employees. Payments to these third parties make up a significant part of the Council's costs, particularly in social care type services. Pay and general inflation will affect third party providers in much the same way as it affects the Council and the cost impact of this will usually be passed on to the Council in the charges made by third party service providers. Although the Council will require its third party providers to look at their own efficiency so as to minimise the cost impact on the Council it has been assumed that the cost increase will amount to around £0.4 million over the 3 year period.

PPP Commitments

- 2.11 The annual costs of the PPP contracts arise in line with inflation and in setting the 2022/23 revenue budget large uplifts were provided for these rising costs. Based on the last projections in inflation rates an additional sum of £3 million has been assumed in this area over the 3 year period.

Residential School Placement and External Fostering

- 2.12 An increased cost pressure has evolved in 2022/23 for residential school placements due to the number of placements being required and the duration of the placements. This is currently being reviewed and further updates will be provided through the corporate monitoring reports. There are though risks that the extent of the problem could grow. In addition to this, significant pressures are being faced in the external fostering budgets. An overall net increase of £3.4 million has been assumed in this area over the 3 year period.

Energy Costs

- 2.13 The Council is again facing significant rises in energy costs in the future to market conditions so it has been assumed this will increase again over the 3 years covered in this report based on increased global prices and consumption due to new building regulations around ventilation that have been introduced due to the impact of COVID-19. An overall net increase in the Council's energy budget provision, including street lighting, of £2.3 million over the 3 years has therefore been assumed given these new regulations and the volatility in energy markets and geo-political risks.

Core Government Grant

- 2.14 This is the single most critical assumption to the projections and in many ways is the most difficult to estimate given the lack of data forthcoming from the Scottish Government.
- 2.15 The Scottish Government published their latest medium term financial strategy in May 2022 and set out the economic and funding risks and opportunities that will have to be considered in the coming years. It did not set out any spending plans and therefore limited information from which to determine what the Local Government settlement will be for the

next two years so we have relied on this and other information from economists and researchers and reflected this in the Council's grant projections which are extremely variable under the 3 planning scenarios.

- 2.16 The projections currently assume a cash flat position in core government grant for the 3 year period. For comparison purposes the grant for 2022/23 was an increase of 0.5% and for 2021/22 was an increase of 0.4%. There are also anticipated reductions in loan charges support grant in addition to the reductions in core grant applied for these three years. Based on these projections the Council's revenue grant support is projected to reduce by circa £0.8 million over the 3 year period 2023/24 to 2025/26. It remains a significant risk that government grants will be even more curtailed than those projected if the UK and Scottish economies are impacted by local or world events or if the Scottish Government's financial forecasts are overly optimistic. The fact that more than 80% of the Council's funding comes from Government merely serves to emphasise the extent of the financial difficulties which the Council will face in the period ahead.

Council Tax

- 2.17 The projections assume that there will be no Council Tax increase over the 3 years of the strategy on the basis that this will be one of the options (in addition to budget savings) for how part of the funding gap could be bridged. It would not however be appropriate within the budget strategy to speculate about future Council Tax levels as these will be decisions taken on an annual basis based on all relevant factors at that time.
- 2.18 The Council Tax base has continued to grow despite the economic climate, the ongoing impact on the housing market and the COVID-19 pandemic. Having regard to this, the projections assume the tax base will grow by 0.5% in each of the 3 years.

IJB (Demographic Change & Third Party Payments)

- 2.19 This is an area of major concern especially in Older People's Services. Despite the enablement approach and Help to Live at Home project and efficiencies which may be achieved through ongoing service reviews it is recognised that changing demographics will bring additional pressure to adult care services; consequently an allowance of £6.6 million has been assumed over the 3 years towards costs associated with demographic changes and third party inflation. This is in addition to the assumptions made in paragraph 2.10 above. These costs will affect the Angus Health & Social Partnership's budget but the Council is a funding partner and accordingly must plan for potential budget pressures affecting the whole Partnership.

Other Assumptions

- 2.20 In addition to the above listed main assumptions, further allowance for cost pressures and risks in areas such roads and winter maintenance and the MVV waste disposal contract have also been made.
- 2.21 Except where indicated otherwise, the projections also assume that service provision levels and methods will remain as at present (2022/23 levels). This means that reductions in service provision levels or new more efficient methods of delivery will help narrow the financial gap identified in Table 1 below.

Projections Summary

- 2.22 The purpose of the projections is to inform future service and budget planning and in particular to try to get an appreciation of the level of future budget savings that will need to be made. Table 1 below provides a high level summary of the projection results based on the assumptions made. The funding gap shown is the amount which would need to be met from a combination of the Change Programme, other measures such as possible Council Tax increases, use of Reserves and by taking budget risks.
- 2.23 It is emphasised that the figures in Table 1 are a base projection and that variant projections on an optimistic and pessimistic basis have also been undertaken.

Table 1 – Revenue Budget Financial Base Projection (2023/24 to 2025/26)

	2023/24 £million	2024/25 £million	2025/26 £million
Total Angus Council Service Expenditure	287.989	288.466	288.943
Capital Financing Costs	10.933	10.910	12.484
Surplus Local Tax	(0.484)	(0.484)	(0.484)
Pay Award Provision	7.083	3.685	3.766
Joint Boards	0.354	0.354	0.354
Add Back Specific Grants	15.010	15.010	15.010
Net Expenditure Before Government Grant	320.885	317.941	320.073
Allowance for budget pressures (A)	7.085	3.663	3.480
Allowance for budget risks (B)	3.961	1.122	0.957
Revised Net Expenditure (before Govt. grant)	331.931	322.726	324.510
Less Government Grant	(249.647)	(249.371)	(249.097)
Less Council Tax (assuming no increase in charge, but 0.5% increase in base)	(59.423)	(59.720)	(60.018)
Total Funding Shortfall (annual)	22.861	13.635	15.395

- 2.24 The projections show a total funding gap of £51.891 million over the 3 year period which is equivalent to 19.3% on the 2022/23 budgets, or 6.4% per annum on average. It is worth highlighting that the percentage saving is based on the Council's core net expenditure on services i.e. after removal of the Loan Charges budget, Capital Funded from Current Revenue, Joint Boards, PPP unitary charge payments, Other Services etc. as these budgets are subject to specific arrangements which restricts the ability to apply budget savings. In practice many areas of the Council's budget are not easily changed or cannot be significantly influenced due to national policies. This means the burden of savings falls on a much smaller part of the budget and in those areas the level of reduction in budget will need to be much higher than the percentages shown below.

Sensitivity Testing

- 2.25 A number of sensitivity tests have been applied to the more material estimates and assumptions to provide an optimistic and pessimistic view. The base, optimistic view and pessimistic view are presented in Table 2a, 2b and 2c below.

Table 2a – Estimated Funding Gap (Base Projection)

	2023/24 £million	2024/25 £million	2025/26 £million	3 Year Total £million
Funding shortfall	22.861	13.635	15.395	51.891
% age Level of Savings Needed	8.5%	5.1%	5.7%	19.3%

Table 2b – Estimated Funding Gap (Optimistic View)

	2023/24 £million	2024/25 £million	2025/26 £million	3 Year Total £million
Funding shortfall	21.067	12.701	14.440	48.208
% age Level of Savings Needed	7.8%	4.7%	5.4%	17.9%

Table 2c – Estimated Funding Gap (Pessimistic View)

	2023/24 £million	2024/25 £million	2025/26 £million	3 Year Total £million
Funding shortfall	26.938	20.118	21.429	68.485
% age Level of Savings Needed	10.0%	7.5%	8.0%	25.5%

- 2.26 It will be noted from Tables 2a, 2b and 2c that the estimated funding gap for the 3 year period ranges from £48.208 million to £68.485 million.

Risk and Issues

- 2.27 The extent of variation in the results per Tables 2b and 2c may in some ways be surprising but this is a product of the extent to which the financial projections outlined in the financial strategy are so heavily reliant on assumptions, particularly government grant levels and pay awards. The sensitivities are therefore essential to understanding the range of possible outcomes for the Council.
- 2.28 In considering the funding gap and developing a budget strategy, it is essential that the risks inherent in these projections are fully understood. There are number of risks to the projections but three of these are considered to be fundamental risks which members are asked to bear in mind as follows:-

Government Grant

- 2.29 The Scottish Government will decide how the Scottish Block and tax revenues raised in Scotland is allocated and if, for example, the Government decides, as part of the next Scottish Spending Review, to offer a greater degree of protection to non-local government services such as health this could result in further grant reductions for local authorities, including Angus Council. It is also possible that the position could improve if there is a change in fiscal policy and spending priorities at a UK or Scottish Government level. The legacy from COVID-19 is another complicating factor on future grant levels.

Pay Settlement Risk

- 2.30 The level of pay settlements for 2023/24, 2024/25 & 2025/26 is a risk in that it could exceed the levels assumed in the projections. The Council is part of national pay bargaining so doesn't decide these alone. Another risk is the Teachers' 2022/23 pay award as at the time of writing this report this had not been agreed with previous offers being rejected.

Severance Costs

- 2.31 The projections make no allowance for severance costs on the assumption that where these arise they can be met from either existing service budgets, the Change Fund or the earmarked monies in the General Fund Reserve. There is a risk that additional severance costs may arise and how they will be funded will be subject to further work by the Policy and Budget Strategy Group.

Revenue Budget Financial Projections - Conclusions

- 2.32 The financial projections work included in this budget strategy update builds on the work done in previous years. This exercise continues to be fraught with difficulty because of the reliance on assumptions and the many variables which can affect the figures. Notwithstanding the need to use the projections with caution they do provide a broad indication of the serious financial challenges which Angus Council faces over the next few years. The availability of this information provides a solid and transparent base from which to continue to plan future service provision and set future budgets.
- 2.33 The further savings projected to be required over the next 3 years are in addition to the £78.1 million (28%) million saved in the last 10 years alone. The scale of the savings required is unprecedented and the cumulative effect of such savings over such a protracted period calls into question the sustainability of existing levels and methods of service, the funding models used to pay for local government services as well as the multitude of statutory duties placed on Councils. There is simply no prospect of this level of funding gap being met without current service provision being affected on a very significant scale.

SECTION 3 – BRIDGING THE PROJECTED FUNDING GAP

Background

- 3.1 The Council is required by statute to set a balanced budget each year and this means that projected gaps in funding in future years present a real and unavoidable problem for the Council which will force members and officers to make difficult and highly challenging decisions out of necessity.

Historically the Council identified the savings needed to balance its budget by setting percentage targets for each service to achieve. In the last few years savings have been identified mainly from the Change Programme. Given the risk around continuing to achieve savings and identify new initiatives through the change programme it was decided as part of the 2022/23 budget setting process to re-introduce target led savings, which have been included with the Change Programme under the service contraction element. One-off measures such as curtailing capital spending and using uncommitted reserves have had to be used in recent years to fill a remaining gap on a one off basis.

Plans for Addressing the Funding Gap

- 3.2 The projected gap will be addressed primarily through the Change Programme which is made up of numerous projects and regular progress updates on this position will be reported to Policy & Resources Committee during 2022/23.
- 3.3 The Change Programme has been refreshed and transitioned and continues to be a work in progress with many of the ideas and options being worked on to identify the savings which could potentially be delivered over the next 3-5 years. The service contraction element was built into our revenue budget planning approach for 2022/23 with the target of achieving 5% savings over the 3-year planning period 2022/23 to 2024/25. However, it should be highlighted that the options for further (new) savings are inevitably limited by what has already been done. Savings already removed from the budget can't be taken again and new options need to be identified and implemented. The scale of savings already made along with constraints over where the Council is limited in its ability to save the money "untouchable" areas provide a context for the next phase of the Change Programme which is truly daunting and there should be no doubt as to the challenges we face.

Based on the projects and options in the current Change Programme it is estimated that it will achieve savings of £14.6 million over the next 3 years. As mentioned above the service contraction elements for 2023/24 and 2024/25 equates to £6.4 million of the total savings estimated from the Change Programme and updated service contraction savings options have been received from Services and are currently being reviewed and assessed as part of the 2023/24 revenue budget process. More recently Challenge Panel sessions (Scenario Planning) have been undertaken with services to identify further options for savings for inclusion in the Change Programme savings as part of the budget process. Officers in the services are currently undertaking detailed work to identify potential savings and risks and once completed any savings identified will be added to the Change Programme savings figures reported in this report. The Change Programme will continue to be monitored regularly and updates on its progress will be reported to the Policy & Resources Committee. Any major risks to these savings targets will be identified as soon as possible to allow other options to be considered. The updated funding gaps are shown in Table 3 below.

- 3.4 As a last resort the Council can, assuming it has reserves available, use these to fund any remaining shortfall in order to balance its budget. This could only be on a one-off basis but can be used as a legitimate means of bridging a gap if plans are in place to achieve ongoing savings at a later date. In relation to financial year 2023/24 and based on current information it may again be necessary to use Reserves to provide breathing space for the Change Programme to deliver additional ongoing savings. Report 285/21 to Angus Council on 9 September, sought approval for the proposed use of uncommitted funds. One of the proposals was to increase and extend the approved Council's Reserve Strategy from £1.0 million to £6.0 million. This reserve strategy covers this MTBS period and provides £3.0 million to assist with bridging the funding gap. The use of the approved £3 million has been applied to the funding gap calculations in Table 3 below.

Table 3 – Estimated Funding Gap vs Estimated Change Programme Savings

	2023/24 £million	2024/25 £million	2025/26 £million	3 Year Total £million
Funding shortfall (Base Projection)	22.861	13.635	15.395	51.891
Estimated Savings From Latest Change Programme (including 5% service contraction)	(6.731)	(7.830)	(0.000)	(14.561)
Update Funding shortfall	16.130	5.805	15.395	37.330
Reserve Strategy (report 285/21, paragraph 3.4 above)	(2.000)	(1.000)	0.000	(3.000)
Adjustment for previous years one-off use of reserve strategy	0.000	2.000	1.000	3.000
Net Funding Shortfall Position	14.130	6.805	16.395	37.330

- 3.5 Part of the further savings and options to bridge the remaining funding gap shown in table 3 could be met from Council Tax increases. A 3.5% rise would yield an additional £2.0 million per annum or £6.0million per annum from 2025/26 if applied in each of the 3 years. Such a rise has not been assumed in this MTBS but is clearly an option the Council will have to consider. Other options may also include use of the Council's reserves (if available), increases in fees and charges or more significant reductions to spending in some areas than is currently assumed.
- 3.6 The shortfall between current plans in the Change Programme and the latest funding gap projections reflects the huge impact of inflation and the need to identify further options for change and savings. Given the scale of the challenge and the savings already achieved in past years it is not unreasonable for the Council to be unsure at this point about the detailed means by which the full funding gap over a 3 year period may be bridged.
- 3.7 The shortfall between the change programme estimated savings at October 2022 and the projected funding gap will be addressed from a combination of the following measures:-
- (1) Additional Change Programme Projects
- 3.8 The Programme was refreshed and transitioned to ensure that a number of strands of work which have been evolving are fully co-ordinated and for part of a re-energised approach. The primary route through which the remaining funding gap identified in Table 3 above will be addressed will therefore be from existing and new change programme projects, including the first years of projects identified through the scenario plans each Service was asked to submit, which will be identified on a rolling basis.

(2) Increases in Council Tax and Other Fees & Charges

- 3.9 The funding gap projected assumes no increases in Council Tax or other existing fees and charges levied by the Council but these are clearly options which will need to be considered in order to lessen somewhat the effects of savings in service provision. The scale of the funding gap suggests increases in council tax and fees and charges will be unavoidable but this will be a matter for the Council to decide upon in each year's budget setting process.
- 3.10 In addition to (1) and (2) above the following options may need to be considered as a means of balancing each year's budget.

(3) Savings from Corporate (council-wide) Budgets

- 3.11 The Council's budget is dominated by expenditure incurred by its various services in providing those services. There are therefore very few "corporate" budgets from which savings can be made with the main source of potential corporate budget savings being Loan Charges.
- 3.12 Work is ongoing to prepare a Long Term Financial Strategy to be presented to Angus Council in December 2022 which will provide a good base from which to consider future reductions in loan charges costs or reductions in capital spending. In the past there has been scope to review the levels of special repayments within the capital affordability strategy in the short term but this will create long term problems for the Council and requires careful consideration.
- 3.13 Further reductions in loan charges costs beyond those made in recent budgets and the loans fund review may therefore mean that the Council has to significantly curtail its capital spending in the future and this would result in less money being available for investment in essential infrastructure such as schools, roads and care establishments.
- 3.14 The Council has traditionally fared well in generating good levels of interest income from its surplus cash and reserves but the interest rates in recent years has severely restricted this as a source of income. However, due to the recent increases in the base rate we might be able to generate increased interest income going forward for the surplus cash balances and reserves. This could be a source of corporate savings in the immediate future.

(4) Management of Budget Risks

- 3.15 Budget setting is not an exact science and invariably budgets will be based on assumptions and will include an element of risk. A key part of each year's budget setting exercise is about determining the extent of budget risk which it may be possible to take. In an environment where resources are scarce and savings are having to be applied it doesn't make sense to try to budget for all possible risks on the basis that this will usually mean extra savings being required in some areas to provide budget provision in other areas which may ultimately not be fully used if the anticipated risk does not fully materialise.
- 3.16 Essentially each budget the Council sets includes an element of risk whereby Directors have agreed to try to manage costs and services within the resources provided knowing that circumstances may mean that the budget won't be sufficient. Perhaps the best example of budget risk is in relation to the winter maintenance budget where the Council budgets for a level of costs based on an "average" winter. Winter maintenance spend is very difficult to predict so the budget is set on a balance of probabilities which includes a risk of overspend against that particular budget.
- 3.17 The management of budget risks will therefore continue to be a feature of the Council's budget setting in the future. Given the financial pressures the Council will continue to be under in future years it is reasonable to assume that there will continue to be a need for budget risks to be managed and this therefore will continue to be an option for the Council in setting a balanced budget. This is however a very delicate balancing act because seeking to manage too much budget risk might ultimately create significant financial problems for the Council. The management of budget risks must never be allowed to

undermine the need to make proper provision for unavoidable costs – the Council must therefore strike a sensible balance in the level of budget risk it takes in future budget setting exercises.

Conclusions – Addressing the Funding Gap

- 3.18 At the time of preparing this Medium Term Budget Strategy work is underway to refresh and transition the Change Programme to ensure that a number of strands of work which have been evolving are fully co-ordinated and form part of a re-energised approach which together with the recently approved extended reserves strategy will ensure the Council continues to have a clear plan for how it intends to balance its budget in the next 3 years. Addressing this shortfall over the full 3 year period will be the focus for the Policy and Budget Strategy Group during 2022/23.

SECTION 4 - CAPITAL BUDGET FINANCIAL PROJECTIONS (2023/24 TO 2026/27)

Background

- 4.1 Report 68/22 approved by the Council on 3 March 2022 outlined the results of a long-term affordability review on the General Fund capital plan and Report 66/22 set out the Council's Capital Strategy. These reports set out the Council's capital budget strategy and financial projections for the period up to 2025/26. The information in this section of the medium-term budget strategy is drawn from these reports and members may wish to refer to them for greater detail.
- 4.2 Reference may also be made to report 227/22 which presents the updated 2021/2026 Capital Plan and 2022/23 provisional capital budget. This updated plan will be used as the basis for the 2023/24 budget process and the subsequent long term affordability review associated with this.

2022/23 Local Government Finance Settlement - Capital Funding

- 4.3 The Background Report to the special budget meeting of Angus Council on 3 March 2022 (report 62/22 refers) noted that Angus Council had been awarded total capital funding of £11.489 million for 2022/23, comprising general capital grant of £10.982 million and specific capital grant of £0.507 million for Cycling, Walking & Safer Streets.
- 4.4 A further £1.235 million specific capital grant was subsequently awarded for 2022/23 following the special budget meeting in respect of the Place Based Investment Programme (£0.624 million), renewal of playparks (£0.111 million), Nature Restoration Fund (£0.150 million) and Nature Restoration Fund Top Up (£0.350 million).

Summary of Capital Spending Plans to 2026/27

- 4.5 The 2021/2026 Capital Plan (report 65/22 refers) sets out the Council's specific capital spending intentions up to and including financial year 2025/26. The long-term affordability analysis makes assumptions about spending levels thereafter to give the levels of expected spend in the period to 2026/27 set out in Table 4 below.

Table 4 – Summary of Net Capital Expenditure 2021/22 to 2025/26

	Year 1 2022/23 £m	Year 2 2023/24 £m	Year 3 2024/25 £m	Year 4 2025/26 £m	Year 5 2026/27 £m
Projected Net Capital Expenditure	27.111	39.074	35.659	10.270	14.000

Priority Projects

- 4.6 The priority of the projects in the capital programme (both existing and new) was discussed by the Policy & Budget Strategy Group (PBSG) and Council Leadership Team as part of the 2022/23 budget setting process. The list of priority projects approved at March's special budget meeting (per report 68/22) is attached as Annex 1 for information.
- 4.7 This includes the replacement of Monifieth High School at a gross capital cost of £50.0 million, the upfront capital cost of which will require to be borne by Angus Council. The long-term affordability assessment contained in report 68/22 provides additional details of government support for this project and the assumptions that have been necessary in this regard. Following a review of this project earlier this year the revised estimated cost was increased to £56.0 million (full details are contained in report 152/22). To accommodate this increase within the updated 2021/26 capital plan, adjustments were made to certain other projects.
- 4.8 In respect of 2026/27, capital project priorities will be considered as part of the 2023/24 budget setting process and this will include re-consideration of those projects currently considered as lesser priority or "below the line" as well as potential new projects.

Key Risks and Issues

- 4.9 The main risks to the capital budget projections relate to government funding for capital generally although the potential impact on public spending levels has been allowed for as far as possible within the capital budget projections.
- 4.10 In terms of policy implications the affordability analysis confirms that there is likely to be a significant limitation on the scope to introduce new projects into the capital plan over the next few years. Should new projects come forward for consideration over the current period of the capital plan, they will only be affordable if existing projects are deferred, removed or amended, or a conscious decision taken to divert additional revenue budget resources towards supporting loan charges costs (i.e. the Council cannot simply keep adding to its intended capital spending).

SECTION 5 – CONCLUSIONS

- 5.1 Angus Council faces enormous service and financial challenges over the next few years and the Council needs to be ready and able to meet those challenges. This Medium Term Budget Strategy provides a firm basis upon which to take forward future service and budget planning and begin to meet the challenges ahead.
- 5.2 This update maps out a clear view of what may be required in order to balance future budgets. The update has projected ahead on both revenue and capital budgets to identify the actions in relation to corporate/efficiency reviews, budget savings and policy prioritisation which the Council needs to take.
- 5.3 Angus Council cannot directly influence much of the financial pressures and grant restrictions which are expected to affect the Council's finances over the next few years. The Council can however be proactive in anticipating the problems ahead and begin planning for how these problems may be addressed. For future budget planning it has been assumed that any costs that are evident will be managed as part of the Council's overall budget risk management strategy and contingency and reserves funds set aside for those purposes.
- 5.4 The further savings projected to be required over the next 3 years are in addition to the £78.1 million (28%) saved in the last 10 years alone. The scale of the savings required is unprecedented and the cumulative effect of such savings over such a protracted period calls into question the sustainability of existing levels and methods of service, the funding models used to pay for local government services as well as the multitude of statutory duties placed on Councils.
- 5.5 The MTBS should leave Councillors and members of the public in no doubt about the severity of the challenges the Council faces to remain financially sustainable. Angus Council has never faced a more serious challenge to its financial viability than that which lies ahead in the next few years. Significant improvements to the funding settlements received by Local Government compared to recent years would be necessary to lessen the severity of the challenge and that scenario seems unlikely.
- 5.6 The change programme and the multiple service re-designs and efficiency activity which is part of the programme is intended to limit the negative effects on service provision from having to make such significant savings in budgets and officers will be doing their utmost to protect service provision as much as possible. Nevertheless, savings on the scale estimated to be required simply cannot be achieved without real and far reaching changes and reductions to services. Work to ensure citizens and businesses across Angus are aware of this reality will be undertaken.