

Angus Council

Medium Term Budget Strategy **2024/25 to 2026/27 Update** **(General Fund Services)**



Angus Council Medium Term Budget Strategy
2024/25 to 2026/27 Update

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

- 1.1 As a matter of good business practice all organisations should plan ahead in order to achieve their objectives. The Council first undertook medium term financial planning for the period 2010/11 to 2013/14 through a report approved at the Council meeting on 25 June 2009 (report 510/09 refers), setting out the financial challenges ahead and began to map out how the Council might meet these challenges through efficiency reviews and cost reduction strategies.
- 1.2 The medium term budget strategy (MTBS) set out below is an update to the Strategy which was approved in November 2022 (report 361/22 refers). The updated strategy has been prepared in the context of the Council's Long Term Financial Planning Framework (LTFFP) agreed by Council in September 2023 (Report 241/23 refers).
- 1.3 The need for a MTBS has been set out in previous strategy documents but it is considered important to emphasise that future service provision in Angus needs to be driven by clear policy objectives so that the limited resources available to the Council can be allocated on a priority based approach. In May 2015 the Council approved the adoption of priority based budgeting (PBB) as the approach to preparation of future revenue budgets. It is recognised that this is difficult to achieve in practice because so many of the Council's services are seen as valuable or essential, but it is essential that the Council continues to build on the work that has already commenced to continue to seek to better align resources to priorities. To this end, officers undertook a series of Zero Based Budgeting / Organisational Design reviews of service budgets during the 2018/19 financial year as part of the Council's change programme and aspects of this work is continuing. During 2022 Challenge Panel sessions were undertaken with services to identify further options for savings for inclusion in the Change Programme savings as part of the 2023/24 budget process. All options identified were worked through and included in the Change Programme.
- 1.4 Whilst the need for a policy driven approach to resource allocation is undoubtedly the best way forward, the Council must first have an appreciation of the resources and the constraints on those resources which are likely to exist so that policy decisions can be taken on an informed basis.

SECTION 2 - REVENUE BUDGET FINANCIAL PROJECTIONS - UPDATE (2024/25 TO 2026/27)

Purpose of the Projections

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

Background to the Projections

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

Assumptions (Baseline Projection)

- 2.5 Medium term budget projections such as those set out in this strategy document are based heavily on assumptions. Changes in these assumptions can have a material effect on the end outcome. The projections make assumptions falling into 2 broad categories:-
- A) Issues which are known about or can reasonably be foreseen which will create upward pressure on costs e.g. pay inflation, PPP commitments, energy costs, schools for the future unitary charges, etc.
 - B) Issues which can be anticipated as areas of budget risk but where the extent of the risk is uncertain e.g. the cost of an ageing population.
- 2.6 Clearly some assumptions are more material to the end results than others, so listed below are the assumptions made on the most material items. All assumptions and costs are based on the 3 year period 2024/25 to 2026/27. In general terms the projections assume a return to more "normal" levels of inflation over the period rather than the much higher inflation seen following the start of the war in Ukraine. If inflation doesn't continue to fall as the Bank of England is predicting or falls more slowly then the base scenario funding gap shown in this MTBS will likely be higher and closer to the pessimistic scenario.

Pay Inflation & Pressures

- 2.7 Pay awards and other pay related cost pressures are assumed to cost £13.4 million over the 3 years. At the time of finalising this report agreement had just been reached for the 2023/24 pay awards for non-teaching employees. Teachers accepted a 2 year deal in 2022/23.. A full assessment of the budgetary impact of these assumptions is being calculated but a provisional estimate of £5.8 million has been made in the projections for the net additional cost to the Council compared with the 2023/24 budget provision. Increases of 3% for 2024/25 and 2% increases for 2025/26 and 2026/27 have been assumed.

- 2.8 In addition to the above figure £0.5 million has been estimated and included for increases to the Living Wage for 2026/27 that may need to be considered to the living wage payments (including on payments made to Tayside Contracts) due to future pay deals that may be agreed. Additional costs of £1.9 million have been included for pay increments also.

School & Public Transport Costs

- 2.9 It has been assumed that inflationary and tender price increases will add around £1.4 million to the Council's costs over the 3 years. The projections assume a continuation of current service levels as a starting point.

Third Party Inflation (Excluding IJB)

- 2.10 The Council commissions services from other providers as an alternative to direct provision by its own employees. Payments to these third parties make up a significant part of the Council's costs, particularly in social care type services. Pay and general inflation will affect third party providers in much the same way as it affects the Council and the cost impact of this will usually be passed on to the Council in the charges made by third party service providers. Although the Council will require its third party providers to look at their own efficiency so as to minimise the cost impact on the Council it has been assumed that the cost increase will amount to around £0.6 million over the 3 year period.

PPP Commitments

- 2.11 The annual costs of the PPP contracts rise in line with inflation and in setting the 2023/24 revenue budget large uplifts were provided for these rising costs. Based on the latest projections in inflation rates an additional sum of £1.5 million has been assumed in this area over the 3 year period.

Residential School Placement and External Fostering

- 2.12 An increased cost pressure arose in 2022/23 for residential school placements due to the number of placements being required and the duration of the placements. This was raised as a budget issue during the 2023/24 budget setting process and a future drawdown of monies of £1.5 million was allocated to this issue for 2024/25 as set out in the proposed budget strategy for the General Fund Reserve, report 57/23 refers. This is currently being monitored in 2023/24 and further updates will be provided through the corporate monitoring reports. There are though risks that the extent of the problem could grow. In addition to this, significant pressures are being faced in the external fostering budgets. In addition to the £1.5 million earmarked in the General Fund Reserve an overall net increase of £6.1 million has been assumed in this area over the 3 year period.

Energy Costs

- 2.13 Additional provision for energy costs was added into the 2023/24 Revenue budget and £8 million was allocated to future energy costs in the proposed budget strategy for the General Fund Reserve, report 57/23 refers. This provision is assumed sufficient based on recent spend trends so no additional provision has been added into the 3 year MTBS Strategy

Core Government Grant

- 2.14 This is the single most critical assumption to the projections and in many ways is the most difficult to estimate given the lack of detailed data forthcoming from the Scottish Government.
- 2.15 The Scottish Government published their latest Medium Term Financial Strategy on 25 May 2023, alongside a revised Resource Spending Review (RSR), originally reported in May 2022. This latest update does not give any further insight regarding grant projections and we have, therefore, been required to make our own assumptions based on prior experience. It should also be highlighted that the recent 2022 census results may impact future grant allocations as a number of Grant Aided Expenditure (GAE) allocations have population as the full or partial component. Given that the Angus population has dropped by 1.5% in comparison to an All Scotland reduction of only 0.15% this will likely mean a

reduction in our relative share of government grant. Further detailed work is required to undertake this calculation, however based on a preliminary review of the population based allocations we have assumed a reduction of £0.6 million for 2024/25.

- 2.16 The projections therefore assume a reduction of £0.6 million for 2024/25 and thereafter assume a cash flat position in core government grant for the next 2 years. For comparison purposes the grant for 2023/24 was an increase of 2.1% and for 2022/23 was an increase of 0.5%. There are also anticipated reductions in loan charges support grant in addition to the reductions in core grant applied for these three years. Based on these projections the Council's revenue grant support is projected to reduce further by circa £0.8 million over the 3 year period 2024/25 to 2026/27. It remains a significant risk that government grants will be even more curtailed than those projected if the UK and Scottish economies are impacted by local or world events or if the Scottish Government's financial forecasts are overly optimistic. The fact that more than 81% of the Council's funding comes from Government merely serves to emphasise the extent of the financial difficulties which the Council will face in the period ahead.

Council Tax

- 2.17 The projections assume that there will be no Council Tax increase over the 3 years of the strategy on the basis that this will be one of the options (in addition to budget savings) for how part of the funding gap could be bridged. The recent announcement from the Scottish Government on a Council Tax Freeze will also impact on this and the funding around this still need to be confirmed. In addition, it would not however be appropriate within the budget strategy to speculate about future Council Tax levels as these will be decisions taken on an annual basis based on all relevant factors at that time.
- 2.18 The Council Tax base has continued to grow despite the economic climate, the ongoing impact on the housing market and the COVID-19 pandemic. Having regard to this, the projections assume the tax base will grow and generate an additional £0.3 million of council tax income in each of the 3 years.

JB (Demographic Change & Third Party Payments)

- 2.19 This is an area of major concern especially in Older People's Services. Despite the enablement approach and Help to Live at Home project and efficiencies which may be achieved through ongoing service reviews it is recognised that changing demographics will bring additional pressure to adult care services; consequently an allowance of £1.3 million has been assumed over the 3 years towards costs associated with demographic changes and third party inflation. This is in addition to the assumptions made in paragraph 2.10 above. These costs will affect the Angus Health & Social Partnership's budget but the Council is a funding partner and accordingly must plan for potential budget pressures affecting the whole Partnership.

Other Assumptions

- 2.20 In addition to the above listed main assumptions, further allowance for cost pressures and risks in areas such roads and winter maintenance, the MEB contract and the MEB waste disposal contract have also been made.
- 2.21 An assumption has also been added in to the 3 year period for undeliverable Change Programme savings as recent reports indicate that £0.7 million of the savings included are now looking undeliverable to the level previously targeted.
- 2.22 Except where indicated otherwise, the projections also assume that service provision levels and methods will remain as at present (2023/24 levels). This means that reductions in service provision levels or new more efficient methods of delivery will help narrow the financial gap identified in Table 1 below.

Projections Summary

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

Table 1 – Revenue Budget Financial Base Projection (2024/25 to 2026/27)

	2024/25 £million	2025/26 £million	2026/27 £million
Total Angus Council Service Expenditure	303.229	303.424	303.619
Capital Financing Costs	11.694	12.722	13.457
Surplus Local Tax	(0.234)	(0.234)	(0.234)
Pay Award Provision	6.318	4.429	5.016
Joint Boards	0.544	0.544	0.544
Add Back Specific Grants	14.460	14.460	14.460
Net Expenditure Before Government Grant	335.761	335.095	336.612
Allowance for budget pressures (A)	5.037	2.882	2.020
Allowance for budget risks (B)	4.494	0.700	0.700
Revised Net Expenditure (before Govt. grant)	345.292	338.677	339.332
Less Government Grant	(261.101)	(260.825)	(260.551)
Less Council Tax (assuming no increase in charge, but £0.250m due to increase in the base)	(63.394)	(63.644)	(63.894)
Total Funding Shortfall (annual)	20.797	14.208	14.887

- 2.25 The projections show a total funding gap of £49.892 million over the 3 year period which is equivalent to 17.2% on the 2023/24 budgets, or 5.7% per annum on average. It is worth highlighting that the percentage saving is based on the Council's core net expenditure on services i.e. after removal of the Loan Charges budget, Capital Funded from Current Revenue, Joint Boards, PPP unitary charge payments, Other Services etc. as these budgets are subject to specific arrangements which restricts the ability to apply budget savings. In practice many areas of the Council's budget are not easily changed or cannot be significantly influenced due to national policies. This means the burden of savings falls on a much smaller part of the budget and in those areas the level of reduction in budget will need to be much higher than the percentages shown below.

Sensitivity Testing

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

Table 2a – Estimated Funding Gap (Base Projection)

	2024/25 £million	2025/26 £million	2026/27 £million	3 Year Total £million
Funding shortfall	20.797	14.208	14.887	49.892
% age Level of Savings Needed	7.2	4.9	5.1	17.2

Table 2b – Estimated Funding Gap (Optimistic View)

	2024/25 £million	2025/26 £million	2026/27 £million	3 Year Total £million
Funding shortfall	15.857	10.579	10.978	37.414
% age Level of Savings Needed	5.5	3.7	3.8	12.9

Table 2c – Estimated Funding Gap (Pessimistic View)

	2024/25 £million	2025/26 £million	2026/27 £million	3 Year Total £million
Funding shortfall	24.729	16.464	16.890	58.082
% age Level of Savings Needed	8.5	5.7	5.8	20.1

2.27 It will be noted from Tables 2a, 2b and 2c that the estimated funding gap for the 3 year period ranges from £37.414 million to £58.082 million.

Risk and Issues

2.28 The extent of variation in the results per Tables 2b and 2c may in some ways be surprising but this is a product of the extent to which the financial projections outlined in the financial strategy are so heavily reliant on assumptions, particularly government grant levels and pay awards. The sensitivities are therefore essential to understanding the range of possible outcomes for the Council.

2.29 In considering the funding gap and developing a budget strategy, it is essential that the risks inherent in these projections are fully understood. There are number of risks to the projections but three of these are considered to be fundamental risks which members are asked to bear in mind as follows:-

Government Grant

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

Pay Settlement Risk

2.31 The level of pay settlements for 2024/25, 2025/26 & 2026/27 is a risk in that it could exceed the levels assumed in the projections. The Council is part of national pay bargaining so doesn't decide these alone.

Inflation Costs

2.32 The Council has had to deal with rising inflation levels over the past 2 years and this will continue to impact on the provision of Council Services. Going forward there is the risk that inflation does not fall or that it only reduces slowly.

Revenue Budget Financial Projections - Conclusions

2.33 The financial projections work included in this budget strategy update builds on the work done in previous years. This exercise continues to be fraught with difficulty because of the reliance on assumptions and the many variables which can affect the figures. Notwithstanding the need to use the projections with caution they do provide a broad indication of the serious financial challenges which Angus Council faces over the next few years. The availability of this information provides a solid and transparent base from which to continue to plan future service provision and set future budgets.

2.34 The further savings projected to be required over the next 3 years are in addition to the £91 million (27.5%) million saved in the last 11 years alone. The scale of the savings required is unprecedented and the cumulative effect of such savings over such a protracted period calls into question the sustainability of existing levels and methods of service, the funding models used to pay for local government services as well as the multitude of statutory duties placed on Councils. There is simply no prospect of this level of funding gap being met without current service provision being affected on a very significant scale.

SECTION 3 – BRIDGING THE PROJECTED FUNDING GAP

Background

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

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

Plans for Addressing the Funding Gap

- 3.2 The projected gap will be addressed primarily through the Change Programme which is made up of numerous projects and regular progress updates on this position will be reported to Policy & Resources Committee during 2023/24. However, the task of identifying savings on the scale required remains a significant concern at this time. The scale of budget issues coming forward is much higher than previously assumed and some of the savings values in the Change Programme now look undeliverable to the level previously targeted. This alongside cost pressures caused by general inflation and pay inflation and the uncertainty around Scottish Government grant funding (including funding to support a Council Tax freeze) are a cause for concern. It will again be very challenging to deliver a balanced budget for the next financial year while limiting the impact of service cuts to Angus communities.
- 3.3 Options for further (new) savings are inevitably limited by what has already been done. Savings already removed from the budget can't be taken again and new options need to be identified and implemented. The scale of savings already made along with constraints over where the Council is limited in its ability to save the money "untouchable" areas provide a context for the next phase of the Change Programme which is truly daunting and there should be in no doubt as to the challenges we face.

Based on the projects and options in the current Change Programme it is estimated that it will achieve savings of £8.226 million over the next 2 years with work to identify options for year 3 (2026/27) ongoing. The Change Programme will continue to be monitored regularly and updates on its progress will be reported to the Policy & Resources Committee. Any major risks to these savings targets will be identified as soon as possible to allow other options to be considered. The updated funding gaps are shown in Table 3 below.

- 3.4 As a last resort the Council can, assuming it has reserves available, use these to fund any remaining shortfall in order to balance its budget. This could only be on a one-off basis but can be used as a legitimate means of bridging a gap if plans are in place to achieve ongoing savings at a later date. In relation to financial year 2024/25 and based on current information it may again be necessary to use Reserves to provide breathing space for the Change Programme to deliver additional ongoing savings. Report 57 / 23 to Angus Council on 2 March sought approval for a 5 year strategy for the use of the projected uncommitted funds at March 2023 of £25.8 million, covering the period 2023/24 – 2027/28. One of the proposals was to increase and extend the approved Council's Reserve Strategy from £3.0 million (already committed) to £12.0 million and provides £7.5 million to assist with bridging the funding gap over the MTBS period. The use of the approved £7.5 million has been applied to the funding gap calculations in Table 3 below.

Table 3 – Estimated Funding Gap vs Estimated Change Programme Savings

	2024/25 £million	2025/26 £million	2026/27 £million	3 Year Total £million
Funding shortfall (Base Projection)	20.797	14.208	14.887	49.892
Estimated Savings From Latest Change Programme	(5.477)	(2.749)	(0.000)	(8.226)
Update Funding shortfall	15.320	11.459	14.887	41.666
Reserve Strategy (report 57/23, paragraph 3.4 above)	(3.000)	(2.500)	(2.000)	(7.500)
Adjustment for previous years one-off use of reserve strategy	3.294	3.000	2.500	8.794
Net Funding Shortfall Position	15.614	11.959	15.387	42.960

3.5 Part of the further savings and options to bridge the remaining funding gap shown in Table 3 could have been met from Council Tax increases. A 3.5% rise would yield an additional £2.0 million per annum or £6.0 million per annum from 2026/27 if applied in each of the 3 years. However, this position has been impacted by the recent Scottish Government to freeze Council Tax across Scottish Local Authorities which is still under discussion. The Scottish Government will provide funding for this but levels of funding are unknown at this time. Therefore, no figures have been assumed in this MTBS at this point in time but is clearly an option the Council could have considered. Other options may also include use of the Council's reserves (if available) in addition to the reserve strategy drawdown included in Table 3, increases in fees and charges or more significant reductions to spending in some areas than is currently assumed.

3.6 The shortfall between current plans in the Change Programme and the latest funding gap projections reflects the huge impact of inflation and the need to identify further options for change and savings. Given the scale of the challenge and the savings already achieved in past years it is not unreasonable for the Council to be unsure at this point about the detailed means by which the full funding gap over a 3 year period may be bridged.

3.7 The shortfall between the change programme estimated savings and the projected funding gap will be addressed from a combination of the following measures:-

Additional Change Programme Projects

3.8 The primary route through which the remaining funding gap identified in Table 3 above will be addressed will therefore be from existing and any new change programme projects.

Increases in Council Tax and Other Fees & Charges

3.9 The funding gap projected assumes no increases in Council Tax or other existing fees and charges levied by the Council but as noted in Section 3.5 above the Scottish Government's decision to freeze council tax rises means this is not an option for consideration in 2024/25. However, this may become an option for 2025/26 and 2026/27 to lessen somewhat the effects of savings in service provision.

3.10 In addition to the above the following options may need to be considered as a means of balancing each year's budget.

Savings from Corporate (council-wide) Budgets

3.11 The Council's budget is dominated by expenditure incurred by its various services in providing those services. There are therefore very few "corporate" budgets from which savings can be made with the main source of potential corporate budget savings being Loan Charges.

- 3.12 A Long Term Financial Planning Framework was presented to Angus Council in September 2023, report 241/23 refers. This report provided a good base from which to consider future reductions in loan charges costs or reductions in capital spending. In the past there has been scope to review the levels of special repayments within the capital affordability strategy in the short term but this will create long term problems for the Council and requires careful consideration.
- 3.13 Further reductions in loan charges costs beyond those made in recent budgets and the loans fund review may therefore mean that the Council has to significantly curtail its capital spending in the future and this would result in less money being available for investment in essential infrastructure such as schools, roads and care establishments.
- 3.14 The Council has traditionally fared well in generating good levels of interest income from its surplus cash and reserves but the interest rates before 2022/23 severely restricted this as a source of income. However, due to the increases in the base rate in 2022/23 the interest income increased substantially and this is continuing into 2023/24 and it is anticipated that increased interest income from the surplus cash balances and reserves will continue to be generated. Additional income to the 2023/24 budget provision could be a source of corporate savings in the immediate future.

Management of Budget Risks

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

Conclusions – Addressing the Funding Gap

- 3.18 Work on the Change Programme to generate savings and the recently approved extended reserves strategy (Report 57/23) will ensure the Council continues to have a clear plan for how it intends to balance its budget in the next 3 years. Addressing this shortfall over the full 3 year period will be the focus for the Policy and Budget Strategy Group during 2023/24.

SECTION 4 - CAPITAL BUDGET FINANCIAL PROJECTIONS (2024/25 TO 2027/28)

Background

- 4.1 Report 60/23 approved by the Council on 2 March 2023 outlined the results of a long-term affordability review on the General Fund capital plan and Report 59/23 set out the Council’s Capital Strategy. These reports set out the Council’s capital budget strategy and financial projections for the period up to 2026/27. The information in this section of the medium-term budget strategy is drawn from these reports and members may wish to refer to them for greater detail.
- 4.2 Reference may also be made to report 226/23 which presents the updated 2022/2027 Capital Plan and 2023/24 provisional capital budget. This updated plan will be used as the basis for the 2024/25 budget process and the subsequent long term affordability review associated with this.

2023/24 Local Government Finance Settlement - Capital Funding

- 4.3 The Background Report to the special budget meeting of Angus Council on 2 March 2023 (report 54/23 refers) noted that Angus Council had been awarded total capital funding of £15.094 million for 2023/24, comprising general capital grant of £10.193 million, Expansion of Free School Meals funding of £1.876 million, specific capital grant of £0.507 million for Cycling, Walking & Safer Streets and £2.518 million allocated for the 2022/23 Local Government Pay Award.
- 4.4 A further £0.676 million capital grant was subsequently awarded for 2023/24 following the special budget meeting in respect of coastal management (£0.150 million), renewal of playparks (£0.220 million) and Nature Restoration Fund (£0.306 million). The funding for the Expansion of Free School Meals £1.876million was removed from the 2023/24 finance settlement due to a review of the allocation being carried out.

Summary of Capital Spending Plans to 2027/28

- 4.5 The 2022/2027 Capital Plan (report 54/23 refers) sets out the Council’s specific capital spending intentions up to and including financial year 2026/27. The long-term affordability analysis makes assumptions about spending levels thereafter to give the levels of expected spend in the period to 2027/28 set out in Table 4 below.

Table 4 – Summary of Net Capital Expenditure 2023/24 to 2027/28

	Year 1 2023/24 £m	Year 2 2024/25 £m	Year 3 2025/26 £m	Year 4 2026/27 £m	Year 5 2027/28 £m
Projected Net Capital Expenditure	43.470	46.140	12.503	7.128	14.000

Priority Projects

- 4.6 The priority of the projects in the capital programme (both existing and new) was discussed by the Policy & Budget Strategy Group (PBSG) and Council Leadership Teams as part of the 2023/24 budget setting process. The list of priority projects approved at March’s special budget meeting (per report 60/23) is attached as Annex 1 for information.
- 4.7 This includes the Monifieth Learning Campus project at a gross capital cost of £56.0 million, the upfront capital cost of which will require to be borne by Angus Council. The long-term affordability assessment contained in report 60/23 provides additional details of government support for this project and the assumptions that have been necessary in this regard. Following a review of the project earlier this year, the revised estimated cost was increased to £66.5 million (full details are contained in report 116/23). To accommodate this increase within the updated 2022/27 capital plan, adjustments were made to certain other projects and funding from council reserves and capital contingency was applied.

- 4.8 In respect of 2027/28, capital project priorities will be considered as part of the 2024/25 budget setting process, and this will include re-consideration of those projects currently considered as lesser priority or “below the line” as well as potential new projects.

Key Risks and Issues

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

SECTION 5 – CONCLUSIONS

- 5.1 Angus Council faces enormous service and financial challenges over the next few years and the Council needs to be ready and able to meet those challenges. This Medium Term Budget Strategy provides a firm basis upon which to take forward future service and budget planning and begin to meet the challenges ahead.
- 5.2 This update maps out a clear view of what may be required in order to balance future budgets. The update has projected ahead on both revenue and capital budgets to identify the actions in relation to corporate/efficiency reviews, budget savings and policy prioritisation which the Council needs to take.
- 5.3 Angus Council cannot directly influence much of the financial pressures and grant restrictions which are expected to affect the Council's finances over the next few years. The Council can however be proactive in anticipating the problems ahead and begin planning for how these problems may be addressed. For future budget planning it has been assumed that any costs that are evident will be managed as part of the Council's overall budget risk management strategy and contingency and reserves funds set aside for those purposes.
- 5.4 The further savings projected to be required over the next 3 years are in addition to the £91 million (27.5%) saved in the last 11 years alone. The scale of the savings required is unprecedented and the cumulative effect of such savings over such a protracted period calls into question the sustainability of existing levels and methods of service, the funding models used to pay for local government services as well as the multitude of statutory duties placed on Councils.
- 5.5 The MTBS should leave Councillors and members of the public in no doubt about the severity of the challenges the Council faces to remain financially sustainable. Angus Council has never faced a more serious challenge to its financial viability than that which lies ahead in the next few years. Significant improvements to the funding settlements received by Local Government compared to recent years would be necessary to lessen the severity of the challenge.
- 5.6 The change programme and the multiple service re-designs and efficiency activity which is part of the programme is intended to limit the negative effects on service provision from having to make such significant savings in budgets and officers will be doing their utmost to protect service provision as much as possible. Nevertheless, savings on the scale estimated to be required simply cannot be achieved without real and far reaching changes and reductions to services. Work to ensure citizens and businesses across Angus are aware of this reality will be undertaken.