Appendix A to Report 241/23

Angus Council

Long Term Financial Planning Framework

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Angus Council Long Term Financial Planning Framework 2023 - 2033

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SECTION 1 – BACKGROUND & PURPOSE

1. Introduction

1.1 As a matter of good practice all organisations should plan ahead in order to achieve their objectives. Longer term service and financial planning is an important part of any organisation's activity so that it can prepare for challenges and take opportunities which may lie ahead and reduce the risk of being reactionary to what's going on. Failing to plan is planning to fail.

1.2 Angus Council has for many years prepared a 3 year medium term budget strategy (MTBS) to support its service and financial planning and annually reviews the affordability of its capital spending plans over a 25 year period. This has allowed the Council to anticipate and respond to some significant financial challenges over the last decade. There is however a need to go a stage further and put in place a financial planning framework for the longer term. This is with a view to being aware of significant matters beyond the timeframe of the MTBS to allow consideration of any forward planning that may be necessary to address issues or take advantage of opportunities.

2. Purpose

2.1 The purpose of this Longer Term Financial Planning Framework (LTFPF) **(The Framework)** is to assess in broad terms what issues and circumstances may affect the Council's finances over the next 5 to 10 years and to use this assessment to help plan more detailed work on medium term financial planning and budget preparation alongside medium term corporate and service planning. The Framework is intended as a strategic planning tool which focuses on key themes rather than detailed financial calculations. It is envisaged the Framework will be reviewed and updated every 3 to 5 years.

2.2 The Framework uses a PESTLE (Political, Economic, Sociological, Technological, Legal and Environmental) analysis to identify the risks, challenges and opportunities the Council needs to plan for which could affect the Council's costs and incomes (revenue and capital), its assets and liabilities and its reserves over a 5 to 10 year planning horizon. The Framework will provide a useful basis from which to prepare future updates to the Council's 3 year medium term budget strategies.

3. Context

3.1 Financial Planning over a long time horizon is challenging for any organisation but is especially so for a public body like the Council which relies on Scottish Government grants for most of its funding and which can have large changes in the scope of its responsibilities imposed through changes in legislation. In practice the Council has only partial influence over its future responsibilities and finances.

3.2 The Council has had to manage its way through severe financial restrictions over the last decade or so and respond at short notice to a succession of one-year grant funding settlements from government. This year to year approach to funding of public services at a national level is sub-optimal and it has to be recognised that the Council's ability to plan effectively and meaningfully for the medium and longer term is affected to a large extent by decisions made by the UK and Scottish Governments. The recently signed Verity House Agreement will hopefully result in funding allocation information being available on a medium term basis.

3.3 This first version of The Framework is set against a backcloth of huge financial challenges already addressed – the Council has made savings in its revenue budget of more than £91m in the last 11 years and faces huge financial and operational challenges into the future with climate change, demographic change and in the short term at least high levels of inflation likely to be the most significant.

SECTION 2 - SUMMARY OF THE COUNCIL'S FINANCES

1.1 The Framework considers how the Council's costs, incomes, assets and reserves might be affected by future issues, challenges and opportunities so it is important to know what the starting point is. This Section of The Framework summarises the Council's finances and shows the scale of the organisation. Of particular note is the value of the Council's assets (**over £1 billion**) and the Council's total spending across its various activities which for the 2023/24 financial year is **around £0.5 billion**. The Council is a complex multi-million pound business responsible for a vast range of services and statutory duties.

1.2 Table 1 shows the Council's budgeted gross expenditure for financial year 2023/24. Table 2 shows the value at 31 March 2023 of the Council's assets, liabilities and reserves.

Table 1 – 2023/24 Expenditure – Revenue and Capital

Gross Revenue Expenditure	£millions
General Fund Services	416
Council Housing	33
Total	

Gross Capital Expenditure	£millions
General Fund Services	58
Council Housing	17
Total	

Table 2 – Council Balance Sheet as at 31 March 2023

	£millions
Long Term Assets	1,263
Current Assets	117
Total Assets	**1,380**
Total Liabilities	359
Total Reserves	1,021
Useable Reserves	**81**

INCOME

1.3 The sources of income the Council relies on to provide services and how much is spent on those services provide important contextual information for future financial planning. Significant changes in income sources for example will have a direct impact on the money available to provide services. Table 3 shows the sources of gross and net revenue income for the Council's General Fund services (which covers all services except Council Housing). The sources of revenue income for Council housing services are shown in Table 4.

Table 3 - Sources of Gross & Net Revenue Income – General Fund Services

Sources of Gross Income	**%**
Scottish Government Revenue Support Grant	53
Council Tax	15
Other Income (incl. recharges)	8
Non-Domestic Rate Income	7
Fees & Charges	6
Other Grants	5
Specific Grants	4
Contribution from Funds/Balances	2

Sources of Net Income	**%**
Funding set by Scottish Government – Revenue Support Grant, Specific Grants & Non-Domestic Rate Income	81
Council Tax	19

Table 4 – Sources of Revenue Income – Council Housing Services (£32.5m)

	%
Housing Rents (including rents paid through housing benefit and rent allowances)	93
Garage Rents	2
Dispersed Rents & Charges	2
Sheltered Housing Charges	2
Other	1

1.4 The Council's capital expenditure relies on a variety of funding sources including borrowing, government grants and the sale of surplus assets which gives what is known as capital receipts. Table 5 shows the sources of income and funding for the Council's capital spending.

Table 5 – Sources of Capital Income / Funding

General Fund Services	%		Housing Services	%
Borrowing	43		Borrowing	61
Government Capital Grant	29		Capital Funded from Current Revenue	31
Other Grants and Contributions	25		Transfer from Reserves	4
Capital Funded from Current Revenue	1		Affordable Housing Reserve	3
Capital Receipts from Assets Sales	1		Capital Receipts	1
Capital Fund	1			

EXPENDITURE

1.5 Where the Council currently spends the funding it has is also important for planning ahead. A sizeable part of the Council's budget is largely fixed because of contractual commitments or previous borrowing which requires to be repaid. The Council is also directed to spend some of its funding by the Scottish Government on specific services. Table 6 shows the main areas of revenue expenditure for General Fund and Housing services. Table 7 shows the main areas of planned capital expenditure.

Table 6 – Main Areas of Revenue Expenditure

Expenditure – General Fund Services	%		Expenditure – Housing Services	%
Schools – Primary, Secondary, Additional Support Needs, Early Years	41		Repairs & Maintenance	36
Adult Social Care Services	22		Supervision & Management	29
Children, Families & Justice Services	7		Borrowing Costs	25
Roads & Transport Services	6		Other Costs	10
Waste Management	6			
Borrowing Costs	4			
Facilities Mgmt & Other Support Services	2			
Council Tax Reduction & Welfare Fund	2			
Leisure & Cultural Services	2			
HR, OD, IT & Human Resources	2			
Parks & Gardens	2			
Planning & Communities	2			
Finance	1			
Legal	1			

Table 7 – Main Areas of Net Capital Expenditure

Expenditure – General Fund Services	%		Expenditure – Housing Services	%
School Estate including Monifieth High School Replacement	50		Energy Saving Measures	51
Roads & Transport including Arbroath Places for Everyone	23		New Build Homes	23
Environmental Services including vehicles purchase and waste projects	10		Internal Upgrades e.g. Bathroom / Kitchen Replacements	16
Tay Cities Deal Projects	8		Other Projects	10
Property Maintenance Projects	4			
Angus Alive Projects	2			
Digital and IT Projects	2			
Angus Health & Social Care Projects	1			

SECTION 3 - THE COUNCIL'S FINANCIAL SUSTAINABILITY CHALLENGE

1.1 The Council's acute financial challenges make longer term financial planning even more important and the Council's current assessment of its financial sustainability provides an appropriate starting point.

1.2 The Council's Corporate Risk Register includes a risk on the financial sustainability of the Council. The latest update on this risk was reported to the Scrutiny & Audit Committee of 22 August 2023 (Report 218/23 refers).

1.3 The risk is that "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."

1.4 This risk is not a single risk – there are several aspects to it including the risk that:-

- The Council doesn't direct its limited resources to its priorities in the Council Plan
- The Council isn't clear enough about what will not be prioritised for funding
- The Council isn't able to achieve the required level of savings to balance the books
- The funding available to the Council is insufficient to deliver all our statutory duties

1.5 If the above risks materialise it could mean:-

- Financially unsustainable services
- Widespread public dissatisfaction, Audit Scotland and Government attention
- Service failure

1.6 The risk likelihood score has been assessed as 5 (the highest level) and the risk impact assessed as 5 (the highest level) giving an overall score of 25 (out of a maximum of 25). The target level for this risk is 9 so the level of risk is well beyond what is regarded as acceptable.

1.7 The risk score is so high due a "perfect storm" of factors including:-

- £91m already saved from the budget in previous years – the Council can't save more on what's already been removed from budgets;
- The vast majority of the Council's budget is in higher profile services such as schools, care services, waste and roads and a large part of our costs are fixed or subject to Government spending direction or ring-fencing;
- Very high inflation is affecting all of the Council's costs including staff costs;
- Cost of living impacts on to Angus citizens makes large increases in Council Tax and Council fees and charges less palatable to implement.

1.8 Section 4 of this Framework looks at the Council's financial resilience while Section 13 provides further commentary on the Council's financial sustainability over the longer term.

SECTION 4 - FINANCIAL RESILIENCE ASSESSMENT

1.1 The CIPFA Financial Management Code (FM Code) supports good practice in financial management and assists local authorities in demonstrating their financial sustainability. The FM Code sets out clear standards of financial management which local authorities are encouraged to adopt.

1.2 The FM Code applies a principles based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead a local authority must demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances.

1.3 The FM Code sets out 17 standards in total but those most relevant to the Framework and the assessment of the Council's financial resilience and sustainability are as follows:-

- The financial management style of the authority supports financial sustainability.
- The authority has carried out a credible and transparent financial resilience assessment.
- The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
- The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
- The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
- The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

1.4 A full self-assessment of the Council's compliance with the FM Code has been undertaken and was reported to the Council's Scrutiny & Audit Committee on 27 October 2022 (Report 355-22) refers. Undertaking a financial resilience for the Council was an action arising from that self-assessment and this has now been done as described below.

Financial Resilience Assessment – General Fund Services – Introduction

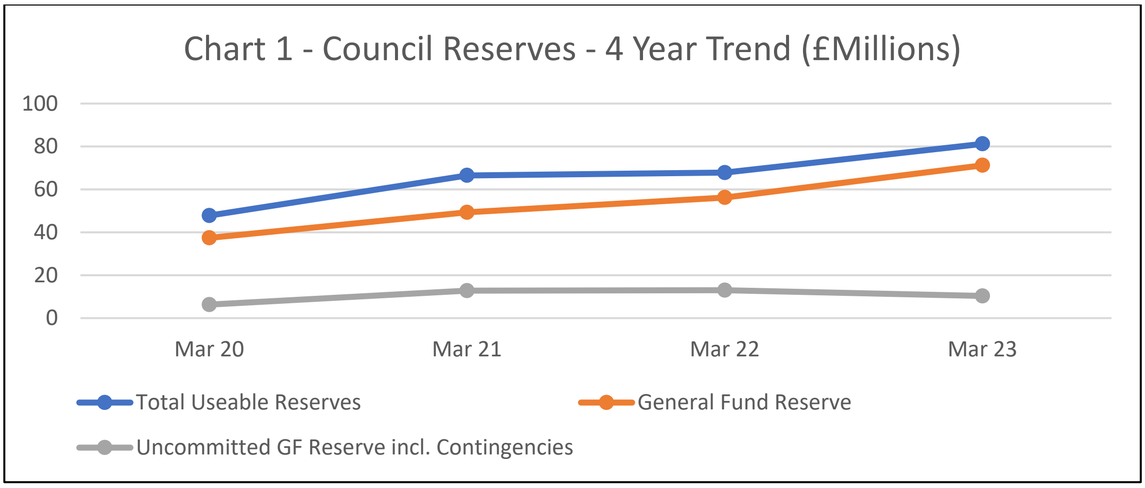
1.5 Financial resilience in this context is the extent to which the Council and its finances are expected to be able to cope with existing and potential future challenges as well as unexpected events. The assessment should be viewed alongside the Council's Corporate Risk Register and the Financial Sustainability risk therein (Report 218/23). An assessment such as that set our here is a snapshot at a point in time but benchmarking (using the Local Government Benchmarking Framework – LGBF Family Group) and trend information have been considered where appropriate to inform the assessment as a forward planning tool. The assessment looks primarily at the Council's General Fund services but some measures also include the Council's Housing service which is separately funded through council house rents.

1.6 CIPFA operate a financial resilience index but this currently only applies on a voluntary basis to English local authorities. The assessment below is therefore bespoke to Angus Council but covers many of the same themes as the CIPFA index. The financial resilience assessment below looks at the Council's position across a wide range of measures covering expenditure, income, reserves, commitments, borrowing and cashflow. A rating of either strong, adequate or weak is given against each category of assessment.

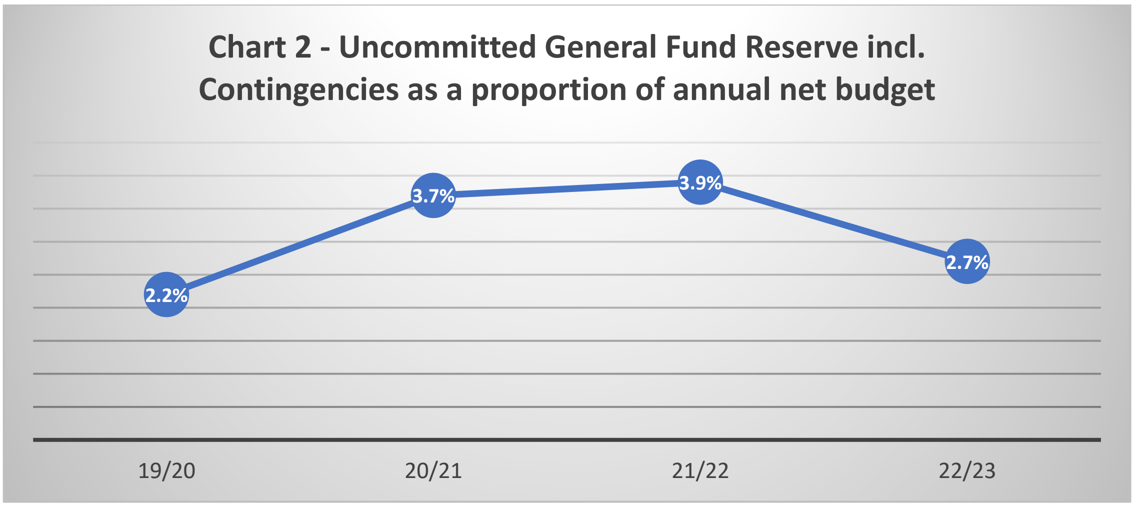
Financial Resilience - Assessment Category 1 – Reserves

1.7 Levels of Reserves including uncommitted reserves and how they are being used are vital to financial resilience. Without adequate reserves and carefully planned use of them the Council will have limited ability to deal with financial challenges and unexpected events.

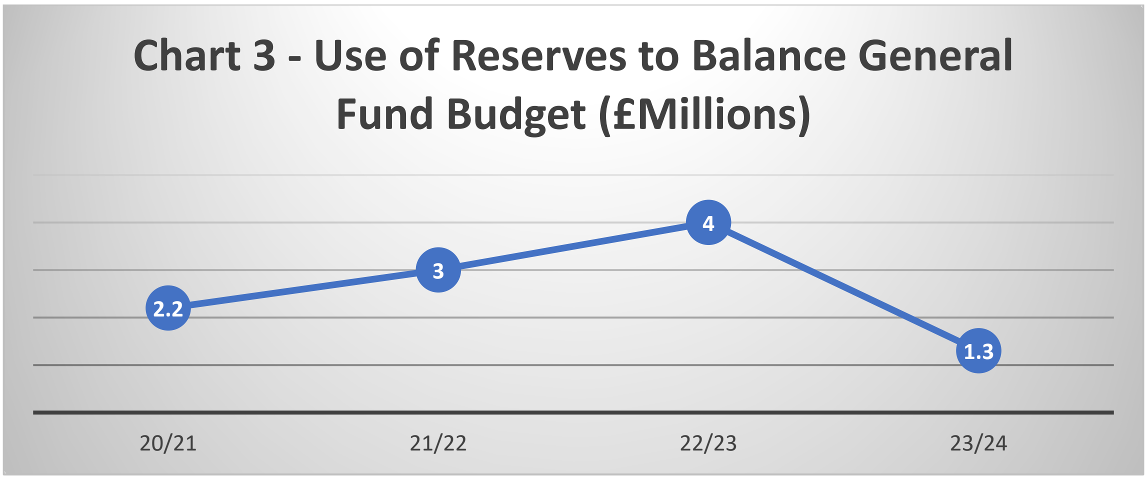
1.8 Chart 1 shows that the Council's reserves, including uncommitted reserves, have either risen or remained steady over the last 4 years. Reserves at March 2023 would have reduced considerably but for the accounting changes agreed on service concession arrangements (Report 55-23 refers) but this change hasn't impacted uncommitted reserves (Chart 2) to a significant extent.



1.9 Chart 2 shows that the Council's uncommitted General Fund Reserve as a proportion of the net budget has been at or above 2.2% over the last 4 year period. There is no set target for what this percentage should be as it is for each Council to assess its own circumstances. The current level is considered adequate for the Council's needs over the medium term. This view is informed by the knowledge that some of the elements of reserves which are currently committed could if required by de-committed by e.g. cancelling or scaling back planned projects and spend.



1.10 Chart 3 shows that the Council's reliance on Reserves as a one-off fix to achieve a balanced budget has not been excessive and was lowest of the 4 years in the most recent budget setting.



1.11 The Director of Finance (as the statutory finance officer) has professional obligations to assess the adequacy of the Council's reserves, to make judgements on these and advise members accordingly. The Council complies with best practice by reviewing its reserves position and requirements annually during the budget process. Council also recently agreed a 5 year Reserves Strategy for 2023/24 to 2027/28.

<u>Summary</u>

1.12 The Council's financial resilience under the Reserves category is considered to be:-

STRONG

The Council has good levels of reserves, has not been relying on reserves to a significant extent to balance its budget and has some flexibility to review reserves commitments if required.

<u>Financial Resilience - Assessment Category 2 – Expenditure</u>

2.1 The extent to which the Council can vary (mainly reduce) its expenditure is a key part of assessing financial resilience. The more of the Council's expenditure which is fixed or otherwise constrained / protected from change the less resilience there is to deal with rising costs and unexpected events. The legal and national policy constraints placed on the Council are a significant factor here.

<u>Legislative & Policy Constraints</u>

2.2 Although the position may change as implementation of the Verity House Agreement matures the Council is currently subject to significant restrictions through legislation and Scottish Government policy which limit or prevent reductions in expenditure being possible. This currently includes restrictions on making reductions to teaching and school support staff numbers and the ring-fencing of Council funding to the Health & Social Care Partnership. These are by far the 2 largest areas of Council expenditure.

<u>Demand Led Services</u>

2.3 Many of the Council's services are demand led and in areas like Children's Social Care the Council has statutory obligations it must fulfil – the Council can't for example refuse to take a child into care because it doesn't have the budget to meet those costs – it must, quite rightly, ensure the safety and wellbeing of that child and make cuts elsewhere to make this affordable. The demand led and statutory nature of many of the Council's services expose the Council to very high levels of risk that significant amounts of unexpected and unbudgeted expenditure may be arise during the financial year.

Financial Exposure to Group Entities

2.4 The Council's Annual Accounts includes what are termed group entities which are partner organisations in which the Council has a direct financial stake and significant influence over their operations. These Group entities and the Council's financial exposure to them are relevant to financial resilience. The organisations listed in Table 8 below are part of the Council's "Group" financial position. A commentary on how the Council's relationship with these organisations affects financial resilience is also given but in summary the Council has a significant exposure to the financial wellbeing of these organisations and must therefore continue to be fully engaged in their operations to manage risk.

Table 8 – Group Entities

Organisation/Partner	Risk Exposure / Impact on Council Financial Resilience
ANGUSalive – charitable company limited by guarantee	ANGUSalive rely on external customers for a significant part (circa 47%) of their income and the Council for the remainder. If customer income fell sharply the Council could be required to provide additional funding or to agree reductions in services (and costs) to make up any shortfall. The Council is the sole shareholder of ANGUSalive and has guarantor obligations in relation to pension rights for ANGUSalive employees. The Council can manage its financial risk exposures with ANGUSalive reasonably well through the existing legal agreements and is well informed on the company's performance at Board and operational level through elected member and officer reps. The Council could opt to bring the services provided by ANGUSalive back in-house if required, although this would be a significant cost.
Charitable Trusts: - R & W Strang Mortification - Angus Council Charitable Trust - Endowment Funds	These trusts are administered by the Council and Angus Councillors are Trustees but are at arms-length to the main operations of the Council. The Trusts' stand on their own financially and are charged for officer time spent administering them.
Common Good	The Common Good funds are administered by the Council and Councillors act in a Trustee-type capacity in how the funds are managed. The Common Good is at arms-length to the main operations of the Council and stands largely on its own financially. The Common Good is charged for officer time spent on administration and has its own operational and accounting policies.
Tayside Joint Valuation Board	The Council can manage its financial risk exposures to the Valuation Board reasonably well through the existing governance structures of the Board. The Council is well informed on the Board's performance through elected member reps and the sharing of budget and financial monitoring reports on a regular basis. The Board operates as another service of the Council albeit on a Tayside-wide rather than Angus basis. It is quite a small part of the Council's net budget (0.24%). If the Board ever ceased to exist the Council would be expected to take on a share of assets, liabilities and staff in the absence of another solution.

Tayside Contracts Joint Committee	Financial risk is managed in a similar way to the Valuation Board above through member representation and provision of budget reports. The scale of work which Tayside Contracts do on behalf of the Council is much more significant than the Valuation Board (£27.5m). Tayside Contracts also undertake work for other people and organisations creating a commercial risk exposure/opportunity. If the Joint Committee ever ceased to exist the Council would be expected to take on a circa 32% share of assets, liabilities and staff in the absence of another solution. This would be a sizeable change in the Council's finances and staff numbers. The Council can manage its financial risk with Tayside Contracts to some degree by changing the scope of services Tayside Contracts is required to provide but this has limitations because most of those services are statutory and would need to continue to be provided.
Angus Integration Joint Board (IJB)	The Council can manage its financial risk exposures to the IJB through the existing governance structures of the Board. The Council is well informed on the Board's performance through elected member reps and the sharing of budget and financial monitoring reports on a regular basis. Nevertheless the Council still has significant financial risk exposures to the Integration Joint Board in what is a complex 3 way relationship between the Board, the Council and NHS Tayside. The Integration Scheme sets out how budgets will be managed and include for remedial action in the event of overspends. Despite all of the remedial measures which can apply the Council and NHS Tayside as co-funders of the Integration Joint Board could be required to provide significant additional financial support if all other options were exhausted. The Council share of this is not limited to adult social care services but to all services provided by the IJB. The Council's risk exposure in this area is also affected by the demand led nature of some of the service provision. Council funding to the Angus IJB is significant in budgetary terms amounting to around 21% of the Council's total net budget. If the Board ever ceased to exist the Council would be expected to take on a share of assets, liabilities and staff in the absence of another solution.

Third Party Contracts

Both the Council and partners like the Angus IJB have sizeable contracts in place with third party providers to deliver services and these contractual commitments represent another area of risk on expenditure which affects financial resilience. Most of those contracts are for statutory services which would require to be provided regardless but being in a contract will restrict what changes can be made while the contract is in operation. Major changes e.g. to achieve financial savings may not be possible until the contract is due for renewal.

Budget Flexibility / Scope for Change

2.5 Section 13 of this Framework assesses the Council's financial sustainability over the medium to long term. Part of that assessment is an analysis of how much of the Council's net revenue budget is effectively "untouchable" and not available to consider for making the savings necessary to address projected future budget shortfalls. Table 9 below summarises the position for ease of reference.

Table 9 – Share of Council Net Budget Which is Fixed/"Untouchable"

Area of Spend	Share of Net Budget	Can Savings in this budget be made?
School Teaching & Support Staff	25%	No – Council currently required to maintain teacher and support staff numbers at 2022 School Census levels
Council Funding to Angus Health & Social Care Partnership (AHSCP)	21%	No – SG policy currently prohibits reductions in funding to HSCPs
Children, Families & Justice	7%	No – demand pressures are such that costs are increasing. Significant overspend on budget in 2022/23
PPP/PFI Payments	6%	No – these are long term contractual commitments which are subject to annual inflationary increases
Council Debt Payments	3%	Very limited – significant savings already made from debt restructuring and rising interest rates will increase costs. Savings only possible by cutting substantially future capital spending funded from borrowing
Council Tax Reduction Scheme	2%	No – costs based on entitlement of Council tax payers
Total	**64%**	

2.6 What the table shows is that 64% of the Council's net budget is effectively fixed and unavailable to deliver any sizeable reductions in expenditure. This severely limits the Council's options and therefore has a significant negative impact on the Council's financial resilience. Section 13 makes clear that this approach to funding local government services is unsustainable over the medium term.

Summary

2.7 The Council's financial resilience under the Expenditure category is considered to be:-

WEAK

The Expenditure category is one of significant concern primarily because of the legislative and policy constraints imposed on the Council. Those constraints are unsustainable without an increase in the funding the Council receives in government grant or significant changes in the income the Council can raise in taxes and charges.

2.8 The Council also has sizeable risk exposures from some Group entities, most notably Tayside Contracts and the Angus Integration Joint Board both of which are affected by similar issues to the Council itself, i.e. significant fixed costs, demand led services and statutory duties requiring to be met.

Financial Resilience - Assessment Category 3 – Income

3.1 The scope and ease with which the Council could, if required, generate additional income as well as the reliability of being able to collect income are important to the Council's financial wellbeing. Limited scope to increase income and difficulties collecting it would negatively affect financial resilience.

Funding from Government Grants

3.2 The Council relies on Scottish Government grant for 81% of the money needed to pay for its day to day net revenue spending. Over the period of the current capital plan to 2026/27 government grant funding is expected to cover 38% of the costs. The Council could not survive financially without the significant funding it receives from the Scottish Government or fundamental changes in its ability to raise income through other means if government grant was no longer paid.

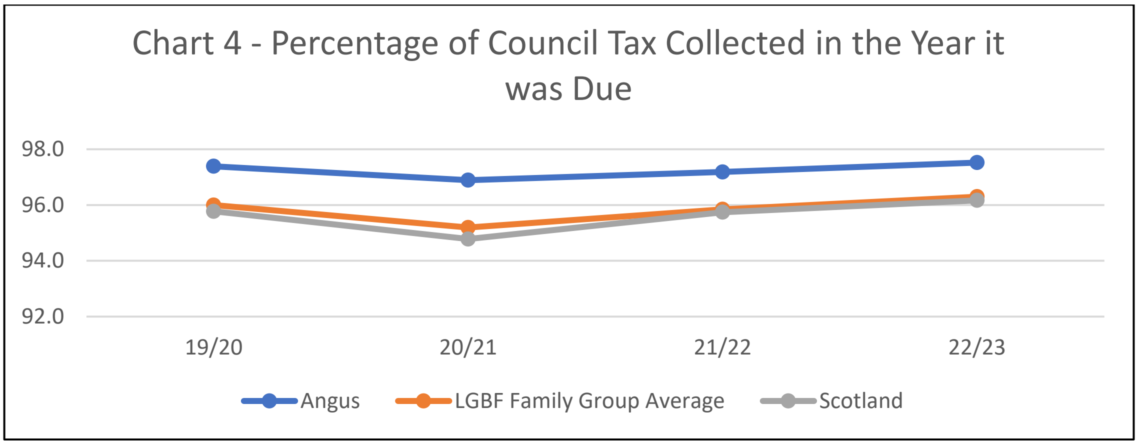
3.3 The Council has no direct control over the grant funding it receives and must rely on lobbying (mainly through COSLA) for a share of the funds available nationally for all public services. Although work is ongoing to develop a Fiscal Framework between Scottish and Local Government which may improve the position, as things currently stand, there is no mechanism which considers the scope of what Councils are legally responsible for providing and no measure of the funding required to provide those services. In other words no one at Government or Council level knows, even using broad estimates, what it should cost to provide Council services at a level which ensures sufficiency of funding to fulfil all statutory duties and therefore what grant funding is required to help pay for those services. This is a huge gap in information and leaves the Council very exposed financially and legally.

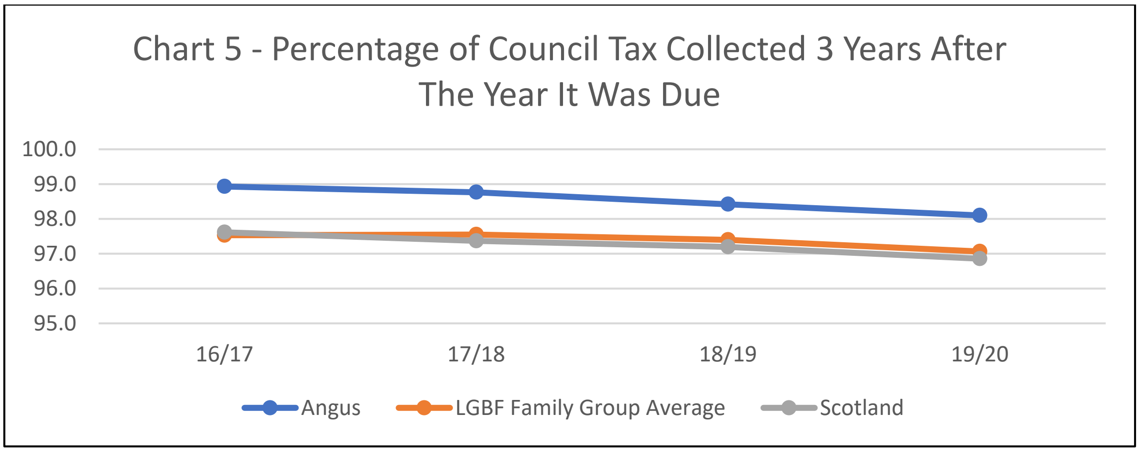
3.4 While the Council's lack of control / influence over government grant income and the adequacy of that funding is a concern in terms of financial resilience the fact that the funding is coming from government is a major benefit. The Council does not for example have to earn most of its income by selling goods and services to customers like a business would and this significantly reduces the risks of default. The Council's main funder isn't going to go bust and this means even if the funding is regarded as insufficient it is still a reliable source of income.

Income from Council Taxes

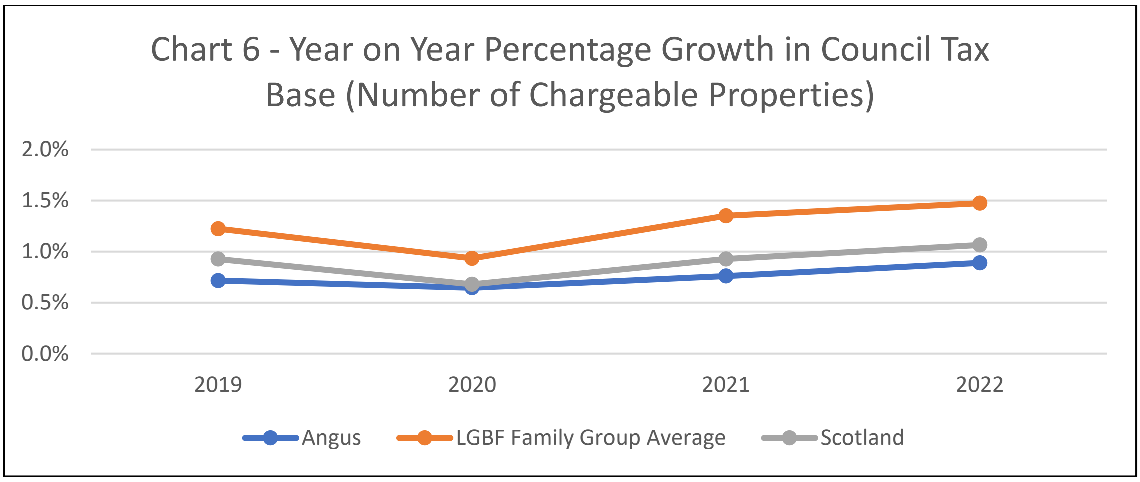
3.5 Income from Council Taxes covers circa 19% of the Council's net budget and at more than £63m (2023/24) is a significant source of income. The charts below provide benchmarking information on Council Tax to inform this part of the resilience assessment.

3.6 Charts 4 & 5 show that the Council has very strong levels of collection of Council Tax that is due which is positive for financial resilience. Our collection rates are consistently among the best in Scotland sitting well above the Scottish and family group averages.

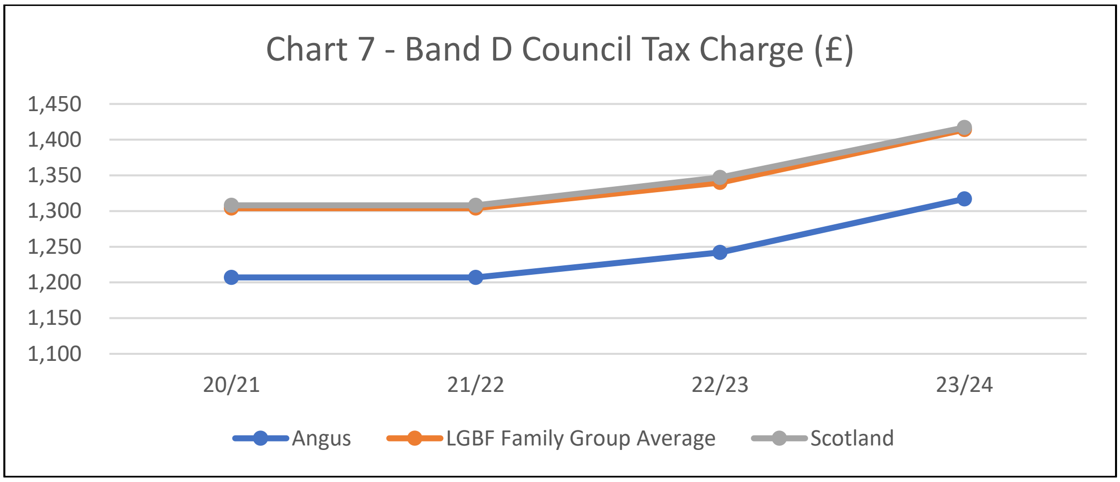




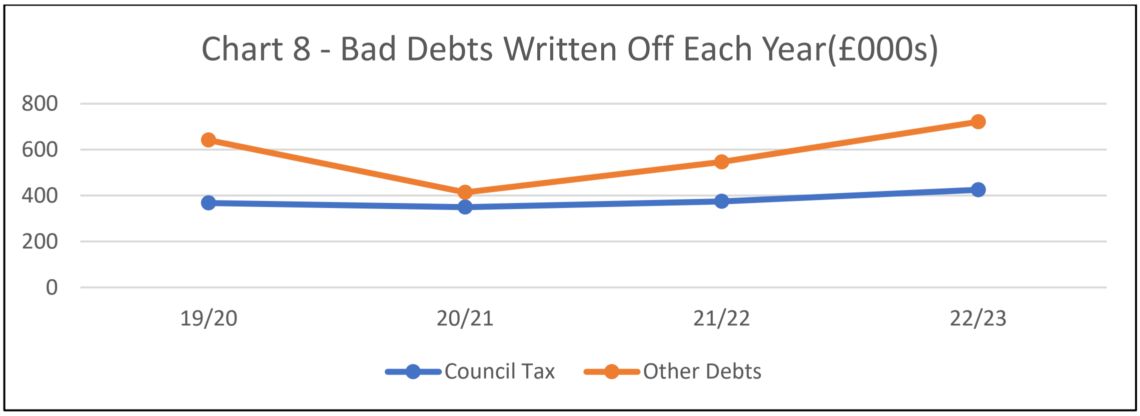
3.7 Less positive is Chart 6 which shows that the growth in the Council Tax base in Angus (the number of dwellings which can be charged Council Tax) is slower than the national average and family group average.



3.8 Chart 7 shows that the Band D Council Tax in Angus is circa £100 below the national and family group averages suggesting scope for increases if considered appropriate by elected members.



3.9 Chart 8 shows that levels of debt write offs for Council Tax have remained steady at around £400,000 p.a. Amounts written off cover multiple years but if measured against the budgeted Council Tax for financial year 2022/23 as the most recently completed financial year the amount written off for that year was 0.72%. The Other Debts include water charges, non-domestic rates, housing benefit overpayments and sales ledger invoices the bulk of these relating to unpaid adult social care charges.



Income from Fees & Charges

3.10 Fees & Charges amount to around £14.5m (2023/24) just over 4% of the Council's net budget. This income is important but much less in scale than government grant and council tax. The importance of fees and charges (as a proportion of costs) varies between services. Income from charges is most significant in adult social care services (provided by the Angus IJB) and in waste services. Financial resilience in this area is reasonably good given that most charges are levied for services which people need and rely on but collection of charges due can be an issue in some cases.

Income Linked to Economic Performance

3.11 All of the Council's income is reliant to a greater or lesser extent on national and regional economic performance. Poor economic performance and difficult market conditions can impact tax revenues nationally which in turn can adversely affect government grant funding to the Council. Council Tax has more resilience to economic performance because its payable regardless of how well or poorly the economy is doing. Council Tax collection can however be negatively affected by constraints on household budgets like those currently being experienced. Changes in the Council Tax base are also impacted by wider economic circumstances and in particular new house building. Some of the fees and charges the Council levies are discretionary enabling customers to choose not to consume those services if economic times are hard e.g. garden waste charges but most others like burial charges are less discretionary in nature and therefore less susceptible to economic downturns.

Commercial Assets/Income

3.12 Some Councils, especially in England, have invested heavily in commercial assets (investments intended to deliver income and/or capital growth). Angus Council has very limited exposure to such assets and risks in relation to its income. Further commentary on this is included in Section 6 of the Council's Capital Strategy 2023/24 (Report 59-23 refers) which concluded that "the extent to which a balanced budget and Council Tax calculation is dependent upon commercial activity is at the present time non-material".

Summary

3.13 The Council's financial resilience under the Income category is considered to be:-

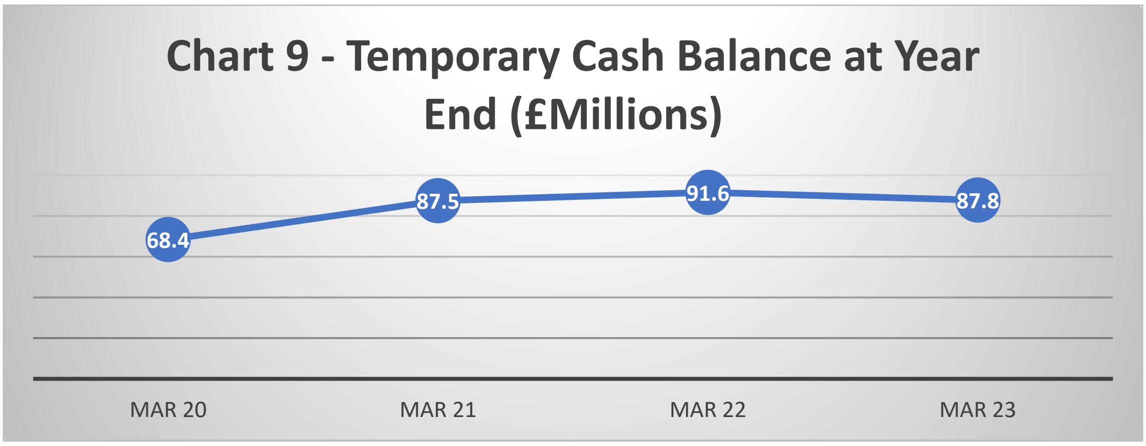
ADEQUATE

Those elements the Council has most control over like Council Tax levels and collection rates has good resilience, there is also scope to increase Council Tax levels to nearer the Scottish average if desired and the Council has very limited direct exposure to commercial income risks. Set against these positives are the unknowns regarding future government grant funding levels, a source of income which funds 81% of day to revenue spending.

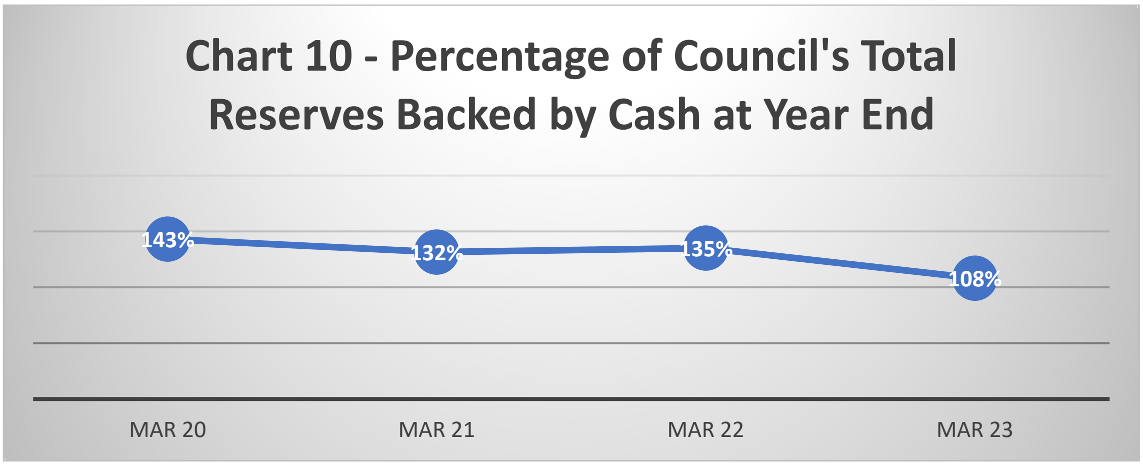
Financial Resilience - Assessment Category 4 – Cashflow & Borrowing

4.1 Many organisations, even ones with a good asset base, can run into financial difficulty because they run out of cash. Cashflow management and the circumstances which influence cashflow are relevant to this assessment. Borrowing is also important because this creates obligations for repayment which if not honoured could lead to default, penalties and action being taken against the Council. The level of debt relative to overall available income is therefore an important measure of financial resilience.

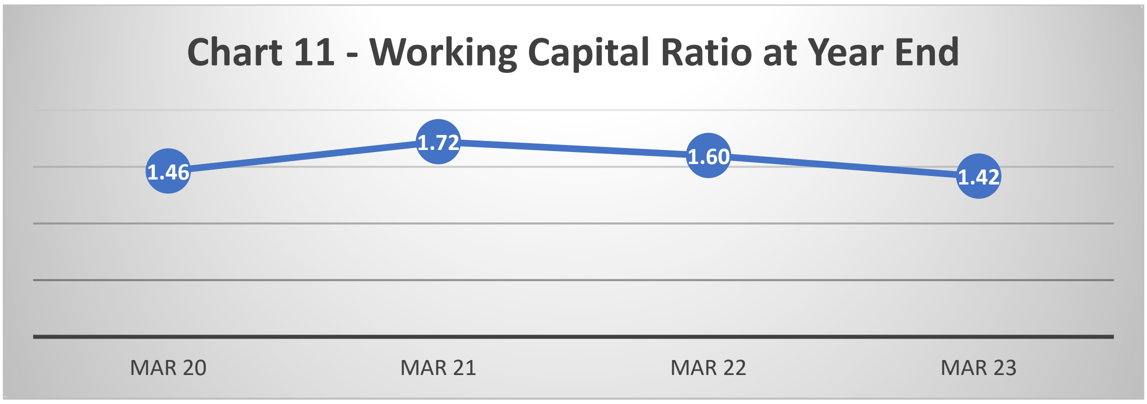
4.2 Cash balances are important for liquidity purposes (the ability to pay staff and invoices when due) and if the Council wishes to have its accounting Reserves backed by cash. Reserves not underpinned by cash can only be spent in the real world by borrowing. Chart 9 shows that the Council's temporary cash balances have risen and remained steady over the period. This gives a good level of liquidity.



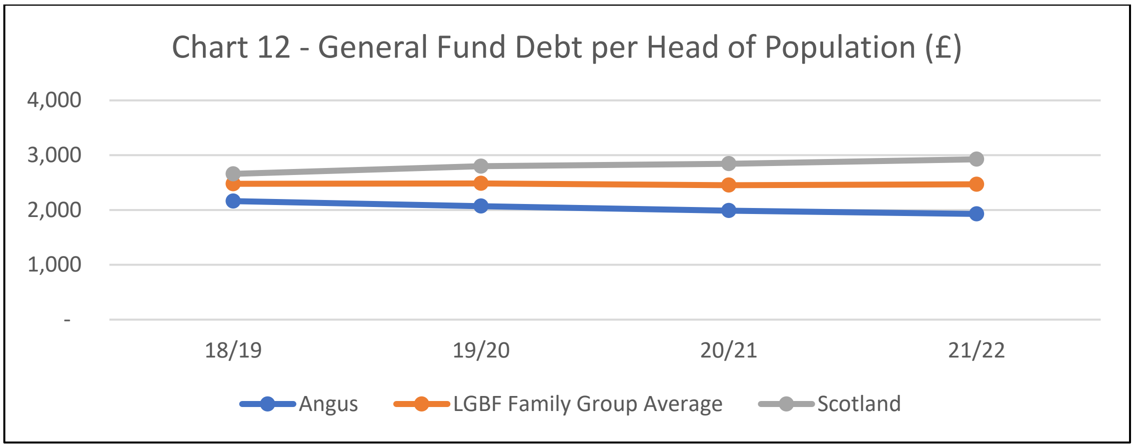
4.3 Chart 10 shows how much of the Council's total Reserves have been underpinned by cash at the end of each financial year. More than 100% means the Council's temporary cash exceeds our Reserves which means all Reserves are cash backed with some headroom left over.



4.4 Chart 11 shows what is known as the working capital ratio – this is a widely used measure of financial health and in particular the liquidity of an organisation. The ratio is current assets divided by current liabilities. Generally, a working capital ratio of less than 1 is taken as indicative of potential future liquidity problems, while a ratio of 1.5 to 2 is interpreted as indicating solid liquidity.



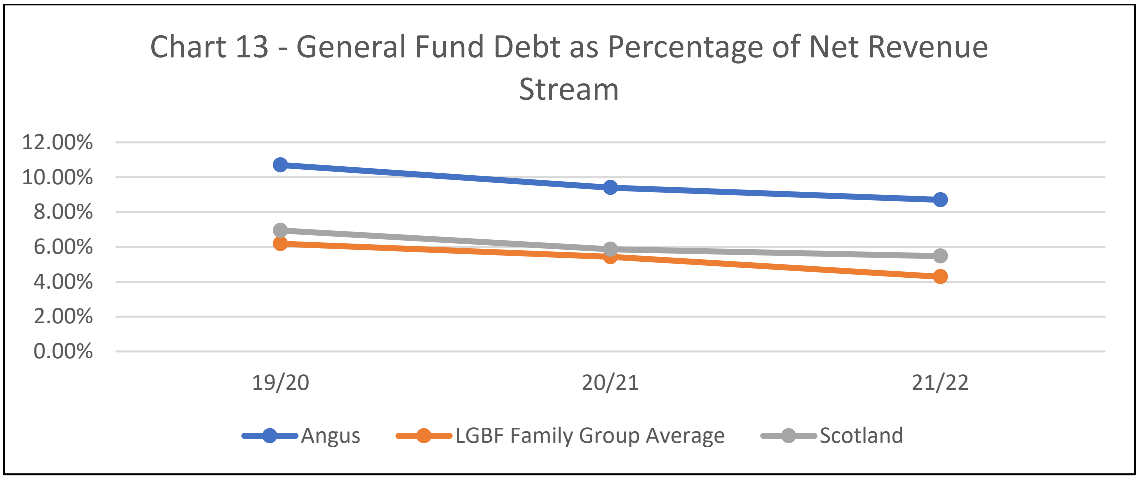
4.5 Chart 12 shows the Council's General Fund debt per head of population – a measure which can be benchmarked against other Councils from published statistics. The Chart shows that Angus has a significantly lower amount of debt per head than its family group of Councils and the Scottish average. Debt levels reflect previous capital spending decisions by Councils and their predecessors sometimes over decades.



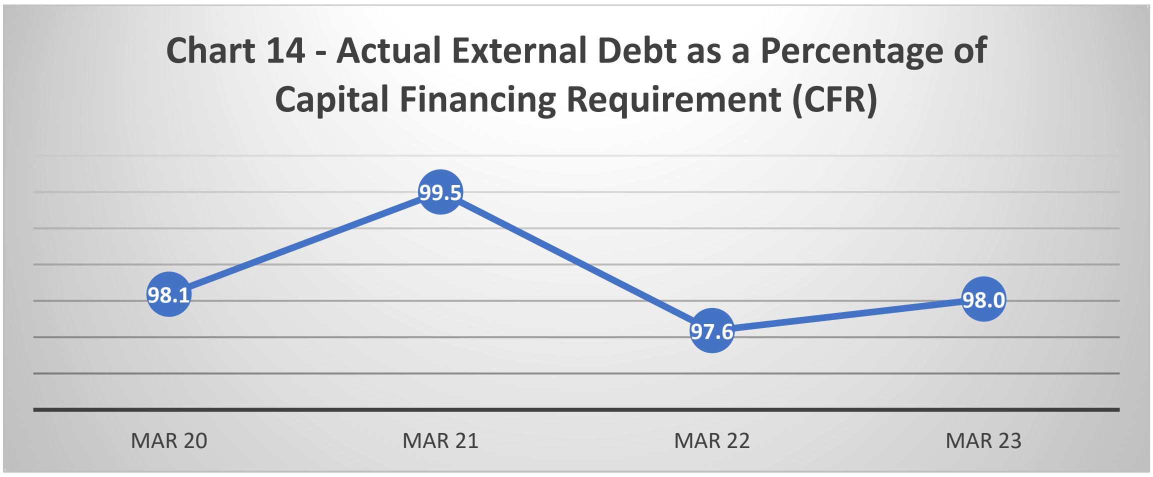
4.6 Chart 13 below shows an interesting contrast to Chart 12 when debt is measured in a different way. The chart shows one of the Prudential Code Indicators which all Councils are required to publish annually. This indicator measures the percentage of a Council's total revenue income (its net revenue stream) that needs to go towards paying debt costs (capital financing costs). Chart 13 shows that relative to the Scottish average and the family group average Angus has a much higher percentage of its income paying for debt costs.

4.7 This seems counter intuitive compared to Chart 12 which shows Angus to have comparatively low debt. Officers aren't sure why such a level of variation exists between Angus and other Councils in Chart 13. It is known that Angus receives a lower level of grant per head of population than the Scottish average and also has a much lower level of Council Tax than the Scottish average. Both of these mean less income for Angus comparatively so might account for some variation but not to the scale shown. The relationship between total debt and debt costs can also vary depending on average interest rates and how quickly debt is being repaid. It is also possible that Councils are interpreting the indicator in different ways. Further investigation is therefore required in this area following this analysis.

4.8 In terms of financial resilience Chart 13 shows that Angus like other Councils has seen a decline in debt costs relative to total income over the period shown. At less than 10% of the Council's budget debt costs are considered manageable and not a significant concern for the Council's financial resilience. However when these largely fixed costs are added to the other legislative and policy constraints covered in the Expenditure category assessment above the combination of all of those constraints is a concern.



4.9 Chart 14 shows a Treasury Management indicator. The Capital Financing Requirement (CFR) shows the Council's underlying need to borrow to fund capital expenditure. The more a Council spends on capital projects the more borrowing it will have to do (and repay). Actual external debt relative to the CFR shows how much required borrowing has either been secured or has still to be secured. Less than 100% means some borrowing to meet CFR borrowing requirements has still to be done. A large gap below 100% could carry risk if interest rates were to rise significantly or unexpectedly but this very much depends on each Council's treasury strategy and borrowing plans. The Chart indicates the Council was close to its CFR borrowing requirement over the period.

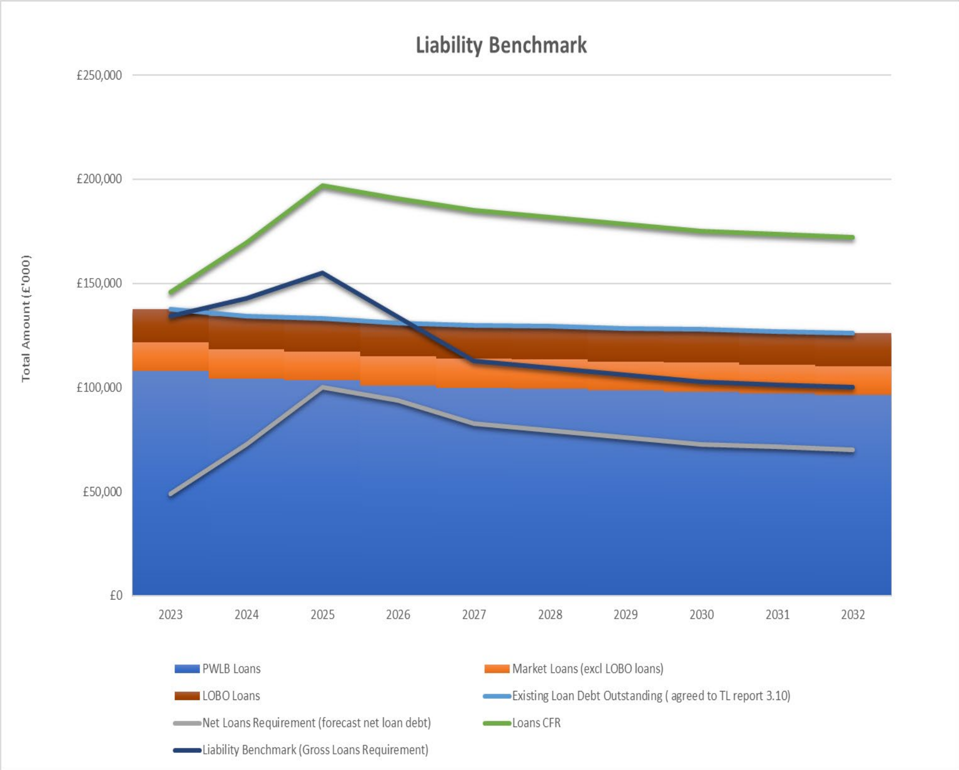


4.10 The Council, per the 2021 Treasury Management Code, is now required to provide a comparison of the existing loan portfolio against the committed borrowing needs. This is to provide evidence that it has a strong grasp of both its existing debt maturity profile (when loans are due to be repaid) and how its Loans Fund principal repayments (LFR) and other cash flows affect the future debt requirement. The Chart covers the following four areas:

- Existing loan debt – current borrowing portfolio split by loan type as a stacked bar chart
- Loans CFR – this excludes any part of the CFR relating to other long-term liabilities
- Net loans requirement – loan debt less treasury management investments at the last financial year end and projected into the future based on approved prudential borrowing, planned repayments and any other major cash flow forecast
- Liability Benchmark – net loans requirement plus short-term liquidity allowance

4.11 The liability benchmark is effectively the net borrowing requirement of the Council plus a liquidity allowance. Chart 15 below details the 10-year period from 2023/24 to 2032/33. The liability benchmark line (dark blue) highlights in the period 23/24 to 2025/26 that the council has a borrowing requirement. This is the construction phase of the Monifieth High School Replacement project therefore is in line with current Council plans. The liability benchmark line suggests that from 2026/27 to 2032/33 the Council is in a slightly overborrowed position. This position will continue to be monitored but is not a cause for concern at the present time.

Chart 15 – Liability Benchmark



4.12 All of the indicators shown in Charts 9 to 14 are based on a snapshot in time (Balance Sheet date) and so need to be interpreted cautiously. Previous positive trends aren't necessarily a good indicator of future performance and financial positions.

<u>Summary</u>

4.13 The Council's financial resilience under the Cashflow and Borrowing category is considered to be:-

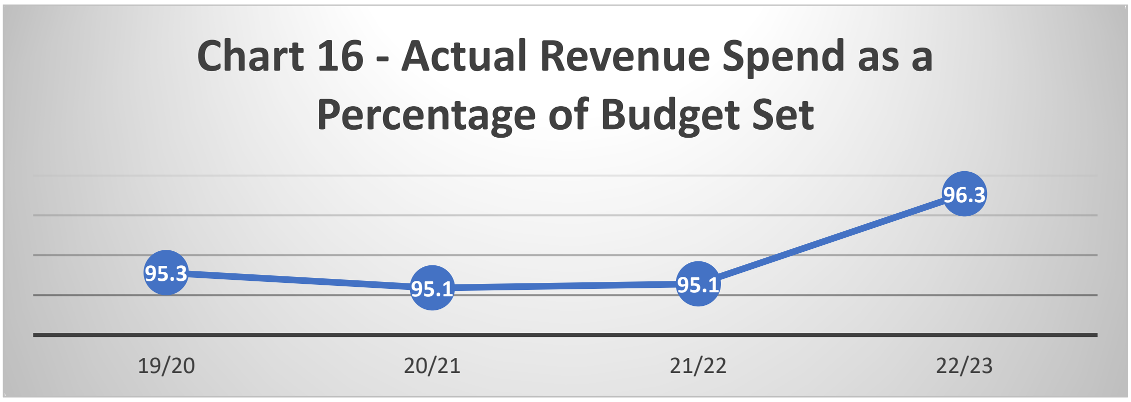
STRONG

The Council has a strong cash position and working capital ratio and has comparatively low levels of debt. The Council's debt costs appear higher than comparators but are still less than 10% of the Council's available budget. The liability benchmark indicates a suitable position in the short term with some longer term issues to manage but these are several years into the future and capable of being managed through the Council's treasury strategy.

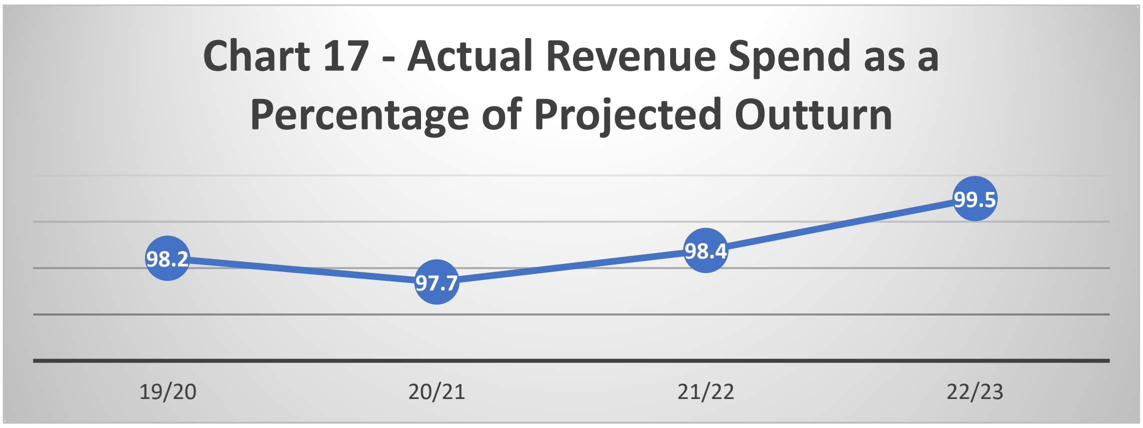
Financial Resilience - Assessment Category 5 - Budget Performance

5.1 Setting budgets and monitoring those budgets during the year are among the most basic foundations of good financial management. The effectiveness of those processes and the reliability of the information provided is relevant to this assessment. Poor budget estimates or poor tracking of actual spend and income can lead to unexpected financial issues arising which can damage the Council's financial wellbeing.

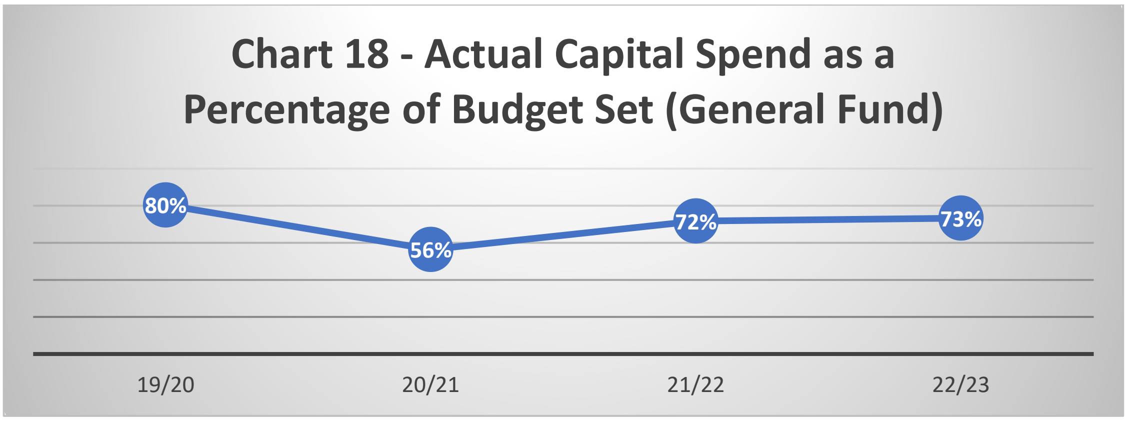
5.2 Chart 16 shows that the Council has managed its actual spend within the General Fund revenue budget set in each of the last 4 years, achieving underspends in each of these years. The COVID-19 pandemic has affected some spend delivery over part of the period. Large underspends against budget may hint at underlying problems in the Council's budgeting processes or in its ability to deliver its intended spending plans. Year on year overspends can be a sign of financial distress. The Council's performance (bearing in mind pandemic disruption) is considered reasonable here. It is better financially to be underspent and the levels of underspend are neither excessive nor unexplained/unexpected as Chart 17 shows.



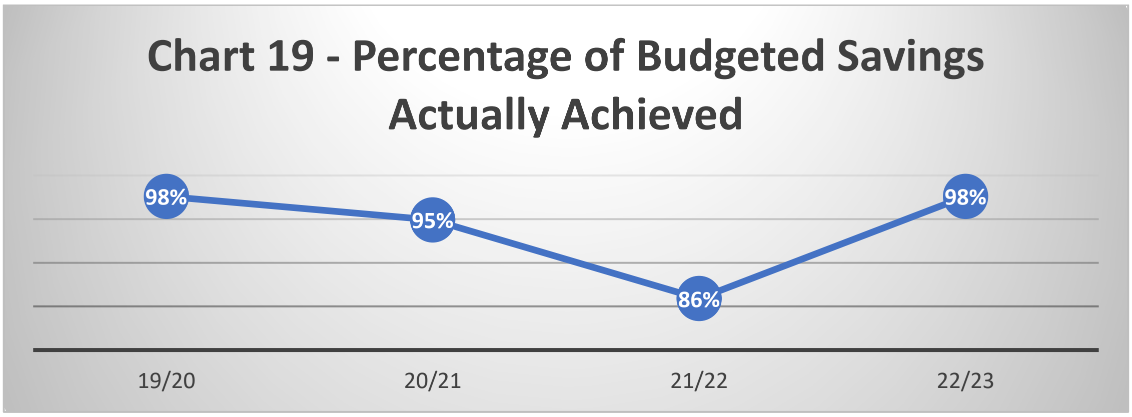
5.3 Chart 17 shows how close the Council's in-year financial projections have been to the actual revenue spending by the year end. It is important to have accurate projections during the year to avoid "surprises" at the year end once all transactions have been processed. Over the 4 years reviewed projections have been close to the actual position in all years.

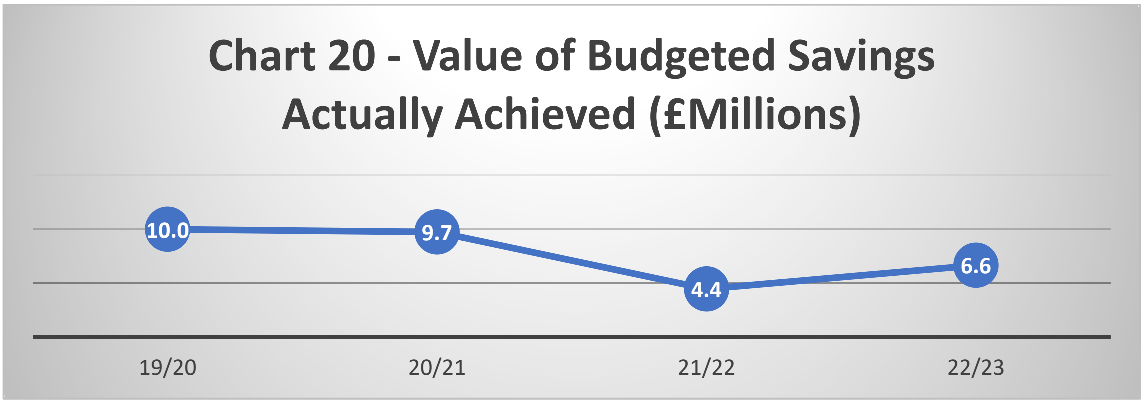


5.4 Chart 18 looks at actual spend compared to budget for capital expenditure and this shows a consistently high level of "slippage". Financial year 2020/21 was especially affected by the COVID-19 pandemic and lockdowns which prevented most projects progressing for part of the year. Capital projects are prone to slippage due to unexpected issues such as weather disruption, delays in obtaining planning consents and sometimes having to re-tender works due to a lack of competitive bids. Staffing shortages has also been a factor more recently. The reasons for slippage are reported during the year and at year end but delivery of capital spending remains an area where Council services need to improve.



5.5 Charts 19 & 20 look at the Council's performance in delivering planned budget savings, mainly through the Change Programme. The Council has had to make savings in its General Fund revenue budget on a massive scale in recent years and being able to deliver in practice what has been assumed in setting the budget is crucial to financial sustainability and financial resilience. Apart from the disruption caused by the COVID-19 pandemic in 2020/21 and 2021/22 Chart 19 shows consistently high performance on achieving planned savings and Chart 20 shows the value of savings achieved for each year.





<u>Summary</u>

5.6 The Council's financial resilience under the Budget Performance category is considered to be:-

STRONG

While there is a need to improve delivery of capital spending plans (which might include being more realistic when setting budgets) the Council has a good track record of managing budgets and delivering the savings assumed in those budgets. External and internal audit reviews of the Council's budget setting and financial monitoring arrangements have consistently concluded that these are sound.

Financial Resilience - Assessment Category 6 – Forward Planning

6.1 Forward planning is essential to maintaining financial resilience – the financial wellbeing of the Council could be damaged if there is inadequate forward planning and assessment of future risks and opportunities.

6.2 Table 10 below identifies the main components of effective forward financial planning and the Council's current practice in relation to these.

Table 10 – Forward Financial Planning Best Practice

Components of Best Practice	**Current Council Arrangements**
Long term (5-10 years) Financial Plan	The Council's first Long Term Financial Planning Framework is to be considered by full Council on 7 September 2023. That will inform future financial planning and in particular the Council's Medium Term Budget Strategy (MTBS) which is updated annually.
Medium term (3 years) Budgets	The Council prepares a rolling 3 year MTBS which is updated annually. This has been an invaluable tool in financial planning and keeping the Council on a sound financial path over the last decade.
Clear Capital Investment Strategy	The Council has a capital strategy which is updated annually and also prepares a 25 year affordability assessment on its capital spending plans which is also updated annually. These inform decisions made about capital spending over a 5 year planning horizon.
Clear Savings Strategy / Plans (3 years)	The Council has for a number of years had a rolling 3 year Change Programme which is an intrinsic part of the Council's budget setting process.
Medium to Long Term Reserves Strategy	The Council currently has a 5 year Reserves Strategy.
Medium Term Financial Resilience Assessment	This assessment meets this requirement. The Council also monitors financial sustainability through its corporate risk register process.

Summary

6.3 The Council's financial resilience under the Forward Planning category is considered to be:-

STRONG

The preparation of a Long Term Financial Planning Framework and this financial resilience assessment can now be added to all of the other best practice components the Council already has in place creating a strong position overall.

Summary and Overall Conclusion – Financial Resilience Assessment

7.1 Table 11 below summarises the financial resilience assessment for each of the categories reviewed. No such assessment can be definitive. There are a multitude of factors which can and do affect the Council's financial position and its readiness to cope financially with future events but this is the first such detailed financial resilience assessment undertaken and it therefore provides a benchmark to compare against assessments in future.

Table 11 – Summary of Financial Resilience Assessment

Category	Financial Resilience Assessment
Assessment Category 1 – Reserves	STRONG
Assessment Category 2 – Expenditure	WEAK
Assessment Category 3 – Income	ADEQUATE
Assessment Category 4 – Cashflow & Borrowing	STRONG
Assessment Category 5 – Budget Performance	STRONG
Assessment Category 6 – Forward Planning	STRONG
Overall Assessment	**ADEQUATE***

* - but for the significant risks on the expenditure category much of which is beyond the Council's control the overall assessment would have been Strong.

7.2 The overall conclusion from the assessment undertaken is that the Council has a good level of financial resilience in most of the categories considered and in the performance measures reviewed. The position is positive in terms of Reserves, Cashflow, Borrowing, Budget Management and Forward Planning – all vital areas to financial resilience. The only area of concern is in relation to expenditure and the legal/policy constraints and demand pressures affecting expenditure – those arrangements cannot be sustained and they put the Council's overall financial sustainability at risk.

7.3 In short the Council's financial resilience at the time of writing (August 2023) is acceptable but without changes in funding and/or expenditure that position will be eroded, potentially quite quickly. Section 13 of The Framework makes further comment on financial sustainability moving forward.

SECTION 5 - PESTLE ANALYSIS – INTRODUCTION

1.1 The Council has either no or only partial influence over many of the factors which might affect its services and finances into the future. The Council is a “creature of statute” which means everything the Council does is because the law says it must or permits that it can. Councils are limited in what they can do including what tax raising and fee charging they are permitted to use to generate income to pay for service provision.

1.2 While the Council would usually be consulted on matters affecting its services, responsibilities and finances it is the Scottish Parliament and to a lesser extent the UK Parliament which decides what the Council will be responsible for doing and what most of the Council’s funding will be.

1.3 **Long term financial planning is exceptionally difficult for an organisation which does not control its own destiny, which can have major changes to the scope of its responsibilities and services added or removed by others and which relies to such a significant extent on government grant funding. The Council therefore needs to be pragmatic in its long term financial planning.**

1.4 The preparation of detailed calculations of revenue income and expenditure beyond a 3 year horizon is considered to be of limited value given the limited influence the Council has over most of the things which will affect it finances. Resourcing is also a limiting factor - the Council’s Finance team does not have the resources to undertake detailed calculations over the longer term beyond what is already undertaken as follows:-

a. Preparation of the annual revenue and capital budgets
b. Preparation of a rolling 3 year Finance & Change Plan (updated annually)
c. Preparation of a rolling 3 year medium term budget strategy (updated annually)
d. Preparation of a 25 year long term affordability assessment on all capital expenditure

1.5 Instead of preparing detailed projections of future income and expenditure this Long Term Financial Planning Framework is intended as a strategic planning tool which focuses on key themes which can be used to inform detailed financial planning over the medium term.

1.6 In order to identify relevant key themes The Framework uses a PESTLE analysis. A PESTLE analysis studies the key external factors (Political, Economic, Sociological, Technological, Legal and Environmental) that influence an organisation. It can be used in a range of different scenarios and can guide strategic decision-making. A PESTLE analysis is often used as a broad fact-finding activity. It helps an organisation establish the factors that could impact decisions. By understanding the impact these factors can have on an organisation, it can anticipate issues and plan ahead more effectively rather than having to react to issues as they emerge.

1.7 Sections 6 to 11 of The Framework cover each PESTLE heading in turn and the focus is on those factors considered to be the most significant for the Council’s services and finances over the medium to longer term. There is a degree of overlap across the PESTLE headings e.g. issues such as climate change are relevant across most of the PESTLE headings. The most significant PESTLE items have been subject to detailed consideration in terms of Past Trends, Trend Influences and Forward Assessment whereas others have been assessed more broadly and include only a summary narrative.

1.8 Table 12 below summarises the factors considered under each PESTLE heading. For this first edition of The Framework the PESTLE analysis considers in detail only those factors considered to be the most significant.

Table 12 – PESTLE Factors Considered

P – Political a. Local Government Roles, Responsibilities and Funding Arrangements b. Government Grant Quantum and Distribution c. Council Taxation / Fees & Charges	**T – Technological** a. Digital services / automation b. Data driven organisation
E – Economic a. General / Pay / Specific Inflation b. PPP/PFI Arrangements c. Recruitment & Retention d. Tay Cities Deal	**L – Legal** a. New Legislation b. Council Statutory Obligations
S – Sociological a. Demographic Change b. COVID-19 Legacy c. Community Provision	**E – Environmental** a. Climate change / transition to net zero

1.9 Section 12 considers the results of the PESTLE analysis, the implications and the actions which the Council should take as a result.

SECTION 6 – PESTLE ANALYSIS - POLITICAL FACTORS

A) Local Government Roles, Responsibilities & Funding Arrangements

Background

1.1 As mentioned in Section 5 the Council is a "creature of statute". While Councils in Scotland have the power to advance well-being (which in principle provides scope to do anything which would benefit the inhabitants of the Council's area) they do not currently have a power of general competence and funding restrictions are also a factor.

1.2 The role and responsibilities of Local Government bodies in Scotland has changed significantly over time and will continue to do so and this includes changes in how Councils are funded for such roles and responsibilities. Some responsibilities are long standing like road maintenance whereas others such as community empowerment are more recent additions to the statute book. Recent years have seen a large increase in funding which is ring-fenced or directed by the Scottish Government and which is not part of the core Local Government budget but comes from other Scottish Government departmental budgets.

1.3 The implications of legal changes are covered elsewhere in this Framework so this section considers the potential longer term impact of the recently signed Verity House agreement and the associated Fiscal Framework between Scottish and Local Government. While the whole agreement is relevant to the future role and funding of local government the following are considered key points for this Long Term Financial Planning Framework:-

- "Powers and funding for Local Government will be reviewed regularly to ensure adequacy and alignment with effective delivery of outcomes. The powers held by local authorities shall normally be full and exclusive."

- "From this point onwards, the default position will be no ring-fencing or direction of funding, unless there is a clear joint understanding for a rationale for such arrangements …... Additionally, current funding lines and in-year transfers will be reviewed ahead of the draft 2024-25 Budget Bill, with a view to merging into General Revenue Grant funding."

- "Scottish and Local Government will work together strategically to advance public service reform, building on the joint work under the Covid Recovery Strategy…"

- "Through the development of a robust Fiscal Framework, which will include meaningful early budget engagement, the Local Government Settlement will be simplified and consolidated, clear routes to explore local revenue raising and sources of funding will be established, and wherever possible multi-year certainty will be provided to support strategic planning and investment."

- "A robust and regular process for early budget engagement will be embedded in the Fiscal Framework, with an underlying principle of "no surprises"."

1.4 The full Verity House Agreement can be found at this (Link)

Council Wide

2.1 Factors for consideration:

Part A - Past trend

2.2 The period since the financial crash of 2008/09 has seen many changes to local government roles, responsibilities and funding arrangements including:-

- The creation of national Police and Fire & Rescue services in place of the previous Council run Joint Boards
- The introduction of Integration Joint Boards for adult health and social care
- The introduction of Community Empowerment legislation
- A freeze on Council Tax for 9 years between 2008/09 and 2016/17 and again in 2021/22
- Significant financial constraint on funding for core local government services
- Significant increases in ring-fenced and directed funding for new services such as the expansion of early learning and childcare and universal free school meals
- Transfer of responsibility and funding from the Department for Work & Pensions (DWP) of what are now known as Council Tax Reduction and Scottish Welfare Fund payments
- The creation of Revenue Scotland
- The use of Councils as delivery agents for financial and other support during the COVID-19 pandemic by the UK and Scottish Governments – the scale of this was extraordinary

2.3 In 2013/14 the Council's net Revenue Budget was £243.9m. By 2023/24 that net budget had risen to £332.4m an increase of £88.5m, 36% which equates to an increase of 3.6% p.a. on average. During that same period the Council has budgeted to save £91m and increased Band D Council Tax by £245, 23% to meet multi-million pound shortfalls between projected expenditure and projected income.

<u>Part B - Trend influences</u>

2.4 Trend influences in local government roles and responsibilities are government policy and legislation, economic factors and to an extent world events. Climate change is also likely to be a sizeable influence moving forward. Local government is a front line and very localised means of delivering public services to society in general and those most in need of help in particular. This means local government services will continue to be needed by society whether Councils continue to be the providers of those services or not.

2.5 Trends affecting other public services are also relevant due to how closely connected some services are e.g. health and social care but also because those other public services are "competing" with local government for a share of the limited available funding for public services as a whole.

2.6 The UK and Scottish economic position, public sector borrowing and funding levels and the financial legacy of COVID-19 are likely to be significant influences over the period of this Framework.

<u>Part C - Looking forward</u>

2.7 New legislation – this is covered in more detail in Section 10 of The Framework and is the single most significant factor in how the roles, responsibilities and funding of Councils may change in the short, medium and longer term.

2.8 The Verity House Agreement – the Verity House agreement should be a significant influence in this regard. If it works as intended it should see much more autonomy for Councils in service delivery and funding, greater clarity of the outcomes to be achieved in local government services and more influence for Councils in national policy developments and funding allocations.

2.9 Fiscal Framework – the intention as part of the Fiscal Framework to try to provide multi-year funding certainty would be a significant step forward which would help the Council with its own service and financial planning.

2.10 Evolution of Community Empowerment including Participatory Budgeting and Community Asset Transfer – the legislation in this area is still relatively new and approaches to it are still evolving. The interaction between this legislation and proposals from the Local Governance Review (see Section 10) is an area to keep under review in the Council's future financial plans.

Part D - Summary

2.11 At the time of writing this Framework some significant influencers of local government roles, responsibilities and funding arrangements (Verity House Agreement and Fiscal Framework) have only recently been agreed. These have the potential to influence the Council's long term service and financial planning to a major extent and as more detail emerges of how these are applied in practice the implications can be built into the Council's Medium Term Budget Strategies.

Service Specific

3.1 Factors for consideration:-

Part A - Past Trend

3.1 Education and lifelong learning – is perhaps the area which has seen the most change. National changes such as universal free schools meals, the expansion of early learning and childcare and the creation of regional improvement collaborative arrangements have changed service provision and funding significantly. More recent interventions on staff numbers and the school week are also relevant to future financial planning. Locally the council has made changes to the secondary school week and its provision of specialist teaching provision in primary schools.

3.2 Welfare Services – notable changes here include expansion of Discretionary Housing Payments (DHPs), the rollout of Universal Credit and numerous funding streams intended to provide support to people in need.

3.3 Adult health and social care – the main recent change was the introduction of Integration Joint Boards but this change is likely to be small in comparison to the changes which may arise from the proposed introduction of a National Care Service (see Section 10). In Angus due to rising demand and ring-fenced funding increases from the Scottish Government the funding provided by the Council to the Angus IJB has risen from £44.8m in 2018/19 to £68.8m in 2023/24 an increase of £24m, 54% over 5 years which is equivalent to an average of 10.8% p.a.

3.4 Childrens social work services – another area of increasing demand which appears to be caused in part by the legacy of COVID-19 and the current cost of living challenges. The need for and cost of residential care and the availability of fostering and kinship care placements has been variable and difficult to predict in recent years but it is clearly a system under pressure which the Council will need to be mindful of in its future financial plans.

3.5 Waste services – Angus Council has invested significantly in these services in recent years, most notably in its disposal arrangements for residual (non-recyclable) waste in partnership with Dundee City Council. Both partner Councils, at considerable initial and ongoing cost, acted to ensure compliance with an intended landfill ban due to come into force in January 2021. This timeline was subsequently extended by the Scottish Government and at the time of writing has still to come into force.

3.6 Support Services – all services have been affected by the Council's approach to agile working but none more so than Council support services. The COVID-19 pandemic accelerated the evolution of agile working and created a very different working environment for staff.

Part B - Looking Forward

3.7 Further investment by the Scottish Government in expanding universal free schools meals to all P6 and P7 pupils is expected during the period of this Framework and education is expected to continue to be a very high priority at national and local level. Developments here will inform the Council's medium term financial planning.

3.8 The Verity House Agreement includes a priority to "transform our economy through a just transition to deliver net zero". Climate change and the actions arising from it will therefore also be significant influences on the roles, responsibilities and funding of Council's moving forward. This will likely cover needs for capital investment in e.g. flood mitigation measures, investment in zero carbon vehicles and plant and adaptions to the Council's housing stock. Council's will also have a leadership and facilitation role with communities in this area. The scale of investment needed in climate change will be a significant influence on the Council's finances throughout the period of this Framework.

3.9 Waste services – significant further change and investment in this area of Council service also seems inevitable over the next 10 years as part of delivering net zero but the expectation is such changes will be phased in so can be taken into the Council's medium term financial planning.

Part C - Summary

3.10 At the time of writing addressing climate change and the proposed introduction of a National Care Service are expected to be the biggest influences on roles, responsibilities and funding arrangements for Councils.

Financial Impacts

4.1 The financial impacts will vary considerably and be determined by legislative and policy changes. For example a further expansion of universal free school meals would be expected to come with full funding from the Scottish Government whereas investment in climate change is likely to require a mix of government and Council funding.

Roles, Responsibilities & Funding Arrangements	**Impact Areas**			
	Expenditure	Income	Assets	Reserves
Council Wide	-ve	+ve	+ve	-ve
Service Specific	-ve	neutral	+ve	-ve

Forward Planning Consideration

5.1 Climate change investment is a particular area of concern given the wider pressures on the Council's finances and this merits more detail financial planning in its own right.

5.2 Monitoring of and responding to the implementation of the Verity House Agreement and Fiscal Framework will also be important for forward financial planning in the medium to long term.

SECTION 6 – POLITICAL FACTORS (continued)

B) Government Revenue Grant (Total)

Background

6.1 Local authorities receive revenue and capital grant from the Scottish Government to assist in funding their activities. This is particularly pertinent in relation to the General Fund revenue budget where government grant supports circa. 81% of net expenditure.

Council Wide

7.1 Factors for consideration:-

Part A - Past trend

7.2 Headline movements in revenue grant levels are subject to manipulation due to the presentation of influences such as inflation, ring-fenced funds, etc. However, Local government's share of the totality of public sector funding in Scotland has fallen over the last decade from 33.0% in 2013/14 to 31.7% in 2023/24. Further, while there has been a real terms increase of 4.3% in revenue grant over this period, this has been accompanied with significant new government duties such as the early years / childcare expansion to 1,140 hours p.a. This compares with an 8.3% increase in the Scottish Government's budget.

Part B - Trend influences

7.3 The two main factors influencing these grant trends have been the priorities of the Scottish Government and the economic and resultant public sector spending contraction following the 2008 financial crisis.

Part C - Looking Forward

7.4 The Scottish Government provides no forward projections of their local government revenue grant intentions. COVID will have a significant impact onto public finances due to the unprecedented growth in public sector borrowing and thus the need for increased taxes and reduced spending in the future to address this. While economic growth is projected to bounce back strongly, the tax benefits of this this will not be sufficient to offset the borrowing growth.

Part D – Summary

7.5 It would seem inevitable that there will be continued pressure onto local government revenue grant over the long term due to consequences of COVID and the relative spending priorities of the Scottish Government. This would negatively impact the Council's income and, in all likelihood, the extent of Reserves retained.

Service Specific

8.1 Factors for consideration:-

Part A - Past Trend

8.2 The extent of revenue grants ring-fenced for specific purposes was very limited historically but has grown significantly in recent years through the advent of the Pupil Equity Fund and Early Learning & Childcare Expansion. Ring fenced grants now make up 6% of the Council's government revenue grant:-

- Education & Lifelong Learning – Gaelic (negligible); Pupil Equity Fund (1%); Early Learning & Childcare Expansion (4%).
- Children Families & Justice – Criminal Justice Social Work (1%).

Part B - Looking Forward

8.3 It is unclear whether the current extent of ring-fencing will be removed by the Scottish Government but the Verity House Agreement suggests this is a likely direction of travel. Past year trends would indicate that there is more risk that the ring-fencing will be expanded further for Scottish Government priorities but the Verity House Agreement should make this less likely now.

Part C – Summary

8.4 There are no service specific impacts from revenue grant ring-fencing. The impact is alternatively onto those non-ringfenced services which must be funded through the Council's general revenue grant which, as noted above, is likely to continue to be constrained.

Financial Impacts

Government Revenue Grant (Total)	**Impact Areas**			
	Expenditure	Income	Assets	Reserves
Council Wide	No impact	-ve	No impact	-ve
Service Specific	No impact	No impact	No impact	No impact

Forward Planning Consideration

9.1 The anticipated negative impact onto income and reserves will necessitate the Council continuing to have to investigate and deliver cost cutting and efficiency measures through the Change Programme.

SECTION 6 – POLITICAL FACTORS (continued)

C) Council Taxation and Fees & Charges

Background

10.1 Councils are limited in what they can do by legislation including what tax raising and fee charging they are permitted to use to generate income to pay for service provision. At the time of writing this Framework some significant changes in local government taxation arrangements are either in progress or are being consulted upon.

10.2 The Verity House Agreement includes as part of a Fiscal Framework an intention to "explore local revenue raising and sources of funding" for Councils and steps in that direction are already happening in relation to Council Tax reforms for second homes and long term empty properties and on the multipliers used to determine the charges in each council tax band.

Council Wide

11.1 Factors for consideration:

Part A - Past trend

i) Council Tax

11.2 Council Tax was frozen for 9 years by the Scottish Government between 2008/09 and 2016/17 and frozen again in 2021/22. In the years since 2016/17 when a freeze wasn't applied maximum increases set by the Government were applied. Councils have had the freedom to determine local increases in financial years 2022/23 and 2023/24. In April 2017 changes to Council Tax multipliers affecting Bands E to H were made to make the tax more progressive. This generated additional income of circa £1.7m for the Council.

11.3 Council Tax has accounted for between 19 and 20% of the income required to fund the Council's net expenditure on General Fund services over the last decade. The Council's tax base (the total number of properties liable to pay Council Tax) has increased year on year due to new housing developments. The tax base has increased by just under 5,000 (11%) Band D equivalent properties between 2013/14 and 2023/24 but circa 1,600 (32%) of that increase was due to the 2017 changes to tax multipliers.

11.4 Partly due to the aforementioned period where the tax was frozen and partly due to local choice the Angus Council Tax has increased by 23% since 2013/14 in comparison to CPI inflation for the same period which rose by 30%. The increase in Council Tax agreed by Council for financial year 2023/24 of 6% was the largest single year rise the Council has applied since its creation, this was largely driven by inflationary pressures well beyond that level.

11.5 Council Tax levels in Angus at Band D are approximately £100 or 7% lower than the Scottish Average.

ii) Fees and Charges

11.6 Fees and charges are an important part of the Council's finances and funding of service provision. Fees & Charges relating to services provided by the Council's Waste and Parks Services and the Angus Health & Social Care Partnership are the most significant financially. Fees and charges for Council services (excluding AHSCP) for 2023/24 are estimated to generate income of £17m. Financially this is approximately only 27% of the among of income raised from Council Tax.

11.7 Previous benchmarking suggested charge levels in Angus were comparable with other authorities and that the Council already charges for almost all of the services it is legally allowed to charge for. Angus was the first Scottish Council to introduce a charge for garden waste collection (a non-statutory service). Additional income from the reintroduction of off-street parking charges is included in the Council's base budget but charges remain suspended at the present time.

iii) Non-Domestic Rates (NDR)

11.8 The Council collects NDR on behalf of the Scottish Government and NDR income nationally forms part of the total funding package which funds local government services but Councils have no direct control over this source of income – the Assessor determines the rateable value and the Scottish Government sets the rate poundage. An incentivisation scheme which enables Councils to retain a proportion of NDR income if it exceeds specified amounts has operated in recent times but the impact of this financially is very small for Angus.

Part B - Trend influences

i) Council Tax & Fees & Charges

11.9 Key influences on future levels of Council Tax and Fees & Charges will be the Council's financial position, the budgetary pressures having to be addressed and the acceptability of savings options as an alternative to increasing taxes and charges. National and local political choices and economic factors such as the rate of inflation will also influence trends.

ii) Non-Domestic Rates

11.10 National political choices and factors such as economic performance and the rate of inflation will influence future levels of non-domestic rates and income levels. Councils now have more powers over empty property relief and local choices on that will influence future NDR income at a local level, albeit not significantly.

Part C - Looking Forward

i) Council Tax

11.11 The low Council Tax in Angus compared to the rest of Scotland in theory provides more scope for above average increases in Council Tax in future years but the acceptability of this will be a matter for elected members to determine. The Council agreed in March 2023 indicative budgets for financial years 2024/25 and 2025/26 which assumed a 5% increase in Council Tax in each of those years.

11.12 The scale of spending cuts and staffing reductions the Council has had to implement over the last decade have been so large that further acceptable options to close funding gaps by cutting staff and services further will be difficult to achieve. This tends to suggest that larger increases in Council Tax than historic averages may be required so the Council can continue to be financially sustainable.

11.13 Council Tax reform is also underway and will influence the Council's finances in the short, medium and long term. This includes reforms for second homes and long term empty properties and on the multipliers used to determine the charges in each council tax band. Further reform over the medium term is also being considered. Replacement of Council Tax entirely over the period of this Framework is also a possibility.

ii) Fees & Charges

11.14 Income from Fees & Charges is a relatively modest part of the Council's finances and are expected to remain so. The Council has decisions to make regarding off-street parking charges. Legislative changes may provide new opportunities to levy fees and charges.

iii) Non-Domestic Rates

11.15 A new NDR incentivisation scheme is about to launch and that may provide a potential source of further income for the Council but not on a scale which will have much influence on future financial planning.

(iv) New Taxation Options

11.16 Councils now have the power to introduce a workplace parking levy in their local area and legislation is in progress on a Local Visitor Levy (LVL) which if agreed will give Councils new income generation powers. Both of these will require policy decisions by the Council in due course. The LVL even if agreed to be implemented is not likely to have any impact on the Council's finances until financial year 2026/27 at the earliest and funding raised through such a levy can only be used for specific leisure/tourism purposes. Further changes may also arise through the Fiscal Framework.

Part D - Summary

11.17 Having endured budget cuts and savings of more than £91m since 2013/14 the medium to long term outlook is for increases in income to play a more significant part in balancing future budgets than has been the case during the last decade. That will come from increases in Council Tax and fees and charges and potentially new forms of taxation and income raising options for Councils.

Service Specific

12.1 Factors for consideration:-

Part A - Past Trend

12.2 Service specific trends on fees and charges have tended to mirror those on a Council-wide basis. The council has for a number of years with some exceptions applied a standard percentage increase to the charges it levies for services provided. Recent years have seen new charges for off-street parking, garden waste and electric vehicle charging introduced.

Part B - Looking forward

12.3 Service level fees and charges are expected to be impacted by the same factors as those covered under Council-wide considerations above. Legislative changes perhaps around net zero and sustainability could result in more scope for new fees and charges to be levied in specific areas like waste disposal but new legislation usually also means new responsibilities (and costs) for Councils.

Part C - Summary

12.4 Section 13 of this Framework provides a long term financial sustainability assessment for the Council which highlights that the current system of local government services and funding is an unsustainable model – a broken system. This points towards a need for radical changes in how the money needed to provide Council services is raised through national and local taxation as well as through local service charges. That radical change will need to take place during the period covered by this Framework.

Financial Impacts

Council Tax and Fees & Charges	**Impact Areas**			
	Expenditure	Income	Assets	Reserves
Council Wide	neutral	+ve	neutral	+ve
Service Specific	neutral	+ve	neutral	+ve

Forward Planning Consideration

13.1 Council Tax will be a significant feature in the Council's forward financial plans in terms of both levels of the tax and the policy choices which will become necessary based on reform proposals currently being consulted upon.

13.2 New taxation options will also be relevant with the Local Visitor Levy the most significant one currently known.

SECTION 7 – PESTLE ANALYSIS - ECONOMIC FACTORS

A) General / Pay / Specific Inflation

Background

1.1 Inflation is a measure of how much the price of goods and services increase over time. This is measured by the Office for National Statistics through benchmarking the movement in prices of a “basket” of typical goods and services year on year. The prices of goods and services will be increasing (or decreasing) at varying rates within the “basket” but the overall average increase is known as the inflation rate.

Council Wide

2.1 Factors for consideration:

Part A - Past trend

2.2 The UK Government has set the Bank of England (BE) a target of achieving an inflation rate of 2% as measured by the Consumer Prices Index (CPI). The BE should seek to generally achieve this inflation target over the longer term subject to short term fluctuations. The most recent years are set out below. Inflation has spiked considerably over the last year.

Calendar Year	CPI %
2022 (Sept 2022)	11.3
2021	2.8
2020	1.0
2019	1.9
2018	2.5

Part B - Trend influences

2.3 The BE’s main tool for controlling inflation is through setting the Bank Rate. This influences the return received on savings and the charge for loans / mortgages by all UK financial institutions. The BE also buys and sells government bonds to influence these. These tools, however, only influence domestic inflation and do not influence inflation which is imported e.g. fuel costs. The recent spike in inflation has been caused by two main factors: demand outstripping supply post Covid lockdown; and Russia’s invasion of Ukraine impacting the price of energy and a number of commodities e.g. steel and grain. The BE has responded through sharp increases in the Bank Rate which now sits at 5.25% (August 2023).

Part C - Looking forward

2.4 Economists views vary, but it is generally anticipated that the recent spike in inflation will tail off after the initial price shock. This would though see some of the cost increases now being embedded in the economy and thus deflation is not considered likely. In the longer term it is considered that the UK Government’s 2% target remains the most likely scenario for the average prevailing inflation rate.

Part D – Summary

2.5 While there are significant inflation spikes at present these are considered to be short term and there will be a return to the 2% target level over the next couple of years.

Service Specific

3.1 Factors for consideration:-

Part A - Past Trends

3.2 The impact onto the Council of prevailing inflation rates is evident through the following perspectives:-

- Consumer: the Council is a large consumer of goods and services, albeit this is predominantly through delivery of services by 3rd parties. The inflationary pressures evident annually for the Council may be dependent on the individual price movements within the overall CPI basket e.g. a spike in vehicle fuel costs will impact services such as waste but others to a much more limited extent. Council contracts terms and conditions will also make reference to an annual uplift on the basis of an inflation measure e.g. PPP contracts are a significant cost pressure due to their already high base cost to which inflation is applied. All other things being equal, the Council's revenue and capital purchasing power and thus the services it can deliver is eroded through the impact of inflation;
- Charges: the Council reviews its charges for services and sets a Council Tax annually. Prevailing rates of inflation are a consideration in this, as is the impact onto customers/taxpayers;
- Employer: inflation has a significant influence on the national dialogue between CoSLA (employer's representative) and Trade Unions regarding pay settlements. Given pay is the Council's single biggest cost, any pay deal has a significant influence on increases in the Council's cost base;
- Treasury management: in relation to borrowing to fund Council capital expenditure as the medium to long term interest rates offered by the Public Works Loan Board are predominantly influenced by the outlook for inflation. Returns on Council lending are influenced by movements in the BE Bank Rate;
- Asset values: some of the Council's assets are valued on the basis of Depreciated Replacement Cost e.g. schools. High prevailing rates of inflation within the construction industry has meant that the value of these assets on the Council's Balance Sheet has significantly increased.

Part B - Looking forward

3.3 The economy is facing historically high rates of inflation and despite action by the Bank of England it is unclear how long these will prevail. It is anticipated that, in due course, inflation will return to its long term trend and the current financial pressures being faced by the Council will reduce.

Part C – Summary

3.4 The Council is currently facing severe financial pressure through inflationary impacts onto the cost of goods and services it consumes, the impact of inflation on contracts and pay award settlements. These will not be offset to any great extent by charges / Council Tax increases and will necessitate large spending cuts to facilitate a balanced budget. While the inflationary pressures should reduce in future years, given inflation has continually not been provided for in the local government settlement from the Scottish Government, this is likely to remain an annual cost pressure necessitating spending reductions.

Financial Impacts

Inflation	**Impact Areas**			
	Expenditure	Income	Assets	Reserves
Council Wide	-ve	+ve	-ve (capital spend) +ve (asset values)	-ve
Service Specific	-ve	+ve	No impact	No impact

Forward Planning Consideration

4.1 The anticipated negative impact onto income and reserves will necessitate the Council continuing to have to investigate and deliver cost cutting and efficiency measures through the Change Programme.

SECTION 7 – ECONOMIC FACTORS (continued)

B) Public Private Partnerships Arrangements

Background

5.1 Angus Council has entered into five Public Private Partnership (PPP) type arrangements over the last two decades to finance large capital assets. These arrangements were promoted by national government for two reasons: a view that Best Value could be achieved through an appropriate balance of risk and reward between the public and private sector; to ensure that the expenditure required to create the asset remained off balance sheet thus allowing the financing to be spread over the concession contract period. From a local government perspective, such arrangements were also the only way to secure government funding for some major capital projects.

Council Wide

6.1 Factors for consideration:-

Part A - Past trend

6.2 Angus Council has five PPP contractual arrangements as follows:

Project	Contract Commenced	Contract Period	Capital Value (£m)	Annual Cost (£m)
A92 Dual Carriageway	2005/06	30	50	7.8
Beech Hill House (IJB)	2005/06	25	2	0.5
Forfar / Carnoustie Schools	2007/08	30	42	7.3
Forfar Community Campus	2017/18	25	34	3.5
Arbroath Schools	2017/18	25	15	1.5
			Total	20.6

Part B - Trend influences

6.3 It may be noted that the PPP contracts have left the Council with a significant ongoing annual cost burden requiring to be addressed through the revenue budget. These are based on an assumed inflation rate of 2.5%. However, contractual provisions regarding inflation have meant these annual cost figures have been higher than noted above in recent years. The maintenance regimes and handover requirements underlying the contractual arrangements mean that the assets are likely to have longer operational lives than the other assets used by the Council.

Part C - Looking forward

6.4 New European accounting rules changed the way that PPP arrangements were dealt with in the accounts of local authorities. The change meant that PPP assets were now required to be reflected on the local authority balance sheets, thus removing one of the main reasons for their use as investment vehicles. In response to this, the Scottish Government has moved to providing funding support for major capital projects based on an outcome-based approach e.g., the Learning Estate Investment Programme, which now necessitates local authorities following "traditional" procurement routes.

Part D – Summary

6.5 The Council has five PPP contracts which it will require to finance and manage until their conclusion, after which the assets will transfer to Council ownership. Amended accounting rules means that there is no prospect, at present, for any further such arrangements to be entered into by the Council.

Service Specific

7.1 Factors for consideration:-

Part A – Summary

7.2 Provision for the annual cost of the Council's PPP contracts, and variations in these, is made corporately in the revenue budget. There are, therefore, no financial implications for services to address themselves.

Financial Impacts

PPP/PFI Arrangements	**Impact Areas**			
	Expenditure	Income	Assets	Reserves
Council Wide	-ve	No impact	+ve	No impact
Service Specific	No impact	No impact	No impact	No impact

Forward Planning Consideration

8.1 The negative impact onto expenditure, particularly in periods of high inflation, will necessitate the Council making sufficient provision within its medium term financial planning.

SECTION 7 – ECONOMIC FACTORS (continued)

C) Recruitment & Retention

Background

9.1 Most of the services the Council provides require staff and for some services staff costs make up more than 90% of the cost of the service. Staffing numbers, the skills and grades mix and the balance between permanent and temporary staff are all relevant to workforce and associated financial planning.

9.2 The council is one of the largest local employers, providing a wide range of highly specialist services and requiring a highly trained, adaptable, modern workforce. We are also operating in an increasingly competitive recruitment market where jobseekers have many more choices than previously.

9.3 Further information is available in our 2023-2028 Workforce Plan.

9.4 Recruitment of new staff and retention of existing staff is crucial to the Council's ability to deliver the priorities in the Council Plan making it an important part of this Framework.

Council Wide

10.1 Factors for consideration:

Part A - Past trend

10.2 The number of people employed by the council reduced by approximately 10% between 2014/15 and 2019/20. There was an increase in the workforce in 2020/21 due to the staffing requirements of increased early years provision.

10.3 Our annual pay bill including employer costs has increased from £165m (2020/21) to just under £185m (2021/22). The increase is largely down to additional Scottish Government funding for AHSCP, Teachers & School and Pupil Support Assistants, pay increments and nationally negotiated pay awards.

10.4 The number of employees under 24 is 139 (3%) while the number of employees aged 60+ is 549 (12%).

10.5 Our overall Gender Pay Gap has increased from minus 1.18 percent in 2020/21 to minus 1.85 per cent (in favour of women)

10.6 Our age profile shows that 55 per cent of our workforce is over the age of 45 with 26 per cent being aged 55 and above, including 75 employees (2 per cent) who are aged 65 years and over. This means that a significant number of employees may be seeking to retire from the council over the next 5 to 10 years.

10.7 Women make up 76 per cent of our workforce. We continue to have a large female workforce in Early Years, Social Work and Social Care, Young People's Social Care and in teaching.

10.8 Our workforce reflects the complexity and diversity of the services we deliver. The employment status of our employees covers full-time, part-time, job-share, flexible, fixed-term, and term-time. We also have individuals who work for the council on an irregular basis, for example relief staff and supply teachers.

10.9 The figures below (as at 1-4-22) detail the distribution of our workforce and show that 79% of our workforce are employed on a permanent basis:-

- Permanent 79%
- Supply 13%
- Temp 7%
- Probationary (teaching staff only) 1%

10.10 The Council's staff turnover in recent years has increased as shown below:-

- 2020/21 – 6.47%
- 2021/22 – 10.02%
- 2022/23 – 10.84%

10.11 Recruitment to fill staff vacancies has become increasingly difficult in the last 12-18 months with many posts going unfilled. This has resulted in significant financial savings but has added to the workload and pressures on existing staff and resulted in delays and curtailment to some service provision.

10.12 Pay costs and pay negotiations regarding pay increases have until 2022/23 been dealt with within the affordability constraints the Council has but 2022/23 saw an escalation of pay increases sought (driven by very high general inflation) and industrial action by many staff groups and trade unions. Pay negotiations for LGE staff for 2023/24 are, at the time of writing, an area of dispute and potential industrial action.

Part B - Trend influences

10.13 There are many influences affecting the Council's workforce and our recruitment and retention of staff but for the purposes of this Framework the 4 main influences are considered to be:-

i) Demographics

- The Council faces a legacy from local government reform in 1996 which is likely to see a large number of experienced and senior staff leave over a relatively short time period. This creates service continuity and financial risks which require to be managed
- Changes in the Pension Regulations which now allow employees aged 55 and over to retire may have an impact on the speed of staff departures perhaps especially for those in higher pressure roles
- Financial pressures have made it challenging to create opportunities for traineeships and apprenticeships to grow our own but not doing so would be damaging to long term organisational performance.

ii) Attitudes/Expectations

- The COVID-19 pandemic has changed the world of work and attitudes to work. The pandemic accelerated moves to new ways of working thanks to developments in technology and those now seem irreversible changes. Younger workers and parents in particular are seeking more flexible ways of working and this has implications for the Council which provides so many front line services where flexible working patterns can be more difficult.

- Angus Council is already a leader in agile and flexible working and that needs to be used more extensively as a selling point to attract and retain staff, especially younger people given the Council's workforce demographic profile. Job re-design to attract new staff is also required.

iii) Attractiveness of Local Government as a Career

- Councils have historically been able to attract new staff without much effort – this is no longer the case and with an ageing population and shrinking percentage of people available for employment generally the Council will continue to be in a very competitive market for recruitment and retention of staff. The Council will need to take specific action to attract new staff by selling the benefits of our terms and conditions including agile and flexible working options.

- It will be challenging for the Council to recruit and retain staff in the current financial environment due to the threat of further jobs cuts. Work to properly contextualise this will be required – the Council will, despite the financial challenges, remain a very large employer and most reductions in head count will be through natural turnover.

iv) Pay Levels and Differentials

- The Council already follows the Fair Work First Principles in its employment practices and pay levels but challenges remain in areas such as social care to recruit and retain staff in part due to better pay rates in other sectors of the economy. This will be a major challenge to solve.

- Financial constraints affecting local government as a whole have seen pay levels fail to keep pace with inflation for many staff over the last decade or so. Pay deals in recent years have also been "bottom-loaded" meaning higher percentage increases for staff on the lowest levels of pay. While this has helped lift staff on the lowest salaries onto better pay it has also meant sustained erosion of pay differentials across the pay and grading structure of the Council making it more difficult to recruit to promoted / supervisory posts. If this trend towards bottom-loading continues it could lead to a re-emergence of equal pay issues and significant gaps in management capacity and leadership.

Part C - Looking forward

10.14 An ageing population - we are living longer and this places new and different demands on our services. For our workforce it means that some of us may choose to work longer, which can have implications for the opportunities and career pathways available.

10.15 Adjusting workforce size and skills – the funding available to the council means that we will have a smaller workforce and we will require to operate more commercially to generate income and make savings. Increasing demands on a smaller workforce will mean that services will have to change, contract or cease.

10.16 Digital by design – we continue to work towards being digital by design, harnessing technologies that make services more accessible, available 24 hours a day, 7 days a week and easier to use than ever before. We need to help people to use digital methods to self-serve by making online processes easy and clear to use.

10.17 Agile working and changing patterns of work – the increased emphasis on agile working will support the continued rationalisation and optimal use of council buildings and provide opportunities to explore how we can deliver services differently. Many roles that would have previously been geographically bound are now work from anywhere roles. Static working hours are also a thing of the past in many roles where people have more flexibility around when they work making more roles accessible to more people.

10.18 Partnership and collaborative working – exploring partnership and collaboration is essential to deliver services differently in the future. We have initiated work on demand management using a service design approach to implementing change which puts our customers and people at the heart of our work. We will also actively pursue collaborative opportunities with other councils.

10.19 Legislative changes - the implications for employees and the council overall in the implementation of the National Care Service are not yet clear but could lead to considerable change for our workforce across a number of services.

Part D - Summary

10.20 As things stand the Council has an ageing workforce, is struggling to recruit to many of its vacancies and due to financial pressures and the threat of job losses is a less attractive employer than it has been historically. Pay differentials across pay grades have been eroded making promoted posts less attractive and across many of our services Angus pays less than other Councils. On the plus side the Council's terms and conditions including pension provision remain among the best around and we are a leader in agile/flexible working.

10.21 It is imperative that we increase our youth employment opportunities not only to ensure that we are able to fill posts vacated by retiring employees but also to support young people into employment and training opportunities in the Angus area and ensure we have employees with skills to provide our changing services.

Service Specific

11.1 Factors for consideration:-

Part A - Past Trend

11.2 The Council wide factors listed above apply to all services of the Council. There are specific challenges nationally in training the next generation of officers in planning, building control, environmental health, trading standards, estates and civil engineering among others. Most Council services require professionally qualified staff and where these roles also exist in the private sector recruitment and retention is a challenge because private sector pay tends to be higher for equivalent roles. Finding vacancies for newly qualified teachers has also been a challenge historically but this area does benefit from specific government funding support and teaching and support staff numbers are currently protected by Government funding policies.

Part B - Looking forward

11.3 The issues flagged in the Council-wide section above apply to all services of the Council to some degree. Recruitment and retention challenges are more acute in some services than others because of a national shortage in some professions.

11.4 Staffing reductions in some services to deliver budget savings have taken some teams to the point of having single points of failure and insufficient resilience to cope with e.g. staff absences. For specialist services with small teams like resilience, health and safety, payroll and audit there is a need to consider collaboration with others as a means of sustaining service provision and providing more resilience.

Part C – Summary

11.5 Service specific issues will need to be considered as part of the actions arising from the Council's workforce planning. Some solutions may be locally enabled while others will require action nationally.

Financial Impacts

12.1 The Council is likely to see continued pressure to increase pay levels to remain competitive and will also have to invest substantially to grow our own and attract younger people embarking on their career. This will impact our expenditure and reserves. These investments will however put the Council in a better position to maintain service continuity and reduce the risk of costly and damaging crisis situations arising in future.

Recruitment & Retention	**Impact Areas**			
	Expenditure	Income	Assets	Reserves
Council Wide	-ve	None	N/a	-ve
Service Specific	-ve	None	N/a	-ve

Forward Planning Consideration

13.1 The Council already has an overall Workforce Plan and service level workforce plans have also been prepared. The 3 key actions arising in relation to recruitment and retention of staff from a long term financial planning perspective are:-

- Address the Ageing Workforce – this requires investment in trainees/apprentices/graduates across all or most services of the Council. These will be long term investments but are nevertheless essential.

- Promote the Council as an Employer – the Council needs to invest in promoting itself as an employer and local government services as an attractive career option. It may even be necessary to try to attract retired staff back on a part time / temporary basis to support service delivery or specific projects where other options fail.

- Deliver workforce plans actions – growing our own will take a number of years before it provides the next generation of leaders and there will therefore be a need to manage the age demographic across services in a manner which maintains continuity and experience.

SECTION 7 – ECONOMIC FACTORS (continued)

D) Tay City Region Deal

14.1 The Tay City Region Deal ("The Deal") commits the UK / Scottish Governments to work collaboratively with the regional partners, including Angus Council. The Deal seeks to transform the regional economy by delivering: inclusive growth; increased productivity for the region; and increasing the participation of its workforce. The Deal has a 10 year time frame up to and including 2029/30.

14.2 The Deal will see the two governments invest up to £150 million each which will lever in additional investment from the regional partners and private sector – potentially £400 million and securing 6,000 jobs.

14.3 The main direct involvement for Angus Council is through the Angus Fund which comprises a number of distinct initiatives: drone port; centre for agricultural technology and sustainable innovation; angus rural mobility hub; and low carbon housing; Zero4 enterprise hub.

14.4 The Council follows a business case methodology for each of the projects it is leading on, which require sign off by the two national governments. Given the fixed financial contributions by the two national governments inflation represents one of the major prevailing risks as this may erode the value of these contributions.

14.5 Facilitating The Deal will require ongoing capital by the Council to provide match funding to projects and revenue investment to provide resource to support management of The Deal and the progression of individual projects. This is assessed on an annual basis as part of the Council's budget setting process.

SECTION 8 – PESTLE ANALYSIS – SOCIOLOGICAL FACTORS

A) Demographic Change

Background

1.1 The Council provides services targeted at the Angus population generally e.g. waste collection, but also a number specific to particular demographic groups e.g. schools. As such, changes in the overall Angus population and its demographic structure can influence the demand for and cost of services. Demographic consideration has been limited to total population / age profile as the greatest influencers. Factors such as ethnicity, religion, socio economic, sex, etc. may have an influence on the demand for Council services but have not been considered due to data / resource constraints.

Council Wide

2.1 Factors for consideration:-

Part A - Past trend

2.2 Scotland's population has been growing over the last 100 years, being 4.74m in 1910 and 5.48 in 2021 (+15.6%). In the last 10 years (2011 to 2021) it has grown by 0.18m (+3.4%). Angus' population has remained relatively static over these 10 years at 116,120 in 2021. The age profile over this period has changed per Table 13 below. It may be noted that Scotland's age profile below 45 has fallen over this period while that over 45 has increased significantly. This is generally mirrored in Angus apart from a small reduction in 45-64 compared with the large growth in Scotland as whole.

Table 13: Population Age Change 2011 to 2021

Age Group	Scotland	Angus
<=15	-6%	-7%
16-24	-2%	-9%
25-44	-2%	-7%
45-64	+20%	-2%
65-74	+33%	+25%
>=75	+33%	+21%
Total	+3%	0%

Data Source: National Records of Scotland website

Part B - Trend influences

2.3 Demographic change is driven by a number of factors, the main ones being birth rates, mortality rates and migration. These factors are influenced by national (e.g. public health improvements) and international matters (e.g. wars). Over the last 10 years Angus and Scotland's population growth from these factors is set out in Table 14 below. It may be noted Scotland's underlying population has remained static with growth occurring through inward migration. Similarly, Angus' total population has remained static due to inward migration (which has been mainly from other parts of Scotland).

Table 14: Population Change Factors 2011 to 2021

Factor	Scotland (000)	Angus (000)
Net Birth / Death	-40	-3
Net UK Migration	+86	+3
Net International Migration	+134	-
Total Population Movement	+180	-

Data Source: National Records of Scotland website

Part C - Looking forward

2.4 Scotland's and Angus's populations are projected to change as shown in Table 15 below by 2030. It may be noted that both Scotland's and Angus' total population are anticipated to remain static over this period. Underlying this, however, is a reducing population under 65 and a growing population 65 and over.

Table 15: Population Age Change 2020 to 2030

Age Group	Scotland	Angus
<=15	-14%	-10%
16-24	4%	-5%
25-44	1%	0%
45-64	-7%	-11%
65-74	+16%	+6%
>=75	+24%	+33%
Total	0%	-1%

Data Source: National Records of Scotland website

Part D – Summary

2.5 Angus has seen a reducing population under 65 over the last 10 years and this trend is projected to continue over the next 10 years also, while the overall population remains static.

Service Specific

3.1 Factors for consideration:-

Part A - Past Trend

3.2 The key areas of demographic change onto the Council services are:-

- Education: the number of pupils is a significant influence on the overall cost of nursery, primary and secondary education. Past and future trends of a reducing school age population would, therefore, be indicative of reducing cost. However, the fact that the pupil population is dispersed across Angus mean this influence is one of a "stepped" reduction rather than direct relationship for two reasons. Firstly, meeting pupil / teacher ratios means that classes cannot readily be amalgamated to reduce staff costs. Secondly, education is tied to buildings which cannot readily be rationalised in their individual use or overall number.
- Adult care: the number of clients is a significant influence on the overall cost of adult care services. Past and future trends of a growing older population demonstrate a continually increasing client base and thus cost pressure.
- Children's services: past and future trends of a falling younger population, on the face of it, would be indicative of a reducing client base. Societal issues such as poverty / deprivation and drug / alcohol use are though greater influencers on child protection demands. Medical advancements have increased life expectancy for babies born with complex disabilities and congenital conditions e.g. cystic fibrosis, and thus the support required to children and families. There are thus more significant influences on the demand for children's services beyond the evident demographic change.
- Council Tax: while the overall Angus population is forecast to be static, underlying this is a growth in the number of adults. It can be anticipated, therefore, that there will be growth in the number of households and thus Council Tax payers. This would continue the trend of growth in the Council Tax base that has been evident within Angus since 1996.

Financial Impacts

Demographics (age)	Impact Areas			
	Expenditure	Income	Assets	Reserves
Council Wide	Variable	+ve	No impact	No impact
Service Specific	-ve (adult services +ve (ELL)	No impact	No impact	No impact

Forward Planning Consideration

4.1 The most prevalent impact of demographic age change on the Council will be in relation to increased client numbers within adult care which will have a direct impact onto costs and long term planning for the cost and infrastructure is necessary. Reducing pupil numbers will not significantly reduce costs in the short term due to population dispersion but medium / long term planning is necessary to facilitate this. Children's services are not significantly influenced by demographic change.

SECTION 8 – SOCIOLOGICAL FACTORS (Continued)

B) COVID-19 Legacy

5.1 At the time of writing this Framework the COVID-19 pandemic is still a relatively recent event and the medium to long term legacy from the pandemic is likely to take years to emerge. The fact that the period immediately following the pandemic has seen war breakout in Europe and a resultant increase in inflation makes it difficult to distinguish what might be COVID legacy impacts from the impacts arising from the cost of living crisis. COVID legacy impacts, perhaps compounded by cost of living issues, are likely to show up as short, medium and longer term issues which affect demand for Council services and therefore bring added pressures to the Council's finances.

5.2 Predicting the financial implications for the Council arising from COVID-19 in the medium to long term is difficult at this moment in time but there is already evidence of additional demand pressures affecting Council service provision in areas such as:-

- Looked after children
- Children and young people's mental health services
- Welfare rights services

5.3 There is also evidence of developmental delay in some children which may mean additional demand for support during their school career.

5.4 The legacy effects from COVID-19 will be kept under review as part of the Council's Medium Term Budget Strategies and will be considered in more detail as part of the next iteration of this Framework by which time more empirical data and evidence of its impact will be available.

C) Community Empowerment / Community Provision

6.1 The Community Empowerment (Scotland) Act 2015 set out a clear direction of travel intended to provide communities with more say and more power to determine what happens in their local area. This has resulted in more community ownership of assets through community asset transfers (something Angus Council was supporting even before the 2015 Act) and a number of detailed reviews and consultations on Common Good assets. Community input to budget decisions has also been developed through Participatory Budgeting work. The Act has also required the Council to adopt new accounting policies and clear guidelines on how Common Good assets used for operational purposes will be managed and paid for Report 138-21 refers.

6.2 Community provision of some services has also been on the increase with examples including Brechin City Hall and East Haven public toilets. The significant squeeze on the Council's finances over the last decade which is expected to continue over the medium term means that for many non-statutory services the Council provides or funds the future will require much more community provision than now if those services are to survive. A model where the Council supports others to provide many of its non-statutory services seem an inevitable consequence of ongoing financial constraints.

6.3 The Local Governance Review (see Section 10 below) is also likely to mean a greater devolution of power to local communities with potentially significant implications for the Council and its finances.

6.4 For the purpose of this Framework it is assumed that the following will apply over the medium to long term driven in part by the need for the Council to make financial savings but also because of national developments:-

a) Finalisation of work to review common good asset registers following community consultation
b) More community ownership of surplus Council and Common Good assets
c) More community provision of non-statutory Council services (including some of those currently provided by ANGUSalive)
d) Greater devolution of decisions on use of financial resources to local level – this will likely require new governance and support structures to be established

6.5 Items a) and b) above will be managed within existing arrangements and are not expected to be significant financially (positive or negative) for the Council. Item c) will be developed through the Council's Finance & Change Plan and annual budget setting process and is likely to be financially significant. Item d) is potentially the most significant in terms of its impact on the Council's finances but is difficult to assess at this point in time until more information on the proposals emerges. This will therefore be kept under review as part of the Council's Medium Term Budget Strategy process.

SECTION 9 – PESTLE ANALYSIS - TECHNOLOGICAL FACTORS

A) Digital Services / Automation / Inclusion

1.1 The Council's Digital Strategy is for a better, stronger, sustainable and smaller Council.

1.2 Delivering the Digital Strategy will necessitate ongoing financial investment in the Council's own infrastructure and third-party provision to facilitate:

- Channel shift from resource intensive interaction methods to self-service, increasing the number of services available digitally.
- Increased and improved connectivity to our systems and high-speed Wi-Fi.
- Improved accessibility for stakeholders, designing digital services around the client.
- Continued security of data and protection from cyber threats.

1.3 This investment will provide, amongst other things, financial benefits for the Council through cost reduction and efficiencies delivered by:

- The simplification and automation of services, freeing staff resource to deal with clients with assisted and complex transaction requirements.
- Using a consistent approach and reusing the same technologies to reduce costs of delivery, remove duplication and assist familiarisation making it easier for clients to self-serve.
- Supporting an Agile Council workforce matching client needs.
- Increasing collaborative working with partners and neighbouring local authorities.

1.4 The Council follows an option appraisal approach for initiatives of significant scope to ensure that a robust business case is developed outlining the return on investment and associated risks. This will include assessing the financial implications.

B) Data Driven Organisation

2.1 Best Value covers everything the Council does – knowing how we are performing and using data as part of our planning and monitoring is therefore central to delivering best value. We need to be an organisation where all decision making is informed by data, where data is used from the outset to design services and to monitor and manage service delivery. Best use of data will, among other things, allow us to design services around user needs and focus our increasingly limited resources to deliver the best outcomes we can.

2.2 We already have in place many of the building blocks required to be a performance led (data driven) Council but there is a need to join up arrangements and address areas of overlap. Key actions are for the council to:-

1. have a clear overall strategy for data over the short to medium term (1-5 years);
2. identify the systems, processes, skills and tools that are needed to deliver that strategy;
3. identify the key actions we need to take to ensure the aims of the strategy are delivered;
4. have the right governance arrangements to manage the programmes of work arising from the strategy; and
5. have a clear resourcing plan for the strategy and associated actions (this is an area where investment can help us manage the delivery of this change to new ways of working at the same time as reductions in staffing and funding are having to be made to meet budget targets).

2.3 A Data Strategy for the Council is being prepared and will be framed around the following 5 themes which will bring clarity to what we are doing and coherence to how we will do it.

- Data Architecture – e.g. systems, interfaces, platforms, emerging tech
- Data Foundations – e.g. catalogues, metadata, protocols, processes
- Data Governance – e.g. ethics, strategy, policy, legislation, management
- Data Skills – e.g. capability, training, assessment
- Data Use & Analytics – e.g. performance reporting, PLED stages 1 and 2, reporting tools, prediction & forecasting, connected environment

2.4 From a financial planning perspective the key action arising is to develop the resource plan which will support delivery of the Data Strategy. There will inevitably be some investment required to deliver the Strategy but improving our use of data to inform decisions will facilitate delivery of best value including some budget savings.

SECTION 10 – PESTLE ANALYSIS - LEGAL FACTORS

A) New Legislation

Introduction

1.1 As mentioned earlier the Council is a "creature of statute" which is either required by law to carry out certain functions or is permitted by law to provide certain services. Councils must rely on the existing legal framework of powers - a Council can only do something if it has the legal powers (conferred by legislation) to do so.

1.2 Councils do not pass legislation or determine laws but are very often affected by changes in legislation or the results of case law either directly or indirectly. In practice because Councils have such wide ranging responsibilities for public services and public good there are relatively few pieces of significant legislation or case law which do not impact on Councils in some way.

1.3 Many pieces of legislation impose new duties and obligations on Councils or amend existing duties. Sometimes legislative proposals may change the scope or structure of local government services e.g. reform of Police and Fire Services in 2012.

1.4 During the COVID-19 pandemic the extent to which the Scottish and UK Government's relied on Councils to deliver their policy intentions was very significant, indeed but for the existence of Councils and their staff the widespread support to people and business during COVID-19 would not have been possible. Councils are a separate sphere of Government in Scotland not merely a delivery arm of national governments.

Medium to Long Term Outlook – New Legislation

2.1 Anticipating what legal factors may affect the Council's services and finances over the long term (up to 10 years) is exceptionally challenging because the political cycle at UK and Scottish Parliament level does not extend that far into the future. It is simply not possible to anticipate with any degree of accuracy what governments may legislate for beyond a 2-3 year (medium term) period.

2.2 The UK and Scottish Government announce their planned legislation generally for only a year at a time so trying to anticipate their plans for new laws over the medium term means reviewing manifesto commitments to gauge potential changes which may come forward. Those commitments can however only be considered as a broad guide because circumstances and priorities can change during the course of a parliamentary term.

2.3 Councils aren't normally consulted on the Government's legislative programme before it is announced. Councils do however, mainly through the Scottish Parliament, have extensive opportunities to comment on proposed legislation as it passes through the parliamentary process. Each piece of legislation which may impact on Councils is required to include a Financial Memorandum which will outline any financial implications for Councils and others.

2.4 The political cycle means planning beyond a 2-3 year horizon on potential new legislation is not feasible so has limited relevance to the medium to long term nature of The Framework. Potential legislative change is therefore more relevant to the preparation of the Council's Medium Term Budget Strategy (MTBS).

Known/Potential Legislation to Keep Under Review through MTBS

3.1 In the short term the areas of legislative change for the Council which are likely to be the most significant financially are expected to include the items listed below. These will continue to be monitored and the implications assessed as part of the Council's Medium Term Budget Strategies.

1) The proposed National Care Service
This has the potential to have far reaching consequences for the Council, its services and its finances but it is difficult to assess those from the enabling legislation published to date. The Council's response to the "National Care Service (Scotland) Bill" highlighted numerous questions and concerns which need to be addressed and clarified before the implications for the Council can be assessed in a meaningful way. At the time of writing a detailed review of the plans for the National Care Services is underway and the legislative timetable has been pushed back into 2024.

2) The Local Visitor Levy (Tourist Tax)
The legislation on this levy was laid before Parliament in June 2023. If passed it will allow Councils to charge such a levy if the wish. How the proposed levy will work and how the funds from it can be used are set out in the legislation. The Council will also have to take a policy decision on whether to apply such a levy in Angus and if so from when. Even assuming the Council agreed to introduce the levy it would take a minimum of 18 months from the legislation being finalised for it to be introduced and begin to generate income.

3) The Local Governance Review
This is another potentially significant area of legislative change. Progress has been disrupted by the pandemic but significant developments in this area are expected during the remainder of 2023. Once more information on the future direction of this work is known its impact on the Council's services and finances will be assessed. It is hoped that this review and the legislation which flows from it will provide more flexibility in the statutory framework Councils operate in. Change to that framework is essential to facilitate the radical change required to help towards keeping Council services financially sustainable. Further commentary on this is given in Section 13.

4) Council Tax Reforms
Further commentary on this was provided in Section 8 but at the time of writing this Framework consultations on potential changes to Council Tax multipliers in Bands E to H and on the treatment of second homes and long term empty properties are underway. Council Tax multiplier changes could have a significant positive impact on the Council financially. Changes to second homes and long term empty properties would have a more modest positive financial impact. .

Further reforms of Council Tax or even potential replacement of Council Tax may be considered over the period of this Framework but no planning for those possibilities can be done until more information on what potential changes may arise is available.

Other Potential Legislation over the Medium to Long Term

4.1 While somewhat speculative at this point in time areas of potential legislative change which may come forward and affect the Council financially could include:-

- Climate Change Measures / Actions
- Local Government Finance Reform including reform of Council Tax
- Education Reform
- Social Security Reform

4.2 If and when any of the above come forward they will be assessed for their financial impact on the Council and built into future financial planning.

SECTION 10 – LEGAL FACTORS (Continued)

B) Existing Statutory Duties

5.1 As a statutory body the Council has a very wide range of statutory duties it needs to comply with and an equally wide range of powers to support those statutory duties. Some Councils have sought to list all of the legislation which applies to Councils but in truth a definitive list of everything a Council must do or can do and the level to which those must be done does not exist. It is also rarely the case that legislation will specify exactly how a Council should meet a statutory duty leaving delivery of that duty as a matter for local interpretation. The extent to which a Council is complying with a statutory duty or not would largely be a matter for the courts.

5.2 As has been explained in Section 3 of this Framework the Council's Corporate Risk Register has financial sustainability at the highest level of risk which means the risk of Angus becoming "a financially unsustainable Council unable to meet all its statutory duties including the requirement to set a balanced budget each year" has never been greater. Section 13 of the Framework considers the Council's long term financial sustainability in more detail – this is critical to the Council's ability to continue to deliver its statutory duties.

SECTION 11 – PESTLE ANALYSIS – ENVIRONMENTAL FACTORS

1.1 In November 2021, the Glasgow COP26 conference agreed the Glasgow Climate Pact to continue to target a limit of a 1.5 degrees C increase in global temperature. To achieve this, global emissions must decline and become net zero by 2050. Net zero means the amount of greenhouse gas emissions we put into the atmosphere and the amount we're able to take out add up to zero. In response, the Scottish Government have set an ambitious target for Scotland to become net zero by 2045 with a 2030 interim target of a 75% reduction. Local authorities also have several obligations under the Climate Change (Scotland) Act.

1.2 Angus Council has, for some time, developed strategies for responding to the climate emergency. The most recent of these is the Sustainable Energy and Climate Action Plan (SECAP) which was approved in November 2021. The SECAP seeks to support Angus in its commitment to sustainable development, environmental management and the transition to a low carbon economy.

1.3 Angus Council has agreed an initial 13 priority projects for taking forward under the SECAP. These are being taken forward across 5 themes: buildings; energy; transport; agriculture, land use & forestry; and waste. At present, these projects will be addressed through the budget resources currently available to the Council. It will be inevitable, however, that there will be significant future budgetary implications to continue to progress the SECAP in light of the various pilots and studies that are being undertaken.

1.4 Angus Council has also approved a Transition to Net Zero Action Plan 2022 to 2030 the purpose of which is to ensure it meets the 2030 interim target. From the 2012/13 base year, Angus Council has reduced its emissions by 52.5%, leaving at least a further 22.5% reduction by 2030.

1.5 The Council has developed a prioritised action plan of projects and initiatives under 5 themes: leadership, governance & procurement; buildings, energy & infrastructure; waste, recycling & circular economy; fleet & business travel; and land use adaptation. These projects are to be delivered within the budget resources currently available to the Council where the financial implications have already been assessed. The financial implications of projects, where these are still to be assessed, will require to be considered through future budget setting exercises if they cannot be contained within current resources or external funding cannot be secured.

1.6 Climate change and investment in decarbonisation project as well as mitigation measures is an area which will need to be given very close attention in the Council's medium term revenue budget planning and our longer term capital planning.

SECTION 12 - PESTLE ANALYSIS – SUMMARY OF ACTIONS ARISING

1.1 The analysis in Sections 6 to 11 has highlighted a number of potential implications for the Council's expenditure, income, assets and reserves from each of the factors identified. Several of these mean the Council will need to take action in the short and medium term either to address the issues or to understand them more fully. The PESTLE analysis will be used to inform the annual updates to the Council's Medium Term Budget Strategy (MTBS) but in addition the other high level actions arising are summarised in the tables below.

Table 16 - Actions from Political Analysis

Factor	Actions Arising
Local Government Roles, Responsibilities and Funding Arrangements	• Climate Change – continue to monitor impacts, deliver SECAP action plan, develop costing and funding plans for SECAP actions • Verity House Agreement – monitor/support implementation • Fiscal Framework – monitor/support implementation • Community Empowerment / Participatory Budgeting and Community Asset Transfer – promote community provision, develop processes/policies, monitor impact • Expansion of Free School Meals for P6/7– confirm costs and funding position. • National Care Service – monitor legislation development and identify actions arising
Government Grant Quantum and Distribution	• Monitor public finance trends and UK and Scottish Government budget and financial projections and publications • SG/UKG Fiscal Framework – monitor impacts for possible implications for local government • Seek to inform / influence Government funding policy choices – sustainability of LG services through COSLA and professional associations
Council Taxation / Fees & Charges	• Review Council Tax and fees and charges levels as part of annual budgets • Council to consider its policy on potential legislation changes for Council Tax e.g. long term empty properties/second homes • Council to consider its position on Local Visitor Levy and monitor position in relation to other potential changes in local government taxation options

Table 17 - Actions from Economic Analysis

Factor	Actions Arising
General / Pay / Specific Inflation	• Monitor and use inflation data including forward projections • Seek to inform / influence pay negotiations through COSLA and professional associations • Ensure sufficiency of funding for inflationary impacts are captured in Fiscal Framework
PPP/PFI Arrangements	• Monitor impact of inflation on contract costs and build this into MTBS • Plan for cessation of contracts well in advance
Recruitment & Retention	• Complete review of workforce plans • Identify costs and funding options for addressing demographic issues • Identify investment required and savings potential for expanding the scope of partnership and collaborative working
Tay Cities Deal	• Delivery of agreed projects • Monitor impact including income generated where Council has a commercial stake

Table 18 - Actions from Sociological Analysis

Factor	Actions Arising
Demographic Change	• Develop longer term plans with the Angus IJB
COVID-19 Legacy	• Monitor long term impact especially in services to children
Community provision	• Develop community provision • Monitor Council risk exposures from such provision

Table 19 - Actions from Technological Analysis

Factor	Actions Arising
Digital Services / Automation	• Identify costs and funding options for the Council's updated digital and data strategies
Data Driven Organisation	• Develop costed and funded Data & Information Strategy for the Council

Table 20 - Actions from Legal Analysis

Factor	Actions Arising
New Legislation	• Monitor developments, respond to consultations, review Financial Memorandums on draft legislation
Council Statutory Obligations	• Keep under review especially in relation to the impact of budget savings options

Table 21 - Actions from Environmental Analysis

Factor	Actions Arising
Climate change / transition to net zero / fleet decarbonisation	• Develop financial plans for decarbonisation of fleet and buildings and develop funding strategy for this • Develop costing and funding plans for SECAP actions

1.2 This Framework will be used to develop the Council's more detailed financial projections in the MTBS and Long Term Capital Affordability Assessment - LTA). The Framework and its headings should avoid any significant influences on future budgets being missed in preparing the MTBS and LTA.

SECTION 13 – LONG TERM FINANCIAL SUSTAINABILITY ASSESSMENT

Looking Back to Look Forward

1.1 Over the past 11 years the Council has had to save over £91m to balance its budget. Those savings represent 27.5% of the Council's 2023/24 net budget and have been necessary due a combination of the following:-

- Real terms reductions in government grant funding (which makes up 81% of the Council's revenue income) for existing core services
- Increases in government grant funding (where there has been an increase in cash terms) being directed towards new services or responsibilities which the Council has had to deliver
- A combination of Council Tax being frozen or rising slowly
- Increases in the Council's costs due to inflation and in some services due to increased demand

1.2 It is worth highlighting that until 2022 the previous 10 years had seen relatively benign conditions in the wider economy with low inflation and low interest rates. While interest rates are now at historic norms they have risen sharply in the last year and inflation remains stubbornly high and is projected to remain above target in the short term. The COVID-19 pandemic has also caused significant disruption to the public finances and created huge backlogs and new demand on the Council and other partners like the NHS. The fact the Council has had to save such large sums in a period of calm economic conditions highlights the seriousness of the position the Council now finds itself in.

1.3 The Accounts Commission Local Government Overview Report 2023 said that "Councils have never faced such a challenging situation" and that "budget constraints and increasing cost pressures are putting councils' finances under severe strain".

Medium Term Budget Strategy (MTBS)

1.4 The Council's latest MTBS covering the period 2023/24 to 2025/26 was updated as part of setting the 2023/24 budget and Council Tax. This shows a projected funding gap over that 3 year period of £60 million which represents 18% of the Council's 2023/24 net budget. The gap is considerably higher than the historic average because of the effects of higher pay and general inflation on the Council's costs and expected ongoing constraint in grant funding from the Scottish Government. To close that gap using increases in Council Tax alone would require an increase on 2022/23 Band D Council Tax bills of £1,251, 101%.

1.5 The projected funding gap, if it proves to be an accurate reflection of what happens in practice, is the equivalent to having to save:-

- 92% of our primary and secondary school teaching staff

OR

- 100% of our Children, Families & Justice Directorate plus 94% of our Infrastructure & Environment Directorate

1.6 Neither of the above are real or realistic proposals and some of the £60 million gap will be met from increases in Council Tax, fees and charges and by using Council reserves but they do demonstrate the size of the financial challenge facing the Council. The scale of cuts to services and increases in Council Tax and other fees and charges which would be necessary to close the projected funding gap over the next 3 years will be unprecedented. This is not a situation which is unique to Angus Council – it will apply across all 32 Councils in Scotland albeit the exact impact will vary from Council to Council.

1.7 While the expectations are that inflation will eventually fall back to target levels in the medium term it will have done significant damage to the Council's finances in the short term including eroding the Council's Reserves.

3 Year Budget Position

1.8 In setting the 2023/24 budget and Council Tax the Council agreed indicative budgets for financial years 2024/25 and 2025/26 and also agreed a 5 year strategy for our financial Reserves. Report 58/23 and Report 57/23 refer. Table 22 below summarises the overall position agreed by Council in Report 58/23.

Table 22 – Council 3 Year General Fund Revenue Budget

	2023/24	2024/25	2025/26	3 Yr Total
	£m	£m	£m	£m
Projected Funding Gap (Gross)	**25.9**	**17.3**	**17.2**	**60.4**
Less One-off Investments from Reserves (23/24)	(3.1)	0.0	0.0	(3.1)
Adjusted Funding Gap - Comparison to MTBS	**22.8**	**17.3**	**17.2**	**57.3**
Less Finance & Change Plan Savings	(13.3)	(8.7)	(4.3)	(26.3)
Less Fees & Charges / C Tax Base Income	(0.7)	(0.2)	(0.3)	(1.2)
Net Funding Gap to be met from Council Tax Increases and Reserves	**8.8**	**8.4**	**12.6**	**29.8**
Less Use of Reserves for One-Off and Short Term Budget Issues	(3.9)	(5.5)	(2.0)	(11.4)
Less Additional Income from Council Tax Increases	(3.6)	(6.6)	(9.6)	(19.8)
Less Net Use of Reserves to Balance Budget	(1.3)	0.3	6.0	5.0
Remaining Funding Gap / (Surplus)	**0.0**	**(3.4)**	**7.0**	**3.6**

1.9 The table shows a path to trying balance the budget over the 3 year period (with a deficit of £3.6m remaining to be addressed) based on the following key assumptions:-

- That savings of £26.3m can be achieved from the projects listed in the Council's Change Programme – this will be extremely challenging to deliver and will mean cuts to services and staffing. The burden of cuts will not fall evenly.
- That Council will ultimately agree to Council Tax increases in financial years 2024/25 and 2025/26 of 5%. This will be in addition to the 6% increase agreed for 2023/24. This will generate nearly £20m towards the funding gap if those increases are approved
- That the Council's Reserves Strategy and its assumptions will address £9.5m (in net terms) of the gap

1.10 There is therefore at this point in time a path to remaining financially sustainable in the short to medium term providing the Change Programme savings are achieved.

Longer Term Outlook

1.11 If the Council has to apply the measures shown in Table 22 above to address a £60m funding gap then by 2025/26 the Council will have had to save just under £105m from its budget over a 13 year period, equivalent to a reduction to the current years net budget of 31.5%. These are staggering statistics in their own right but they point to a wider problem in the system of local government services and funding. That problem is one of an unsustainable model – a broken system.

1.12 It costs money to deliver the public services the Council is required by law to provide. Service provision requires people, buildings, vehicles and equipment which all cost money. The Council is tied into national arrangements on pay, it has sizeable fixed costs and it is required by law to deliver a multitude of services all of which restrict the Council's ability to reshape itself to fit the money available.

1.13 The Accounts Commission Local Government Overview Report 2023 states that "Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services." While this is accurate to an extent it underplays the scale of change Councils have already delivered (to achieve balanced budgets over the last decade) and also suggests that radical change alone is the answer – it is not, at least not within the current legal framework which Councils must operate within.

1.14 There is a genuine question to be asked about just how radical a Council can be when most of its spending is tied up in delivering statutory services which are highly regulated like education, social care, and waste services and large parts of available funding are largely fixed like borrowing and PPP/PFI costs. Collaboration can play an important part of the solution and it already does in Angus with more planned in our 2023-2026 Finance & Change Plan but members and the public need to know that the opportunities for radical change at the scale needed are relatively limited within the current statutory framework.

1.15 In February 2023 the Council considered Report 23/23. This report provided an alternative presentation of where the Council spends its money intended to make the Council's budget more understandable to the public. The report noted that 72% of the Council's budget is tied up in just 15 large areas of spend. Budget savings on the scale required need to be taken from those largest spending areas but the Council is constrained in doing so by Scottish Government policy and long term contractual commitments.

1.16 Table 23 below shows the extent of the problem and why the current model of local government services and funding is unsustainable for the future. It shows that currently 64% of the Council's budget is effectively "untouchable" and not available to consider for making the savings necessary to address the Council's projected budget shortfalls.

Table 23 – Share of Council Net Budget Which is Fixed/"Untouchable"

Area of Spend	Share of Council Net Budget	Can Savings in this budget be made?
School Teaching & Support Staff	25%	No – Council currently required to maintain teacher and support staff numbers at 2022 School Census levels
Council Funding to Angus Health & Social Care Partnership (AHSCP)	21%	No – SG policy currently prohibits reductions in funding to HSCPs
Children, Families & Justice	7%	No – demand pressures are such that costs are increasing. Significant overspend on budget in 2022/23
PPP/PFI Payments	6%	No – these are long term contractual commitments which are subject to annual inflationary increases
Council Debt Payments	3%	Very limited – significant savings already made from debt restructuring and rising interest rates will increase costs. Savings only possible by cutting substantially future capital spending funded from borrowing
Council Tax Reduction Scheme	2%	No – costs based on entitlement of Council tax payers
Sub-total	**64%**	

1.17 Achieving the further savings in financial years 2024/25 and 2025/26 set out in the Council's Change Programme of £13m from the 36% of the budget available for savings implies savings of 12% being required across all other budgets on top of the savings already taken from those budgets in previous years. Many of the budgets in the remaining 36% are vital services such as road and winter maintenance, school meals, school transport and waste collection/disposal services and achieving savings of 12% from all of those areas will not be possible without the Council being in breach of its statutory duties so other options will need to deployed.

1.18 The numbers don't lie – it is simply not possible to offset the scale of inflationary and demand pressures on the Council's costs year after year from further cuts in those budgets which have already been hit the hardest from previous budget savings and still fulfil all of the Council's statutory duties. As an example of the scale of cuts already made in some services the Revenues & Benefits service has seen staffing cut by 40% since 2013/14 . Further cuts to staffing can be made but will eventually push service provision to the point of collapse.

1.19 Sizeable increases in Council Tax and significant use of Reserves are projected to cover around 50% of the Council's funding gap in the period to 2025/26 but that still leaves a target of £26.3m to come from further cuts to budgets and services which will be exceptionally difficult to achieve in full. If further significant savings in budgets beyond 2025/26 are required and the same policy restrictions as currently apply in areas such as school staff and funding to HSCPs remain it will not be possible for the Council to deliver all of its statutory duties at that point – the risk of a financially unsustainable Council will have happened.

1.20 In the medium to long term the only logical conclusion that can be drawn is that the current approach to the funding of local government in comparison to the responsibilities which Councils have is unsustainable. There is a growing mismatch between the resources Councils have available to them and a seemingly never ending growth in what Councils are required to do.

1.21 For the avoidance of doubt the conclusion being reached in this Framework is that **fundamental change at a national level is required for Angus Council to be financially sustainable over the medium to long term. The Council cannot solve the long term financial sustainability challenges itself even assuming large increases in Council Tax levels are applied and collaboration and new models of delivery are adopted.** The scale of the challenges, the current funding model and the added pressures from demographic and climate change in particular require change at a national level. That fundamental change requires more money, fewer or modified statutory responsibilities and more flexibility to change than the current statutory framework allows, or a combination of all of these.

1.22 If the Council manages to achieve the projected financial targets to financial year 2025/26 then it will by that point have likely exhausted what can be done by way of service transformation, innovation, partnership working and service cuts which don't breach our statutory obligations. This means that by no later than, and preferably before, financial year 2026/27 changes to the local government system will have to be made for the Council to be able to continue to meet all of its statutory duties including balancing its budget.

Changes Required

1.23 The changes required in the local government system are considered to be:-

a. Changes to the funding model - Councils have to be properly funded for the full scope of responsibilities and services they are required to deliver. This will require some or all of the following:- additional government grant; changes to Council Tax and the system of funding; new tax raising powers for Councils at scale and more flexibility on how the funding available can be used.

b. If changes to the funding model aren't possible in full or to the scale required then there needs to be reductions and modifications to the scope of legal responsibilities (statutory duties) which Councils are required to discharge (without loss of existing funding). Changes to the statutory framework Councils operate within to enable greater collaboration and innovation will also be required. This will have implications for how public services are provided and for new legislation which the Scottish Parliament may wish to implement.

1.24 Ultimately there is a need to have a system which better matches the funding available to the scope of services to be provided and how they can be provided. At present Councils are being asked to do too much with too little resources to the point that some areas of service are at the point of crisis and much of our core infrastructure is in managed decline.

Changes Happening or Anticipated

1.25 While the long term financial outlook is, at this moment in time, quite gloomy and the risk of local government as a sector becoming financially unsustainable has never been higher there are positive developments which can start to make a difference. The relevance and potential impact of these have been covered elsewhere in this Framework but include:-

- The Verity House Agreement
- A New Fiscal Framework Between Scottish and Local Government
- The Local Governance Review

1.26 These changes aren't a panacea to the financial sustainability challenges faced by Councils in Scotland but they are a strong start towards addressing those challenges. Council services are vital to society so making the necessary changes is not something which can be allowed to fail.

Conclusion on Long Term Financial Sustainability

1.27 The assessment in this Section is based on the best estimates of the Council's future financial position and with the knowledge that significant changes to services and financial savings have already been removed from the Council's budget.

1.28 Whilst the future is uncertain and its probable that changes in the funds available for public service provision from the UK and Scottish Governments will vary to some extent (positively or negatively) from those already published it is now obvious that the current system of local government has reached a tipping point where fundamental change is required.

1.29 Unless changes are made along the lines of those referred to above (and there are signs this is happening) it is difficult to see how Angus Council can be financially sustainable over the medium to long term because the scale of reductions required to staffing in non-protected services in particular will have been so severe as to leave many Council services unable to function. The warning signs are already there that Council services and staff are struggling to cope and the prospect of further cuts to the scale projected to 2025/26 can only make that worse.

SECTION 14 - IMPLICATIONS FOR COUNCIL PLAN, SERVICE PLANS, WORKFORCE PLANS, MEDIUM TERM BUDGET STRATEGY AND CHANGE PROGRAMME

Introduction

1.1 Although the Framework focuses mainly on the Council's finances it has to influence and be influenced by the Council's other strategic planning documents. The Framework will be used to inform future updates to the Council Plan as well as Service Plans and Workforce Plans. Those Plans should be taking into account the issues highlighted in the Framework as part of the Council's well established planning and budgeting processes.

Key Influences Highlighted by the Framework

1.2 Preparation of the Framework has highlighted that a small number of very significant issues will dominate the Council's services and finances over the next 10 years. These issues will be central to our corporate, service, workforce and financial planning over that 10 year period. Table 24 lists the most significant issues and their expected impact and influence over the short (1-2 years), medium (3-5 years) and long term (5-10 years).

Table 24 – Key Influences in short, medium and long term

Key Influence	Short Term 1-2yrs	Medium Term 2-5yrs	Long Term 5-10yrs
1. Climate Change			
a) Investment in decarbonisation/net zero	✔	✔	✔
b) Severe weather response and repairs	✔	✔	✔
c) Impact mitigation measures	✔	✔	✔
2. Local Government Services & Funding			
a) Verity House Agreement implementation	✔	✔	
b) Local/Scottish Government Fiscal Framework implementation	✔	✔	
c) Local taxation & funding reform	✔	✔	✔
d) Local Govt financial sustainability addressed		✔	
3. Partnership & Collaboration			
a) Increased community ownership and running of services – savings potential but will need investment	✔	✔	✔
b) Increased shared services – savings and resilience benefits but will need upfront investment to deliver		✔	✔
c) Major reform of local government/public services structures/services – local governance review		✔	✔
4. Workforce			
a) Workforce demographic issues addressed – will require investment in young workforce	✔	✔	✔
b) Agile and flexible working developed to full extent	✔	✔	
c) Recruitment and retention issues addressed – likely to require pay structure changes		✔	✔
5. Digital and Data			
a) Digital and Data strategies developed and delivered – sizeable investment and savings opportunity	✔	✔	
b) Increased automation and customer self-service		✔	✔