

SPECIAL ANGUS COUNCIL

2 MARCH 2023

**PROVISIONAL REVENUE & CAPITAL BUDGETS 2023/24 – BACKGROUND REPORT AND
SETTING OF THE 2023/24 COUNCIL TAX**

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

The purpose of this report is to apprise Members of the background to setting the Revenue and Capital Budgets for 2023/24 and sets out the summary position of the 2023/24 Provisional Revenue Budget and the 2022/2027 Capital Plan. The report also appraises members of the further steps that are required with regard to the setting of the Council Tax for 2023/24.

1. RECOMMENDATIONS

1.1 It is recommended that the Council:-

- a. Note that the Angus Council Revenue Grant Support allocation for 2023/24 has been provisionally estimated at £261.003 million, as set out in Table 1 and includes assumptions regarding additional funding for pay as described in paragraph 3.7;
- b. Note the other issues pertinent to the budget and the key assumptions and risks as set out in Sections 7 and 8 respectively of this report;
- c. Note the total budget issues (unavoidable cost/demand pressures) as set out in Columns C & D of the Summary Statement of Net Expenditure at Appendix 1 that have been added to the 2023/24 Provisional Base Budget, the detail of which has been reported in the Directorate budget reports on this agenda;
- d. Note the total Change Programme Savings as set out in Column E of the Summary Statement of Net Expenditure at Appendix 1 that have been deducted from the 2023/24 Provisional Base Budget, the detail of which has been reported in the Directorate budget reports;
- e. Note the total review of charges additional income as set out in Column F of the Summary Statement of Net Expenditure at Appendix 1 that has been deducted from the 2023/24 Provisional Base Budget, the detail of which has been reported in the Directorate budget reports;
- f. Note the 2023/24 net estimated revenue expenditure of £332.446 million for Angus Council attached at Appendix 1;
- g. Agree that an allowance of 1.75% for non-collection of the Council Tax be used in the council tax setting calculations;
- h. Note the summarised 2022/2027 Capital Plan position as set out in Appendix 2 the detail of which has been reported in the Directorate budget reports;
- i. Note the position on the Council's other Reserves as set out in Appendix 3;
- j. Determine the contributions to/from the Council's Reserves to be made for 2023/24 in light of the position outlined in Appendix 3 and the recommendations made in Report 57/23 (Update on The General Fund Reserve and The Proposed Budget Strategy for The Use of The Reserve Balance Over The Period 2023/24-2027/28); and
- k. Determine the 2023/24 Band D Council Tax for the Angus Council area.

2. ALIGNMENT TO THE COUNCIL PLAN

2.1 The revenue and capital budget proposals set out in this report have been framed in the context of the Council's corporate priorities as set out in the updated Council Plan. The budget as proposed is considered to be in keeping with the current priorities and targets, albeit there may be an impact on the speed at which priorities and targets can be achieved.

3. BACKGROUND - GENERAL FUND REVENUE BUDGET 2023/24

3.1 Members will be aware that the local government grant settlement forms part of the Scottish Government's overall budget for 2023/24. Angus Council's Distributable Revenue Grant Support allocation for 2023/24 has been provisionally set at £255.395 million as detailed in Finance Circular (FC) 11/2022 issued on 21 December 2022.

3.2 The Council's grant allocation is conditional upon the Council agreeing to deliver on some specific commitments (see below) as specified by the Scottish Government in Finance Circular 11/2022. Additional conditions have also since been added and some grant funding made conditional on the Council not reducing teacher and school support staff numbers below 2022 school census levels. Further commentary in this regard is made in Section 7.

3.3 For 2023/24 the full funding package from the Scottish Government includes:

- £260 million to support the 2022/23 local government pay deal plus additional funding to ensure that payment of SSSC fees for the Local Government workforce which will continue to be made on a recurring basis;
- £72.5 million increase to the General Revenue Grant;
- £105 million to give effect to the devolution of Non-Domestic Rates Empty Property Relief;
- Key in-year transfers worth over £1 billion and added a further net £102 million of resource to protect key shared priorities particularly around education and social care;
- £50 million capital to help with the expansion of the Free School Meals policy;
- Additional funding of £100 million to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services; and
- Consolidation of £30.5 million for the homelessness prevention fund.

3.4 The grant allocation includes funding which needs to be set aside as it is either known or can be reasonably assumed will relate to specific costs or new initiatives which will incur additional costs in 2023/24. This includes additional funding associated with the 2022/23 pay deals. These items need to be deducted in order to compare the revenue grant position on a like for like basis and assess what grant funding is available to meet the updated costs of existing service provision and new budget issues. What this all means for Angus Council is summarised in table 1 below:-

Table 1 – Angus Council Revenue Grant Allocation

	2023/24 £m	2022/23 £m	Increase/ (Reduction) £m	Increase/ (Reduction) %
Distributable Revenue Funding (per Finance Circular and subsequent announcements)	255.395	249.018	6.377	2.6
Estimated funding yet to be distributed	1.202	1.051	0.151	
Adjustments to Specific Grants in base Expenditure		(0.757)		
Total Revenue Funding	256.597	249.312	7.285	2.8
Estimated additional funding for costs associated with 2023/24 pay deals (see para 3.7)	4.406	0.000	4.406	n/a
ESTIMATED TOTAL GRANT FUNDING	261.003	249.312	11.691	4.7

New/Additional Funding which is Ringfenced or to be Earmarked: *				
Angus Council	(4.921)	(1.331)	(3.590)	
AHSCP	(3.307)	(0.480)	(2.827)	
Total New/Additional Ringfenced/ Earmarked Funding	(8.228)	(1.811)	(6.417)	
GRANT FUNDING AFTER RINGFENCED/ EARMARKED SUMS	252.775	247.501	5.274	2.1

* - The detail of the allocations of grant for specific funding were provided in Appendices of the Finance Settlement and detailed working tables which were issued.

3.5 Table 1 shows an initial increase in government grant funding of £6.377 million (2.6%) per the Finance Circular issued in December 2022. This figure has been adjusted for amounts not included in the Finance Circular which the Council now expects to be allocated the most significant of which is additional funding associated with the 2023/24 staff pay deal (see further commentary at 3.7 below) to give a total estimated grant allocation of £261.003 million.

3.6 A large part of this increase in grant funding is however either ring-fenced or is for specific additional spending commitments the council must implement such as the 2022/23 staff pay deal, Non Domestic Rates Empty Property Relief and the continued expansion of Free School Meals. Angus Council must also pass just over £2.9m of this additional funding to the Angus Health and Social Care Partnership on a ring-fenced basis. After allowing for these areas of grant which are therefore committed, there is a net increase in the core revenue grant on a like for like basis of £5.274 million (2.1%) of which £4.406 million is an estimated share of additional funding related to 2023/24 pay deals announced in mid-February 2023. But for this assumed increase in grant related to pay which has come very late in the budget process the adjusted grant increase would have been an increase of only £0.668 million. This compares to an assumed reduction of £0.273m in the Medium Term Budget Strategy for 2023/24 and therefore means a favourable movement of circa £5.001 million.

3.7 2023/24 Pay Deal Costs & Funding

As part of a revised pay offer to teaching staff made by COSLA on behalf of all Councils on 14 February 2023 the Scottish Government has indicated an intention to provide additional funding for pay deals in both 2022/23 (teachers only) and 2023/24 (all staff groups). This new information has a material impact on the Council's 2023/24 budget assumptions affecting both assumed grant and pay costs. In 2023/24 the government funding proposal is for Councils to meet circa 3% of the cost of a 5.5% offer to all staff including teaching staff with the government providing additional funding towards the remaining 2.5%. At this time it is assumed that additional grant for Angus Council arising from this announcement will be £4.406 million. This is very much a provisional estimate given that total funding and a basis for distribution has still to be agreed.

The Council had intended to budget for a 4% increase in pay for staff for 2023/24 so a 5.5% deal/offer would increase the costs to the Council by £2.656 million more than had been planned for through the work of the Policy & Budget Strategy Group (PBSG). In practice this means that 60% of the assumed additional grant for pay is required to cover a higher offer being made. It must also be stressed that the revised offer to teaching staff made on 14 February 2023 has been rejected by the EIS and no negotiations with other non-teaching unions regarding pay for 2023/24 have so far taken place so pay costs for 2023/24 remains an area of significant risk and uncertainty. This report therefore reflects the latest position available in relation to 2023/24 pay deal funding arrangements and potential costs. This is considered to be the best basis from which to set the budget for 2023/24 at the time of writing this report. In the unlikely event of a less favourable position arising on additional government grant for pay it may be necessary to amend the Council's 5 year Reserves Strategy set out in Report 57/23 to cover any shortfall.

3.8 The 2023/24 grant figures shown are affected (reduced from what they otherwise would have been) by the top slicing of £6 million nationally as the second tranche of local government's funding contribution toward the national Redress Scheme (for survivors of historical child abuse in care). The impact of this top slicing on Angus Council's grant position is circa £0.120 million.

4. FORMULATION OF BASE BUDGETS

- 4.1 Service's base budgets have been prepared on an incremental basis using the 2022/23 budget as a starting point, allowing for those items of budget growth deemed allowable (unavoidable) in accordance with the Director of Finance's guidance. Base budgets have been reviewed by officers for accuracy and adequacy through a technical validation process (Budget Submission Review meetings). The bulk of allowable budget growth in 2023/24 is made up of the annual cost of the incremental progression along pay scales.
- 4.2 **Appendix 1** sets out a summary of the Council's net expenditure position for 2023/24 based on the provisional base budgets, budget issues, review of charges and savings recommendations for each service.

5. REVENUE BUDGET SPENDING CONSTRAINTS

- 5.1 Budget spending levels are determined by the amount of revenue resources that are available to the Council. These resources comprise revenue grant support from the Scottish Government and income raised locally through Council Tax and other fees and charges. In addition, the Council may supplement these resources on an ad-hoc basis by taking money from the Council's Reserves (if available). It is a statutory requirement for the Council to set a balanced budget meaning its budgeted expenditure must be matched by budgeted income. The amount of income (funding) the Council has available therefore determines how much can be spent.

6. BUDGET RESOURCES EXPECTED TO BE AVAILABLE

- 6.1 It is not possible to confirm the total budget resources expected to be available to the Council for 2023/24 until key decisions on the setting of the Council Tax have been made (e.g. provision for non-collection & contributions to/from the Council's Reserves, etc). These issues are covered in more detail in section 13 of this report.
- 6.2 In the absence of such Council Tax decisions, assumptions have been made as to the likely level of resources so as to inform decisions regarding budget savings. On the basis of the Net Expenditure as detailed in Appendix 1 a shortfall of income over expenditure of £68.343 million will exist in 2023/24, of which £1.905 million is one-off. This assumes approval of the budget issues (columns C & D), the change programme savings proposals (column E) and review of charges income (column F). This assumes no increase in the Council Tax Charge (which will be decided at the Special Council meeting) and does not take into account the expected increase in Council Tax base due to new houses coming on to the Council Tax Register of £0.442 million.
- 6.3 The Council's Change Programme is again intended to deliver as much of the savings as possible for the 2023/24 budget. All of the savings proposals are detailed in the individual Directorate budget reports. Further details of the Change Programme are also shown in the Finance and Change Plan (Report 40/23). The Change Programme is expected to deliver total savings of £13.327 million whereof £1.677 million relates to the Angus Health and Social Care Integration Joint Board. Those Change Programme savings for the Angus IJB have been deducted from the budget allocation shown in Appendix 1. Directorate savings of £10.428 million have been deducted from the relevant Service budget in Appendix 1 with the remaining Change Programme savings of £1.222 million deducted in the Corporate Items section.
- 6.4 The audited Uncommitted General Fund Reserve was £6.644 million as at 31 March 2022. Report 57/23 on this agenda, Update on the General Fund Reserve and the Proposed Budget Strategy for the use of the Reserve Balance over the Period 2023/27-2027/28 provides an update on this position and recommends proposals for the use of the General Fund Reserve over the 5 year period 2023/24-2027/28 which if implemented would leave an uncommitted General Fund Balance of £1.563 million.

7. OTHER ISSUES PERTINENT TO THE 2023/24 REVENUE BUDGET

- 7.1 The following issues are also relevant to the consideration of the 2023/24 Provisional Revenue Budget set out in this report.

7.2 Angus Health and Social Care Partnership (IJB)

The Statement of Net Expenditure at Appendix 1 shows that the Council's proposed budget allocation to the IJB is £68.805 million. The 2023/24 finance settlement included £95 million for Health and Social Care budgets and the estimated Angus share, £2.422 million, has been included in the £68.805 million in Appendix 1. The £68.805 million also includes an £0.899 allocation of Scottish Government funding for pay costs identified in Report 420/22 and is after assuming Angus Council's share of the total issues and pressures affecting the Angus Health and Social Care Partnership budget in 2023/24 of £1.677 million will be met from a combination of the additional Government resources provided and other savings to be identified by the IJB. Members are asked to note that the Angus IJB is due to meet on 22 February 2023 to consider its budget. The proposed budget allocation from Angus Council will be noted as provisional and subject to confirmation at the Council's budget setting meeting. The IJB can't finalise its budget until the Council's proposed budget has been confirmed and ultimately both the Council and IJB need to reach agreement on the proposed budget.

7.3 Budget Issues (Unavoidable Cost/Demand Pressures), Other Adjustments

Through the budget process a number of areas were identified where an unavoidable increase in budget is required in 2023/24 or where investment in service provision was considered to be necessary. These were discussed and reviewed in detail by officers and the PBSG.

Excluding the IJB budget pressures a total of £6.890 million is recommended for approval, comprising £1.905 million one-off issues and £4.985 million issues on an ongoing basis. The recommended budget issues totals are set out in Column C & D of Appendix 1 and the detail of the budget issues are included in the Directorate Budget reports on this agenda.

In addition, the budget proposes to make provision for some additional cost pressures or specific issues as detailed in Appendix 1. The most significant items are listed below:-

- Pay Award 2023/24 - £9.739 million to cover the costs of an assumed pay increase for all staff including teachers and the impact of pay inflation on services provided by Tayside Contracts and Angus Alive. The teacher's pay award for 2022/23 has not yet been settled and no negotiations have actually commenced for the 2023/24 deal for any staff. For the purposes of setting the 2023/24 budget the 4% increase estimated in the previous MTBS (report 361/22 refers) was originally used but has now been updated to an increase of 5.5% across all staff groups. This 5.5% increase is predicated on the additional funding offered by the Scottish Government as described earlier in this report. This level of increase isn't what the Council can "afford" but rather is an estimate of where pay may end up in 2023/24 while inflation remains so high.

In the event that pay deals are settled at a level higher than has been budgeted for and assuming no further additional funding support for this is provided by the Scottish Government it will be necessary to identify compensating savings elsewhere in the Council's budget to pay for these. These compensating savings will inevitably have to include further reductions in staffing since this is the Council's largest cost.

- Provision for Previous Years Pay Awards/Living Wage Consolidation - this total covers the estimated cost of the 2022/23 pay award in relation to Tayside Contracts (Report 420/22 refers) and the estimated costs of the pay and grading review that was due to be implemented from 1 April 2021. This review has yet to be concluded.
- Capital Grant Funding for 2022/23 Pay Award – as outlined in Report 420/22 to Council in December 2022 part of the additional government funding for the 2022/23 non-teaching pay deal is being provided to the Council as a capital grant in 2023/24. In practice the Council will use this capital grant to meet loan charges principal repayments and by doing so free up revenue resources for pay costs. The effect of this has been shown as an additional income in Appendix 1.
- Other Services includes a provision of £0.300 million for additional burdens. This provision will be used if required to meet any budget issues arising during 2023/24 which cannot be managed via service budgets. Also included in Other Services are - the Council Tax Reduction Scheme budget which has been increased by £0.288 million to take account of a likely rise in Council Tax and increased numbers of people requiring support ; Interest on Revenue Balances, based on the current rate of interest the Council can earn on temporary surplus cash this budget has been increased by £2.5 million. Other Services also includes

the ongoing saving from the Council's use of the Service Concessions policy change, see paragraph 7.10 below.

- A significant increase on the Council's energy costs budget of £2.800 million is being allowed for as part of the 2023/24 budget process giving a total uplift of £3.485 million. The Council is facing significant rises in energy costs based on estimated usage and the latest pricing guidance from Scottish Procurement.
- Provision for non-pay inflation and other risks – the Council faces a number of risks and uncertainties in financial year 2023/24 including non-pay inflationary impacts on the prices charged by Tayside Contracts, an increase in the Council's non-domestic rates costs following the 2023 revaluation and potential additional costs from a UK-wide court decision on term time working holiday entitlements. The Council also faces numerous risks connected with inflation on contracts which could exceed the amounts assumed in the Directorate budget issues. A provision of £2.6 million is being provided to provide cover for these multiple issues and budget risks.

7.4 Review of Charges

The PBSG agreed to adopt a new policy for the review of charges as recommended by officers to introduce a Council wide RPI increase on charges from 2019/20 onwards. This proposed policy would be applied as a default or starting position unless there are exceptional circumstances. The RPI at July 2022 was 12.3% and after consideration it is proposed to apply a 6% increase across all Council services due to the impact on the service user and the uptake of some services if a 12.3% increase was applied. It should be noted that although a 6% increase is proposed, the majority of the charges are rounded up to the nearest 10 pence and this could therefore potentially take the increase over 6% in some cases. Members are referred to the separate reports on the agenda in relation to review of charges proposals including those for the AHSCP and ANGUSalive which are proposing a different approach than the 6% increase.

The detail of each service's review of charges is included in the Directorate budget reports being presented to this meeting. A summary of the net financial impact (additional income) from the proposed review of charges has been reflected in column F of Appendix 1.

7.5 Specific Grants Netted off within Services

As part of the Scottish Budget announcements Angus Council's share of the ring fenced grants is £14.462 million. Early Learning & Childcare Expansion (£10.524m), Pupil Equity Fund (£2.304m), Criminal Justice Social Work (£1.630m) and Gaelic (£0.004m) make up this sum.

7.6 Capital Financing Costs (Loan Charges)

The separate Long Term Affordability report (Report 60/23) outlines that the provision for capital financing costs within the 2023/24 revenue budget is considered sufficient to meet the commitments as contained in the proposed capital budget. However, it should be noted that any material amendment to the capital budget for 2023/24 would almost certainly necessitate amendment to the Prudential Indicators and could require amendment of the capital financing costs budget provision. Any amendment to the capital financing costs budget would also have consequences in respect of the overall revenue budget for 2023/24.

7.7 Surplus Local Tax Income & MOD Council Tax Income

A budgeted allowance of £0.234 million has been included in the budget summary at Appendix 1 in respect of Surplus Local Tax Income and Council Tax income on Ministry of Defence (MOD) properties. The delivery of the surplus local tax income will be dependent upon continued good performance on Council Tax collection by Finance officers and is not necessarily guaranteed.

7.8 Council Tax – Policy on long term empty properties and second homes

Committee report 57/19 to the Special Budget Meeting of Angus Council on the 21 February 2019 approved the recommended change to the Current Long Term Property Policy. This recommended that from 1 April 2019 the funds raised on long term empty properties and second homes be split 75% General Fund and 25% Affordable Housing Rent Account (AHRA) in place of the then current position where 100% of the funds raised go to the AHRA. Based on expected yields this would mean £0.250 million going to the General Fund and £0.085 million going to the AHRA. The £0.250 million has been included in the net expenditure summary at Appendix 1.

7.9 Joint Board / Committee Budgets

The 2023/24 revenue budget for the Tayside Valuation Joint Board was agreed at the Board meeting on 23 January 2023. Angus Council's budgeted share of the Joint Board's net expenditure is £0.794 million, excluding Electoral Registration Services which are budgeted for separately within Other Services.

The 2023/24 revenue budget for the Tayside Contracts Joint Committee has yet to be determined. However, the Angus share of the total estimated surplus for 2023/24 has been reduced from £0.460 million to £0.250 million based on current year projections.

The appropriate allocations to Angus Council in respect of the Joint Board and Joint Committee have been allowed for in the net expenditure summary in Appendix 1.

7.10 Service Concessions

A significant impact on the 2023/24 Revenue Budget and the General Fund Reserve is the proposed changes to the accounting policy of Service Concessions that are in operation in the Council as set out in Report 55/23 on this agenda. The report sets out that the ongoing benefit from applying the service concessions flexibility is £2.865 million which has been included in the Finance and Change Plan (Report 40/23) and highlights the significant one-off benefit of £22.865 million. The proposed use of this £22.865 million is set out in Report 57/23 General Fund Reserve Budget Strategy for members approval.

7.11 Government Grant Conditions in Relation to Teacher and Pupil Support Staff Numbers

On 7 February 2023 the Deputy First Minister and Cabinet Secretary for Education and Skills wrote to COSLA outlining additional conditions the Government intended to apply to the 2023/24 local government grant settlement beyond those stated in the December Finance Circular. These conditions relate to staff numbers and the school week and mean that £4.138 million of the Council's 2023/24 grant allocation is now subject to those new conditions. The conditions require the Council to:-

1. Maintain teacher numbers at 2022 census levels, as published in the Summary School Statistics in December 2022.
2. Maintain pupil support staff numbers at 2022 census levels based on the data collected from local authorities in September 2022.
3. Ensure that places remain available for probationer teachers who need them through the Teacher Induction Scheme
4. Apply no reductions in the school week (number of learning hours)

As members will be aware from the Alternative Budget Analysis report submitted to Council on 9 February (Report 23/23) teaching and pupil support staff make up a large proportion (25%) of the Council's total net budget. The grant conditions outlined above effectively ring-fence this part of the Council's budget.

Officers have reviewed in detail the above conditions and how these may affect the proposed savings for Education and Lifelong Learning summarised in the Finance & Change Plan and detailed in Report 41/23 to this meeting. Whilst not without a degree of risk the conclusion from this officer review is that all of the proposed savings included in Appendix B of Report 41/23 for financial year 2023/24 can be implemented whilst still complying with the new government conditions. There is always a degree of uncertainty in relation to recruitment of teachers and support staff how many staff are in place on school census day but this risk is considered to be manageable and the Council will be able to demonstrate that it has the budget in place for the required number of staff. Conditions 3 and 4 above are unaffected by the proposed savings.

The position for financial years 2024/25 and 2025/26 is much less clear and carries significantly more risk. The savings included in the Finance and Change Plan and Appendix B of Report 41/23 for those years could not be delivered if the same conditions on grant outlined above were to apply in those financial years. These savings may therefore have to be replaced with alternatives as part of the budget setting process for those years.

7.12 One-off Investments

The Council's Reserves position as described in Report 57/23 is enabling a small number of one-off investments to be put forward as part of the 2023/24 budget. Appendix A to Report 57/23 provides the detailed proposals but the cost of these at £3.1 million is included in the Net Expenditure Summary at Appendix 1 of this report.

7.13 Summary Budget Position

Table 2 below summarises the total budget gap and the measures proposed to address it. How the gap will be closed in full will be determined at the Special Council meeting on 2 March 2023.

Table 2 – Balancing the 2023/24 Revenue Budget

	Ongoing £m	One-Off £m	Total £m
Gross Funding Gap (including Recommended Budget Issues)	20.929	5.005	25.934
Less Change Programme Savings	(11.650)	0.000	(11.650)
Less Change Programme Savings - AHSCP	(1.677)	0.000	(1.677)
Less Additional Income from Review of Charges	(0.291)	0.000	(0.291)
Less Estimated Council Tax yield/tax base growth (based on historic trends)	(0.442)	0.000	(0.442)
Less Use of General Fund Reserve Drawdown Strategy (Report 57/23) – to help balance the budget*	0.000	(3.500)	(3.500)
Less Use of General Fund Reserve – One off Budget Issues (Report 57/23)	0.000	(1.905)	(1.905)
Less Use of General Fund Reserve – One off Investments (Appendix A of Report 57/23)	0.000	(3.100)	(3.100)
Less Use of Exceptional Cost Pressures Reserve (Report 57/23) – for exceptionally high energy costs	0.000	(2.000)	(2.000)
Adjusted Gap Before Council Tax and Further Contributions to/from Council Reserves	6.869	(5.500)	1.369
Potential Council Tax Increase	TBC	TBC	TBC
Further Contributions to/from Council Reserves	TBC	TBC	TBC
Net Position (must be nil to achieve balanced budget)	TBC	TBC	TBC

* - this is an assumed use of reserves to help towards reaching a balanced budget but the final amount of reserves to be used will be determined at the Council meeting as part of deciding on the level of Council Tax.

8 **KEY ASSUMPTIONS & RISKS**

8.1 The Council has a statutory duty to set a “balanced” budget each year taking into account the estimates of its expenses and incomes for the period. As members will appreciate all budgets are, by definition, only a best estimate and therefore carry a degree of uncertainty and risk. It is important to assess each year’s proposed budget from the perspective of the risk inherent and the resilience of that budget to changing circumstances. Levels of budget risk are higher than historic levels because of high inflation and the cumulative effects of pressures on the Council’s budget as explained in the Council’s corporate risk register.

8.2 Management of Budget Risks in General

The management of budget risk is integral to the Council’s approach to budget setting and critically no Director of Service is required to accept a budget which they don’t believe is capable of delivery. There are however 4 main elements to the management of budget risks by the Council which are worth highlighting as described below.

- Assessment of Budget Issues
The Council’s budget process ensures that all significant budget issues that require investment can be raised by Services and discussed and assessed by both officers and members prior to the budget being set. A process of risk assessment is applied through the budget process so that if resources don’t allow budget issues to be recognised in full there is an understanding of how much risk is involved in taking such a decision.
- Savings Capable of Delivery
The Change Programme is the primary route through which savings in budgets are being identified and delivered. Change Programme projects are at different stages in their life cycle with some complete and being implemented and others requiring further work to finalise where the savings will come from in the existing budgets.

At the point of setting the 2023/24 revenue budget the overall risk to delivery of the 2023/24 Change Programme savings target is considered to be at a medium level reflecting the scale of further savings being targeted and the challenges to delivery of some of those. Should it arise the Council has reasonable contingency funds to manage the risk of some savings targets not being achieved during 2023/24.

- Provision for Inflation

Inflation and other pressures on costs caused by demand or changing circumstances are a key consideration of each year's budget process and for 2023/24 inflation is considered a significant area of risk and uncertainty. In broad terms the Council does not normally provide for the effects of general inflation within the budget but rather provides additional resources where these are needed for specific spending pressures (as identified through the budget issues process). Significant additional provisions for the effects of inflation have been included in the 2023/24 proposed budget as described in Section 7 of this report.

The effects of inflation on budgets will be monitored closely and reports to the Policy & Resources Committee during the year will highlight any areas of concern. Contingency provisions within the Council's reserves provide a degree of one-off protection from inflation risks should these exceed what has been budgeted for.

- Contingencies

Another critical element of the Council's management of budget risk is the availability of contingencies both within the budget and in reserves. A contingency in the Council's reserves of £5 million is being recommended for the 2023/24 budget and this is considered adequate when viewed alongside other elements of reserves which are being earmarked but could if required to be reassigned to deal with unforeseen expenditure.

Within the revenue budget itself the Council holds a contingency sum of £0.300 million in the provision for additional burdens budget within Other Services.

8.3 Pay Risks

The 2023/24 revenue budget is being set against a backcloth of significant uncertainty in relation to pay and potential pay increases. At the time of writing this report the pay deal for teaching staff for financial year 2022/23 remains unresolved. The 2023/24 revenue budget presented in this report assumes the deal will be finalised without additional cost to the Council on the basis that what has already been offered is at the limits of what Councils can afford but this represents an area of risk until a deal is reached.

In relation to pay claims for 2023/24 the budget assumes a 5.5% increase applies to all staff groups with the Council funding circa 3% of that and the Scottish Government providing funding of circa 2.5%. The non-teaching staff pay claim which has been lodged is well in excess of this value and therefore represents another area of budgetary risk.

In the event that pay costs which require to be funded by the Council turn out to be more than has been provided for in the Council's 2023/24 revenue budget it will be necessary to use reserves as a temporary one-off fix to address this and increase the savings and cuts to services which will be required into 2024/25 to afford such additional costs on an ongoing basis.

- 8.4 In summary as author of this report I am content, based on the information and assurances provided by Change Programme project leads regarding savings delivery and my discussions with the Chief Executive and the Council Leadership Team, that the proposed 2023/24 revenue budget although extremely challenging is realistic and achievable. I also believe that reasonable contingency provision has been or will be made in both the budget and through Council Reserves which will deliver a budget which has a degree of resilience to deal with changes in circumstances or additional cost pressures which might arise during 2023/24.

9 **BACKGROUND – GENERAL FUND CAPITAL BUDGET 2022/23**

- 9.1 Capital budget preparation guidance was issued by the Director of Finance outlining the procedures to be followed in the preparation of the 2022/2027 Capital Plan and the 2023/24 capital budget and services were required to submit capital plans based on an approved list of priority projects, as well as details of proposed new priority projects.

- 9.2 Table 3, below, details the various meetings at which the capital budget strategy, issues relating to specific capital projects, capital plan submissions and new priority project bids were considered:

Table 3 – Capital Budget Strategy Meetings

Policy & Budget Strategy Group	8 December 2022, 12 January 2023, 26 January 2023
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- 9.3 A programme of long-term funding strategy measures has been developed which is intended to maintain levels of capital expenditure into the future. Report 60/23 on the long-term affordability of the General Fund capital plan provides more detail of the measures which have been developed.

10 CAPITAL RESOURCES

10.1 Background

The 2022/2027 Capital Plan, incorporating the 2023/24 capital budget, has been prepared under the self-regulating Prudential Code regime.

Under the Prudential Code the level of capital expenditure is not the key influence within the setting of the capital plan, rather the affordability and sustainability of the revenue budget consequences of capital investment decisions (including any subsequent impact on the Council Tax) are the major factors. The 2022/2027 Capital Plan has been prepared in this context and further information relating to the Prudential Code is contained in Report 61/23.

10.2 2023/24 Local Government Finance Settlement

Finance Circular 11/2022 (issued on 21 December 2022) provided details of funding allocations for 2023/24, these are provisional pending agreement of the Local Government Finance Order. No definitive information is available for 2024/25 onwards. Table 4 below, details Angus Council's capital support for 2023/24:

Table 4 – 2023/24 Capital Grant Settlement

Funding Source	2023/24 £m
General Capital Grant (including Arbroath Flood Prevention £0.518 million)	10.193
Expansion of Free School Meals	1.876
Specific Capital Grant - Cycling, Walking and Safer Streets	0.507
Total Capital Grant Funding for Capital Projects	12.576
Capital Grant Funding allocated for the 2022/23 Local Government Pay Award	2.518
Total Capital Grant	15.094

- 10.3 Members are asked to note that government supported borrowing was removed in 2011/12 and this continues to be the case. This means that all borrowing which is now undertaken by Angus Council is in effect 'prudential borrowing'.

11 KEY POINTS OF NOTE FOR CAPITAL BUDGET SETTING

- 11.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition) requires the production of a capital strategy, the purpose of which is to demonstrate that an authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. Angus Council's capital strategy for 2023/24 is presented at agenda item 5(u) of this meeting (report 59/23) refers.
- 11.2 A thorough exercise has been carried out by Finance officers to assess the long-term affordability of the 2022/2027 Capital Plan. Full details of that assessment are provided in report 60/23.
- 11.3 In preparing the 2023/24 capital budget existing projects have been reviewed and additional resources are recommended for a small number of new high priority capital projects / programmes, which are now included in the Directorate Budget Reports on this agenda.
- i) £0.055m for capital maintenance – upgrading of boilers
 - ii) £0.100m for LED lighting upgrades
 - iii) £0.050m for trauma informed design to local hubs
 - iv) £1.290m for window and screen replacement programme
 - v) £2.045m for general vehicle replacement programme
 - vi) £0.540m for Restenneth landfill capping works
 - vii) £0.090m for Monifieth seafront boardwalk replacement
 - viii) £0.039m for Liff churchyard wall and path works
 - ix) £0.050m for Sleepyhillock cemetery, Montrose - road repairs
 - x) £0.068m for Western cemetery, Arbroath - road repairs
 - xi) £0.050m for Storm Arwen and Storm Malik clearance
 - xii) £0.175 for migration of core applications to the Cloud
 - xiii) £0.070 for core telephony migration to the Cloud
 - xiv) £0.300 for Arbroath harbour infrastructure repairs - breakwaters

In addition to the above new projects a number of unfunded projects which had previously been included in the “later years” part of the budget as potential future projects have been deleted on the grounds they are not affordable in the medium to long term.

Replacement of Monifieth High School (Angus Schools for the Future)

- 11.4 At an estimated gross capital cost of £56 million (reducing to some £53.1 million once anticipated developer's contributions and other funding has been taken into account) and spread over financial years 2021/22 to 2026/27, the replacement of Monifieth High School still remains a significant investment and long term financial commitment in the 2022/2027 Capital Plan.
- 11.5 No grant funding from the Scottish Government will be available to finance the capital cost of the school, however revenue grant funding will be provided to support the project. The council received notification in August 2021 from the Learning Estate Investment Programme (LEIP) that it should anticipate this funding to total £40.4m, payable over 25 years, commencing in financial year 2025/26, on the basis that the school is open to pupils during 2025/26. In order for the council to receive the full grant it has been allocated, a number of key outcomes will require to be met on an ongoing basis with regard to condition of the building, energy efficiency, digital enablement and economic growth. There is, therefore, an element of risk with regard to the delivery of these outcomes and thus securing all of the available funding.

12 2022/2027 CAPITAL PLAN (INCORPORATING THE 2023/24 CAPITAL BUDGET)

- 12.1 The 2022/2027 Capital Plan details, for the General Fund, the total cost and phasing of the priority capital projects to be undertaken by Angus Council over the next four years. These costs are shown on an outturn basis, i.e. including an allowance for inflation. The capital expenditure on each departmental capital programme is differentiated, for budget planning purposes, between

that which is anticipated to be legally committed (LC) by 31 March 2023 and that which is not yet anticipated to be legally committed (NYLC) by 31 March 2023.

- 12.2 **Appendix 2** provides a summary of the provisional directorate capital budgets for 2023/24 as contained in the Directorate Budget Reports and shows an estimated net capital expenditure of £43.470 million. **Appendix 2** also shows that after the inclusion of the agreed contingency and removal of the oversubscription level built into the programme, as well as the application of corporate capital receipts, corporate Capital Funded from Current Revenue (CFCR) and general Scottish Government capital grant, the funding of the provisional capital budget will require new borrowing (before the application of assumed slippage) of £31.532 million in 2023/24.

13 SETTING THE COUNCIL TAX CHARGE

- 13.1 This section of the report outlines the main financial considerations and the steps necessary to set the Council Tax charge.
- 13.2 After applying the recommended 1.75% allowance in 2023/24 for non-collection to the latest Council Tax Base estimate figure for Angus Council (see paragraph 13.8 below), this increases the Band D Equivalent properties from 47,601 (per Council Tax Setting Report 67/22) to 47,957 an increase of 356 and this would increase Council Tax income by £0.442 million based on the current Council Tax charge.
- 13.3 Scottish Government grant offer for 2023/24 allows councils full flexibility to set the Council Tax rate that is appropriate for their local authority area. For information purposes each 1% increase in Council Tax would yield additional income of approximately £0.600 million based on the updated tax base of 47,957.
- 13.4 Uncommitted General Fund Reserve at 31 March 2023.
Report 57/23, Update on the General Fund Reserve and the Proposed Budget Strategy for the use of the Reserve Balance over the Period 2023/24 – 2027/28 on this agenda sets out an updated position on the Projected Uncommitted General Fund Reserve at 31 March 2023 of £32.568 million and seeks approval for budget strategy proposals totalling £31.005 million for the use of the uncommitted General Fund Reserve over the 5 year period which would leave a projected uncommitted General Fund Reserve balance of £1.563 million.
- 13.5 It should be borne in mind, however, that the projected year-end position for the current financial year included in the projected Uncommitted General Fund Reserve workings cannot be assessed with certainty until the 2022/23 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund Reserve at the end of 2022/23 will undoubtedly be in excess of the uncommitted sum noted above on the basis that it will include a number of explicit expenditure commitments into 2023/24 such as budget carry forwards and earmarked resources. In addition, experience has shown that projected outturn estimates can potentially change significantly in the last two months or so of the financial year depending on prevailing weather conditions, particularly in respect of roads winter maintenance, heating costs, and so on.
- 13.6 Assessment of Council Reserves
The Council currently holds various earmarked reserves as part of the Council's longer-term financial management strategy. These reserves give the Council a degree of protection over the longer term from potential risk due to unforeseen significant expenditure calls where insufficient current revenue or capital budget provision may exist. In accordance with the Chartered Institute of Public Finance and Accountancy's LAAP Bulletin 99 "Local Authority Reserves and Balances" as issued in 2014 a Statement of Earmarked Reserves is attached at Appendix 3. This statement provides details of the various earmarked reserves the Council holds, the purpose of each reserve and the anticipated balance on each reserve as at 1 April 2023. Recommendations regarding the replenishment or draw down from these various funds and reserves are provided in Appendix 3 whilst the latest projected balances on those funds is given in Annex A of Appendix 3. This information is provided to help inform decisions with regard to the level of contributions to be made to / from reserves and balances.
- 13.7 Balancing the 2023/24 Revenue Budget
Table 2 of this report identifies a projected remaining funding gap of £1.369 million assuming no Council Tax increase is applied. This position is after applying the one off funding gap options recommended in report 57/23 including the use of £3.5 million of Reserves to narrow the budget

gap on a one-off basis. The Council will therefore need to determine a final position on Council Tax and use of reserves to achieve a fully balanced budget.

13.8 Allowance for Non-Collection of Council Tax

Despite Angus Council's strong record of collecting Council Tax an element of non-collection of Council Tax will exist and it is considered prudent to make a non-collection allowance to recognise this. The allowance for non-collection agreed by the Council last year in setting the 2022/23 Council Tax was 1.75% and it is proposed that the same allowance of 1.75% is used for 2023/24 as officers believe a collection rate of 98.25% is still achievable despite the cost of living crisis.

13.9 Balance of 2023/24 Estimated Net Expenditure to be met from Council Taxes

The Council Tax Calculation Statement is attached at Appendix 4. A summary is given in table 5 below:

Table 5 – Council Tax Calculation

	£m	£ m
Net Expenditure (per Appendix 1)		332.446
Deduct :Total Revenue Grants from Scottish Government per circular 11/2022	(255.395)	
Assumed Additional Funding for Pay Award	(4.406)	
Funding yet to be distributed	(1.202)	
Total		(261.003)
Net Expenditure to be met by Council Tax (Before Contributions to/(from) Council Reserves)		71.443
Add/(Deduct): Contribution to / (from) Council Reserves		To be Determined
Net Expenditure to be met by Council Tax (after contribution to / (from) Council Reserves)		To be Determined
Tax Base for Council Tax Calculation Purposes (@ 98.25% collection)* if the Band D Council Tax were £1 it would yield £47,957 of income		47,957

13.10 Council Tax Valuation Bandings

The Council is required to set the Council Tax based on Valuation Band D. The Council Tax Charge for properties in the other Valuation Bands is calculated with reference to Band D based on a formula set down in legislation. The Valuation Bandings used in the calculation of Council Tax are shown in Appendix 5 for information. These bandings are set by legislation not by Angus Council.

14. FINANCIAL IMPLICATIONS

14.1 There are no additional financial implications beyond those covered elsewhere in this report.

15. EQUALITY IMPACT ASSESSMENT

15.1 An Equality Impact Assessment is not required for this specific report. Equality Impact Assessments have been included in the Directorate budget reports where required and an overall Assessment covering the Council's budget as a package has also been prepared (Report 56/23 refers).

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

Finance Circular 11/2022 issued on 21 December 2022 by the Scottish Government;

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List of Appendices:

- Appendix 1 - Statement of Net Expenditure 2023/24
- Appendix 2 - Provisional Capital Budget (Summary)
- Appendix 3 - Statement of Earmarked Reserves
- Appendix 3 - Statement of Earmarked Reserves – Annex A
- Appendix 4 - Council Tax Calculation Statement
- Appendix 5 - Council Tax Valuation Bandings