

## AGENDA ITEM NO 14

REPORT NO 220/23

### ANGUS COUNCIL

#### SCRUTINY AND AUDIT COMMITTEE – 22 AUGUST 2023

#### DETAILED RISK REPORTING TO SCRUTINY AND AUDIT COMMITTEE

#### REPORT BY CATHIE WYLLIE – SERVICE LEADER INTERNAL AUDIT

#### ABSTRACT

This report presents detailed risk information to the Scrutiny and Audit Committee in line with the programme agreed by the Scrutiny and Audit Committee in June 2023 (Report 175/23/ refers).

#### 1. RECOMMENDATION

It is recommended that Committee:

- (i) scrutinise and note the information presented about the Financial Sustainability risk, and
- (ii) Consider if the timetable for future presentations should be revised in light of the change in risk score noted in paragraph 4.2.

#### 2. ALIGNMENT TO THE COUNCIL PLAN

The contents of this report, and the related presentation provide the Committee with a deeper understanding of a key corporate risk that may prevent achievement of the Council Plan, and the steps being taken to mitigate the risk.

#### 3. BACKGROUND

The following timetable for individual risk presentations, based on the Corporate Risk Register at 9 May 2023, was agreed for 2023/24:

The following table has four columns and a heading row followed by five rows

<b>S&amp;A meeting date</b>	<b>Lead officer</b>	<b>Risk to be presented</b>	<b>Risk Score May 2023</b>	<b>Risk Target</b>
<b>22 August 2023</b>	<b>Director of Finance</b>	<b>Financial Sustainability</b>	<b>25</b>	<b>9</b>
26 October 2023	Director of Legal and Democratic Services	Legislation	9	6
28 November 2023	Chief Executive	Transforming for the Future	15	6
23 January 2024	Director of HR, Digital Enablement, IT & Business Support	IT resilience & Cyber-attack (Business Continuity)	16	8
7 March 2024	TBC	National Care Service (if included in CRR by then)	TBC	TBC
23 April 2024	Director of Vibrant Communities and Sustainable Growth	Climate Change	16	12

#### **4. CURRENT POSITION**

- 4.1 There will be a short presentation on the Financial Sustainability risk. The related information from the Corporate Risk Register is included in Appendix 1.
- 4.2 There have been two changes to the Corporate Risks since the timetable was agreed. Report 218/23 notes that
- The health & safety compliance risk score has been increased from 9 to 12 due to competing demands, resource implications and the addition of fire risk. The impact score has been increased from 3 to 4. All existing actions have been reviewed and updated with one new action being added.
  - The Pandemic -COVID19 risk has been de-escalated from the Corporate level to be considered at a directorate level

#### **5. FINANCIAL IMPLICATIONS**

There are no direct financial implications.

#### **6. EQUALITY IMPACT ASSESSMENT**

An Equality Impact Assessment is not required, as this report does not impact on people. It does not impact on people because this report provides information about risks and their mitigation. Any people impact would be dealt with at other active stages of risk mitigation if applicable.

#### **Background Papers**

**NOTE:** One background paper as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) was relied on to any material extent in preparing this report.

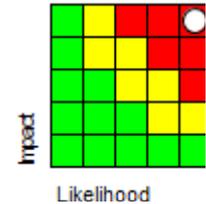
#### **Report 218/23 Corporate Risks and Risk Management**

**REPORT AUTHOR** Cathie Wyllie – Service Leader Internal Audit  
EMAIL DETAILS [ChiefExec@angus.gov.uk](mailto:ChiefExec@angus.gov.uk)

List of Appendices:

Appendix 1- Corporate Risk Register – Financial Sustainability

# Appendix 1



**Risk Title**

CORRR001 Financial Sustainability

**Risk Description**

The council does not plan and implement the necessary changes in its services to deliver its priorities within the resources available and/or local government funding for core services reaches levels which make it impossible to deliver all statutory duties. This results in a financially unsustainable Council unable to meet all its statutory duties including the requirement to set a balanced budget each year.

**Likelihood**

The 2023/24 Local Government Finance Settlement was better than had been projected mainly due to additional funding to support staff pay deals but this still fell very far short of the funding required to meet the significant cost increases affecting the Council's budget due to very high levels of inflation. In setting the 2023/24 budget the Council had to address a funding gap of £26m the largest single year funding gap in the Council's history. The current approach to local government funding of core services is not sustainable and with inflation remaining higher for longer than had been expected there is now a very real risk that in the medium term the overall resources available will be insufficient to enable the Council to meet its core statutory functions. The risk of service failure is also increased by the cumulative effect of budget savings to compensate for the lack of growth in grant funding for core service costs and demand pressures. The recently signed Verity House Agreement and associated Fiscal Framework which will be part of that provide hope for a change in how Councils are funded vis-à-vis what they are required to do but it is too early at this stage to use this as a basis for reducing the Council's financial sustainability risk. Similarly potential reforms to Council Tax if implemented could ease the financial pressures on the Council but these reforms have yet to be formally approved.

Our Change Programme and its Board is where planning and evaluation of change is monitored. It regularly scrutinises and evaluates planned savings, efficiencies, channel shift and service redesign. Work on the inclusion of all projects in the Change

**Potential Impact**

The Council fails to set a realistic and balanced budget, a legal requirement.  
 Spend is not aligned to agreed priorities set out in our Council Plan.  
 Budget issues arise which require emergency funding.  
 Unexpected spending responding to COVID-19 legacy issues or the cost of living crisis erodes the Council's financial reserves leaving less scope to manage unexpected financial issues in the future.  
 The Council has insufficient resources to meet its core statutory duties.  
 Lack of a strategic approach to service planning and resource allocation leading to unsustainable services.  
 Increased service user and citizen dissatisfaction: we fail to engage sufficiently with our citizens and manage expectations.  
 Adverse media publicity resulting in a negative impact on the reputation of the council.  
 Savings and efficiencies are not realised resulting in emergency corrective action.  
 We fail to meet our statutory duties resulting in poorer outcomes for service users and weak external inspection and regulatory reports.

Programme is iterative but the scale of change and budget savings already delivered is making it increasingly difficult to find new options for savings. Whilst community engagement, citizen's panel and locality planning have given some insight into the voice of our customers the work needs to expand to identify both the customers' priorities and non-priorities taking into account the limited resources the Council has available. The medium to long term implications of COVID-19 and Brexit on Scottish local government finances is still emerging and uncertain. The additional public expenditure due to COVID-19 and rising interest costs on Government debt is expected to mean ongoing financial constraint into future years especially for those local government services deemed lower priority by the Scottish Government. Pay and energy cost inflation are a particular concern for the Council as such additional costs are either not or only partially supported by additional government grant. General inflation is also a significant problem at present and there are specific pressures affecting food, fuel and construction markets and pricing which will continue affect the Council's budgets for the foreseeable future. There are also potential risks to the Council's income streams and ability to collect e.g. Council Tax and rents due to the cost of living challenges facing Angus citizens. In setting the 2023/24 budget the Council agreed indicative budgets for the 2 years thereafter. The projected funding gap over that 3 year period was £60m. This requires new savings in addition to the £78m of savings implemented since 2013. Delivering this level of further saving in a context where large parts of the Council's budget is made up of fixed costs will be enormously challenging and may even be impossible to achieve whilst still ensuring the Council's statutory responsibilities can be fulfilled. Even assuming statutory responsibilities can still be met the scale of further savings projected to be required cannot possibly be achieved without significant changes to the range, volume and methods of delivery of Council services. There is still a need for ongoing work with elected members and partners to identify less prioritised areas and thereafter identify where significant service reductions will be supported.

### Existing Controls

Annual Medium Term Budget Strategy prepared including assessment of national issues affecting public finances generally	To forecast the extent of future financial challenges and allow plans to address these in good time.
Change Programme aligned to Council Plan	Continually being developed – Council agreed a 3 year Change Programme in March 2023
Robust financial management	Budgets are reviewed, scrutinised and evaluated monthly by budget holders supported by finance staff.
Regular budget monitoring and reporting	By directors at Corporate Leadership Team meetings and committees.
Transformational options developed as part of Change Programme	Options which will increase income or reduce the demand on and cost of council services
Budgets are revised in response to emerging issues. In past years this has included COVID-19 and the impacts of inflation.	Further adjustments can be made during 2023/24 as impacts evolve.
Change Management Board meets every 4 weeks	Chaired by the Chief Executive

**Risk Likelihood Score:** 5  
**Risk Impact Score:** 5  
**Overall Risk Score:** 25

**Additional Controls/Actions to Reduce Likelihood and/or Impact Scores**

Controls/Actions		Due Date	Status	Desired Outcome	Owner	Latest Update	Date
AC-COR-00002 Prepare the next iteration of the Change Programme	Version 3	31-Mar-2024	 In progress	Options to bridge whole of the funding gap are identified	Director of Strategic Policy, Transformation & Public Sector Reform	Completed for 2023/24 to 2025/26 but will need to be updated to update existing plans and identify new options for 2026/27	12 July 2023
AC-COR-00003 Prepare fallback options should targeted savings not be met	To provide flexibility should projected funding gaps increase or Change Programme projects not meet their targeted savings - review point in summer 2021 to determine if fallback options likely to be necessary.	28-Feb-2023	 Completed	Options capable of implementation if need be identified	Director of Finance	Completed - currently no need for fallback options for the 2024/25 budget.	12 July 2023
AC-COR-00004 Review Change programme plans monthly	Budget, savings, service plans, etc	31-Jan-2024	 In progress	Plan is reviewed at monthly service managers' meeting	Manager - Change	Now relating to 2023/24 budget	12 July 2023
AC-COR-00005 Ensure priorities are addressed as per the Council Plan		29-Feb-2024	 In progress	Outcomes are met	Directors	Now relating to 2024/25 budget	12 July 2023
AC-COR-00006 Ensure alignment between Budget and Change Programme	Correlation across all areas	29-Feb-2024	 In progress	Budget and work programmes aligned and delivering	Service Leader (Governance & Change); Director of Finance	Now relating to 2024/25 budget	12 July 2023
AC-COR-00046 Prepare a long term financial strategy for the Council	To compliment the MTBS by looking further ahead at key issues likely to significantly affect the Council's finances.	30-Sep-2022	 Overdue	Long term strategy approved by Council and used to inform decision making and planning	Director of Finance	This has been delayed several times by the pressure of other urgent work but an initial long term financial planning framework will be brought to Council for consideration in September 2023	12 July 2023
<b>NEW</b> AC-COR-00092 Prepare updated Medium term Budget Strategy (MTBS)	To set out the projected funding gaps over the 3 year period 2024/25 to 2026/27	30-Nov-2023	 In progress	Clear plan and strategy developed	Director of Finance	To be reported to Council in November 2023	12 July 2023

				and being implemented			
<b>NEW</b> AC-COR-00093 Undertake Annual Review of Council Reserve commitments	To identify any funds which no longer require to be set aside	31-Jan-2024	 In progress	Council as well placed as it can be to meet financial challenges	Director of Finance	Results will be considered as part of 2024/25 budget setting	12 July 2023
AC-COR-00079 Prepare updated Medium term Budget Strategy (MTBS)	To set out the projected funding gaps over the 3 year period 2023/24 to 2025/26	30-Nov-2022	 Completed	Clear plan and strategy developed and being implemented	Director of Finance	Completed	12 July 2023
AC-COR-00080 Undertake full review of all commitments in the Council's reserves	to try to free up one-off funds to support the Council's budget challenges in 2022/23 and beyond	30-Sep-2022	 Completed	Council as well placed as it can be to meet financial challenges	Director of Finance	Completed, reported to members and taken into budget setting in March 2023	12 July 2023
AC-COR-00081 Assess potential financial benefits for the Council from the review of accounting treatment of service concession charges		31-Dec-2022	 Completed	Additional savings identified to help close budget funding gap	Director of Finance	Completed – agreed as part of 2023/24 budget setting	12 July 2023
AC-COR-00082 Assess the implications of inflationary pressures on the Council's budgets in 2022/23	and identify remedial action. assessment to also consider knock on impact into 2023/24 budgets	31-Oct-2022	 Completed	Council as well placed as it can be to meet financial challenges	Director of Finance	Completed	12 July 2023

**Target Likelihood:** 3

**Target Impact:** 3

**Overall Target Score:** 9



Ian Lorimer, Director of Finance
