

**SPECIAL ANGUS COUNCIL – 27 FEBRUARY 2025**

**PROVISIONAL REVENUE & CAPITAL BUDGET – BACKGROUND REPORT AND SETTING OF  
THE 2025/26 COUNCIL TAX**

**REPORT BY IAN LORIMER, DIRECTOR OF FINANCE**

**1. ABSTRACT**

- 1.1 The purpose of this report is to outline the background to setting the Revenue and Capital Budgets for 2025/26 and to set out a summary position for the 2025/26 Provisional Revenue Budget and the 2024/2029 Capital Plan based on proposals and recommendations considered by the Policy & Budget Strategy Group (PBSG) during the budget setting cycle. The report also advises members of the further steps that are required with regard to the setting of the Council Tax for 2025/26.

**2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES**

- 2.1 This report contributes as a whole to the delivery of the Council Plan.

**3. RECOMMENDATIONS**

- 3.1 It is recommended that the Council:

- (i) note the background to the setting of the 2025/26 revenue and capital budgets as set out in this report;
- (ii) note that the draft revenue and capital budgets set out in this report and its appendices including the budget issues, revenue budget (Change Programme) savings, review of charges and new capital project proposals are based on provisional recommendations considered by the Policy & Budget Strategy Group (PBSG) at its final meeting on a cross-party basis on 22 January 2025 in order to provide a common baseline for elected members to use in making their decisions on the budget;
- (iii) note the total budget issues as set out in Columns C & D of the Summary Statement of Net Expenditure at Appendix 1 that have been added to the 2025/26 Provisional Base Budget, the detail of which has been included in the Provisional Revenue Budget Volume (Report 60/25);
- (iv) note the total Change Programme Savings (excluding review of charges) as set out in Column E of the Summary Statement of Net Expenditure at Appendix 1 that have been deducted from the 2025/26 Provisional Base Budget, the detail of which is included in the 2025/26 Delivery Plan (Report 49/25);
- (v) note the total review of charges additional income as set out in Column F of the Summary Statement of Net Expenditure at Appendix 1 that has been deducted from the 2025/26 Provisional Base Budget, the detail of which is set out in Reports 51/25; 52/25; 53/25 and 54/25;
- (vi) note the other issues pertinent to the budget as set out in Section 6 of this report and in particular the Budget Assumptions for Significant Items in paragraph 6.9 and Appendix 2 and the Overall Management of Budget Risks in paragraph 6.20;
- (vii) note the overall revenue budget position based on the assumptions set out in the report as detailed in the Provisional Revenue Budget Volume (Report 60/25) and Appendix 1;
- (viii) note the overall capital budget position based on the assumptions set out in the report as detailed in the Provisional Capital Budget Volume (Report 61/25) and Appendix 3;

- (ix) note the budget decisions which require to be made by elected members in order to set the 2025/26 council tax as set out in Section 8;
- (x) note the position on the Council's General Fund and other Reserves as set out in Appendix 4 noting that the figures in Appendix 4 setting out the earmarked reserve position are for illustrative purposes only pending final decisions to be made at the Council meeting but incorporate the recommendations made in Report 62/25 - Update on The General Fund Reserve and The Proposed Budget Strategy for the Use of The Reserve Balance Over the Period 2025/26-2028/29;
- (xi) agree that an allowance of 1.75% for non-collection of the Council Tax be used in the council tax setting calculations; and
- (xii) note that the 2025/26 Band D Council Tax for the Angus Council area will be determined at the Special Council meeting along with the use of Reserves which may be required to achieve a balanced budget.

#### **4. BACKGROUND**

- 4.1 Reference is made to Report 242/24 submitted to the Policy & Resources Committee on 3 September 2024 which set out the approach and timetable for the preparation of the 2025/26 revenue and capital budgets. Members will be aware that the local government grant settlement forms part of the Scottish Government's overall budget for 2025/26. Angus Council's Distributable Revenue Grant Support allocation for 2025/26 has been provisionally set at £287.836 million as detailed in Finance Circular (FC) 10/2024 issued on 12 December.
- 4.2 The Council's grant allocation is conditional upon the Council agreeing to deliver on some specific commitments (see below) as specified by the Scottish Government in Finance Circular 10/24 and an accompanying letter from the Cabinet Secretary for Finance and Local Government of 4 December 2024.
- 4.3 For 2025/26 the full funding package from the Scottish Government includes:
  - a further £524.9 million of funding has now been baselined as General Revenue Grant, as part of commitments under the Verity House Agreement to review ring-fenced funding;
  - additional General Revenue Grant of £289 million to support local priorities;
  - an additional £15 million to support the expansion of Free School Meals;
  - £125 million for adult social care workers in commissioned services (living wage);
  - £10 million to support provision of Free Personal and Nursing care;
  - an additional £25.7 million to improve pay for early learning and childcare workers;
  - an additional £41 million investment to maintain or restore teacher numbers to 2023 levels;
  - an additional £28 million for additional support for learning;
  - £33 million to support development of people working in children's social work;
  - £40 million to tackle the climate emergency;
  - an additional £10 million to improve play parks for children; and
  - an additional £8.6 million resource and £20 million capital to improve inter-island connectivity.
- 4.4 The grant allocation includes funding which needs to be set aside as it is either known or can be reasonably assumed will relate to specific costs or new initiatives which will incur additional costs in 2025/26. This includes additional funding associated with the 2024/25 pay deals and the increase in teachers employer pension costs. These items need to be deducted in order to compare the revenue grant position on a like for like basis and assess what grant funding is available to meet the updated costs of existing service provision and new budget issues. What this means for Angus Council is summarised in Table 1a below. Table 1a includes estimates for parts of the funding included nationally for which the allocations to individual Councils have still to be confirmed.

**Table 1a – Distributable Revenue Funding Comparison**

	<b>2025/26 £m</b>	<b>2024/25 £m</b>	<b>Increase/ (Reduction) %</b>	<b>Increase/ (Reduction) %</b>
<b>Distributable Revenue Funding (per Finance Circular 10/2024 and subsequent announcements)</b>	<b>287.836</b>	<b>270.823</b>	<b>17.013</b>	<b>6.3</b>
Funding Paid outwith 2024/25 Main Grant Circular	0.000	4.137		
Estimated funding yet to be distributed	6.178	3.039		
<b>Total Revenue Funding per Finance Circular</b>	<b>294.014</b>	<b>277.999</b>	<b>16.015</b>	<b>5.8</b>
<u>New/Additional Funding to be Earmarked/Unearmarked *</u>				
Angus Council	(7.600)	0.000		
AHSCP	(3.284)	0.000		
<b>Total New/Additional Funding to be Earmarked</b>	<b>(10.884)</b>	<b>0.000</b>	<b>(10.884)</b>	
Adjustments to Specific Grant in base expenditure	(1.632)	(1.630)	(0.002)	
<b>TOTAL REVISED REVENUE FUNDING (for comparison purposes)</b>	<b>281.498</b>	<b>276.369</b>	<b>5.129</b>	<b>1.9</b>

\* - The detail of the allocations of grant for specific funding were provided in Appendices on the Grant Settlement and detailed working tables which were issued by the Scottish Government.

- 4.5 Table 1a shows an initial increase in government grant funding of £17.013 million (6.3%) per Finance Circular 10/2024. This figure has been adjusted for amounts not included in the Finance Circular which the Council now expects to be allocated. The most significant of these relate to funding linked to maintaining teacher numbers (£3.853 million) and Criminal Justice Social Work (previously specific grant), £1.630 million. After adding in the funding yet to be distributed this gives a total estimated grant allocation for budget setting purposes of £294.014 million. The grant figures shown are provisional pending agreement of the Local Government Finance Order through the Scottish Parliament in early March.
- 4.6 A large part of the increase in grant funding is however either ring-fenced or is for specific additional spending commitments the council must implement such as the 2024/25 staff pay deal, teacher pensions and the further expansion of Free School Meals. Angus Council must also pass over £3.284 million of this additional funding to the Angus Health and Social Care Partnership on a ring-fenced basis. After allowing for these areas of grant which are therefore committed there remains an increase in the core revenue grant on a like for like basis of £5.129 million (1.9%). This compares to an assumed increase of £5.5 million in the Medium Term Budget Strategy for 2025/26 and therefore means a marginally worse off position than projected by £0.371 million.
- Further Correspondence – Budget Stage One Debate (4 February 2025)
- 4.7 The Cabinet Secretary for Finance & Local Government announced that she will provide Local Government with additional funding of £144m as part funding towards the costs which Councils will incur due to changes in employer's national insurance rates and thresholds. This is estimated to equate to approximately 60% of cost of directly employed staff in Scottish Councils. The Angus Council share of this £144m has been estimated at £2.976 million and this increases the grant figure in Table 1a of £294.014 per Finance Circular 10/2024 to £296.990 million. Further comment on the implications and risks from the changes to employers national insurance is provided in paragraph 6.9 below.

## **5. CURRENT POSITION**

- 5.1 Service base budgets have been prepared on an incremental basis using the 2024/25 budget as a starting point, allowing for those items of budget growth deemed allowable (unavoidable) in accordance with the Director of Finance's guidance. Base budgets have been reviewed by officers for accuracy and adequacy through a technical validation process (Budget Submission Review meetings).
- 5.2 To support the work of the Policy & Budget Strategy Group (PBSG) the Council Leadership Team (CLT) reviewed all of the revenue budget issues, revenue budget (Change Programme) savings, review of charges and new capital project proposals which had been submitted by each Council Directorate as part of the budget preparation process. The draft revenue and capital budgets set out in this report and appendices are therefore based on the recommended treatment for all of these components of the budget which were considered by the Policy & Budget Strategy Group (PBSG) at its final meeting on a cross-party basis on 22 January 2025. This provides a common baseline for elected members to use in making their decisions on the budget.
- 5.3 Appendix 1 sets out a summary of the Council's net expenditure position for 2025/26 based on the provisional base budgets, budget issues, review of charges and savings recommendations for each service which were considered by the PBSG in January.
- 5.4 Budget spending levels are determined by the amount of revenue resources that are available to the Council. These resources comprise general revenue grant support from the Scottish Government and income raised locally through Council Tax and other fees and charges. In addition, the Council may supplement these resources on an ad-hoc basis by taking money from the Council's Reserves (if available). It is a statutory requirement for the Council to set a balanced budget meaning its budgeted expenditure must be matched by budgeted income. The amount of income (funding) the Council expects to have available therefore determines how much can be spent.

## **6. PROPOSALS – 2025/26 REVENUE BUDGET**

- 6.1 It is not possible to confirm the total budget resources expected to be available to the Council for 2025/26 until key decisions on the setting of the Council Tax have been made (e.g. provision for non-collection & contributions to/from the Council's Reserves). These issues are covered in more detail in Section 8 of this report.
- 6.2 In the absence of such Council Tax decisions, assumptions have been made as to the likely level of resources so as to inform decisions regarding budget savings. On the basis of the Net Expenditure as detailed in Appendix 1 a shortfall of income over expenditure of £72.361 million will exist in 2025/26, of which £0.803 million is one-off. This assumes approval of the budget issues (columns C & D), the change programme savings proposals (column E) and review of charges proposals (column F) based on the position presented to the PBSG. This assumes no increase in the Council Tax Charge (which will be decided at the Special Council meeting) and does not take into account the expected increase in Council Tax base due to new houses coming on to the Council Tax Register of £0.452 million.
- 6.3 The Council's Change Programme is again intended to deliver savings to help with balancing the 2025/26 revenue budget. All of the savings proposals are detailed in the Provisional Budget Volume (Report 60/25) in the budget pages for each Directorate. Further details are also shown in the Change Plan section of the Council Delivery Plan (Report 49/25). If all of the proposals are accepted by members the Change Programme is expected to deliver savings of £2.854 million (this includes Review of Charges additional income of £0.330 million). Directorate savings of £1.379 million have been deducted from the relevant Directorate budget in Appendix 1 with the remaining Change Programme savings of £1.475 million deducted in the Corporate Items section.
- 6.4 The audited Uncommitted General Fund Reserve was £0.997 million as at 31 March 2024. Report 62/25 on this agenda, Update on the General Fund Reserve and the Proposed Budget Strategy for the use of the Reserve Balance over the Period 2025/26-2028/29 provides an update on this position and recommends proposals for the use of the General Fund Reserve over the 4 year period 2025/26-2028/29 which if implemented would leave an uncommitted General Fund Balance of £0.242 million.

6.5 Paragraphs 6.6 to 6.22 below cover the other main issues and assumptions made in preparing the provisional revenue budget set out in Appendix 1.

6.6 Angus Health & Social Care Partnership (IJB)

The Statement of Net Expenditure at Appendix 1 shows that the Council's proposed budget allocation to the Angus IJB is £78.640 million. The 2025/26 finance settlement included £135 million for Health and Social Care budgets and the estimated Angus share, £3.284 million, has been included in the £78.640 million in Appendix 1. The £78.640 million also includes a £0.165 million allocation of Scottish Government funding for 2024/25 pay costs. Members are asked to note that the Angus IJB will be considering its budget some time after the Council has set its budget for 2025/26. The IJB can't finalise its budget until the Council's proposed budget has been confirmed and ultimately both the Council and IJB need to reach agreement on the proposed budget.

6.7 Budget Issues (Unavoidable Cost/Demand Pressures)

Through the budget process a number of areas were identified where an unavoidable increase in budget is required in 2025/26 or where investment in service provision was considered to be necessary. These were discussed and reviewed in detail by the PBSG.

6.8 A total of £4.975 million budget issues were recommended for approval to the PBSG, comprising £0.803 million one-off issues and £4.172 million issues on an ongoing basis. The budget issues recommended to PBSG are set out in Column C & D of Appendix 1 with more detail on these included in each Directorate's Provisional Budget Volume page (report 60/25 refers).

6.9 Budget Assumptions for Significant Items

The 2025/26 budget proposes to make provision for additional cost pressures and significant items the most important of which are as follows:

A) Pay Award 2025/26

A sum of £5.6 million has been included in the budget for pay inflation and wage related cost pressures expected to arise in 2025/26 and is based on an increase of 3%. Pay claims have been lodged by Trade Unions well in excess of this sum but these claims are unaffordable unless more funding is available from the Scottish Government to support them. A provision of 3% is considered reasonable given prevailing and projected inflation rates and the multitude of other financial challenges facing the Council.

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

B) Employer National Insurance Costs (Directly Employed Staff)

The Chancellor announced in October 2024 that the rate at which employers pay national insurance contributions to the UK Treasury and the thresholds which apply to such payments are to change from April 2025. A detailed analysis of the expected impact of this change on the Council's costs has been undertaken using payroll data covering those employees of the Council and ANGUSalive. Estimates for the expected increase in costs for Council staff working for the Angus Health & Social Care Partnership (AHSCP) and an Angus Council share of the cost increase expected to affect Tayside Contracts have also been made. The position can be summarised as follows:-

Table 1b – Employers National Insurance Cost Increases

Area of Impact	£m
Estimated Cost - Angus Council Staff & Elected Members (excl AHSCP)	4.300
Estimated Cost - Angus Council share of Tayside Contracts	0.500
Estimated Cost - ANGUSalive	0.200
<b>Total Costs Included in Draft Council Budget (Appendix 1)</b>	<b>5.000</b>
Estimated Cost for Council Staff in Angus Health & Social Care Partnership	0.660
<b>Total Cost - Council and Main Partners for Directly Employed Staff</b>	<b>5.660</b>

As outlined in paragraph 4.7 the Council expects to receive additional grant funding of £2.976 million to partly cover the costs arising from the National Insurance changes. That funding provided by the Scottish Government does not include provision for Council ALEOs such as ANGUSalve but is intended to provide funding for the other costs shown above in Table 1b, i.e. £5.460 million. While nationally the funding is intended to support approximately 60% of the estimated cost impact in Angus the funding equates to just under 55% of the estimated cost (£2.976m/£5.460m).

In line with normal practice the budget set out in Appendix 1 assumes that a share of the £2.976 million in expected funding will be passed on to the AHSCP. This equates to £0.357 million. Appendix 1 includes this sum as a cost and the whole amount of the funding as an income. Appendix 1 assumes that the remaining costs for directly employed staff in the AHSCP will be contained within the Partnership's overall budget.

#### C) Employer National Insurance Costs (Supply Chain)

As well as increasing costs for those staff directly employed by the Council the changes to Employers National Insurance from April 2025 will also affect the costs the Council and its partners pay for goods and services provided by suppliers. The financial impact of the NI change on the Council's supply chain is difficult to determine and is likely to vary on a case to case basis. The cost impact will depend on commercial decisions by suppliers, the terms and conditions on individual contracts and the level of competition in the market.

It is however inevitable that the Council will see some additional costs being passed on by suppliers from the NI changes but this is likely to take time to emerge over the course of the 2025/26 financial year. In light of that uncertainty the budget set out in Appendix 1 proposes that this impact be managed on a risk/contingency basis until there is more certainty on the actual cost. A provision of £1.448 million is included in Appendix 1 as a provision for all risks affecting the 2025/26 budget including the NI impact on to the Council's supply chain costs.

Members will note from the separate report on the proposed 2025/26 budget for the Angus IJB (Report 56/25) that there are significant concerns about the impact of the employers NI changes on the supply chain in health and social care. A large proportion of health and social care services in Angus are provided by private and third sector providers rather than directly employed staff and those other providers are likely to pass on that additional cost burden.

**At the time of writing this report no funding support has been provided or announced by either the UK or Scottish Government for the cost impact on to the supply chain of public bodies albeit discussions are understood to be continuing. To date only partial funding for directly employed staff has been confirmed. The absence thus far of funding to recognise the impact onto the supply chain represents a huge risk for the Council and the AHSCP in particular, not only financially but also in terms of the stability of the social care sector.**

#### D) Funding to Maintain/Restore Teacher Numbers

A sum of £186.5 million nationally is being set aside as ring-fenced funding to maintain or restore teacher numbers to 2023 Census levels across all Councils in 2025/26. At the time of writing this report significant uncertainty and risk for the Council exists in relation to this element of the grant settlement for 2025/26. To ensure the Council is fully apprised of these risks and uncertainties and the complexities around how this affects the Council's budgets over the next 3 years further detail has been set out in Appendix 2.

#### E) Extended Producer Responsibility Legislation

This legislation introduces a scheme of charges on producers of certain types of packaging waste and the income from those charges is to be used to support local authorities across the UK with the collection and disposal costs for such waste. Councils are already bearing the significant cost of packaging waste in the household waste stream which means that additional funding to be received under the new legislation would be additional income for the Council relative to existing budgets.

There does however remain uncertainty and risk in relation to this funding for 2025/26 and over the longer term. The legislation is designed to encourage changes to existing practice which if successful would reduce the income level and refinement of the modelling used to determine how much each local authority is to be allocated is ongoing. The Council has also only been given a provisional indication of funding for 2025/26 and won't have a confirmed figure until Autumn 2025. The scale of this expected additional funding is too significant to ignore for budget

setting purposes so it is proposed to assume a sum of £2.3 million of new income from these UK wide changes will be available to support the costs of waste services provision in the Infrastructure & Environment Directorate in 2025/26. The provisional estimate provided to the Council of £3.1 million has been reduced by 30% to reflect the uncertainty and risk around this funding.

#### F) Other Services

The budget for Other Services includes a provision of £0.300 million for unexpected additional burdens. This provision will be used if required to meet any unexpected budget issues arising during 2025/26 which cannot be managed via service budgets and is in line with the level of budgeted for in recent years. Also included in the proposed Other Services budget are:

- a budget provision for the costs of the Council Tax Reduction Scheme which provides full or partial relief on Council Tax charges for eligible taxpayers. A total provision of £6.5 million is included in the budget, an increase of £0.400million to take account of expected increased costs in providing support to eligible taxpayers;
- Interest on Revenue Balances, based on the current rate of interest the Council can earn on temporary surplus cash and projected cash balances during 2025/26 this budget has been reduced by £1.2 million to £1.4 million for 2025/26.

#### G) Contingency for Budget Risks

In setting each year's budget the Council must manage a number of risks and uncertainties – a budget is only a best estimate of what is expected to happen financially. However, the context for the 2025/26 budget is one of significant risk and uncertainty in areas with very large financial values involved. In addition to the normal risks and uncertainties with budget setting the issues referred to in points A to E above make budgeting very challenging and require the Council to plan (and make budget provision) for those risks and uncertainties. A budget provision of £1.448 million is therefore proposed to provide some protection for these risks in the base budget. Any one of the issues in points A to E could utilise that provision in full and so the Reserves Strategy (Report 62/25) also proposes increasing the one-off support which could be drawn upon through the Exceptional Cost Pressures Reserve.

#### 6.10 Review of Charges

As part of the budget guidance issued by the Director of Finance, Directorates were asked to provide figures for the impact on charges for each 1% increase. In recognition of the pressures on the Council's budget and previous levels of inflation, officers recommended that the PBSG consider applying a 5% increase across almost all Council charges for 2025/26. The additional income of £0.330 million which would be generated from increasing charges by 5% has been included in the Change Plan section of the Council's Delivery Plan. Although a 5% increase is proposed in most cases, the majority of the charges are rounded up to the nearest 10 pence and this could therefore potentially take the increase over 5% in some cases. Some charges are proposed to increase by more than 5% where there is a need to ensure recovery of the costs of providing the service. Members are referred to the separate reports (Nos 51/25, 52/25, 53/25 and 54/25) covering Council charges and the separate reports for the AHSCP and ANGUSalive which are proposing a different approach than a 5% increase. A summary of the net financial impact (additional income) from the proposed review of charges has been reflected in column F of Appendix 1.

#### 6.11 Specific Grants Netted off within Services

As part of the Scottish Budget announcements Angus Council's share of ring fenced specific grants is £2.316 million, comprising Pupil Equity Funding (£2.310m) and Gaelic Funding (£0.006m). The Criminal Justice Social Work specific grant of (£1.630m) has currently been held back by the Scottish Government but for completeness this has been included in the Net Expenditure Statement at Appendix 1.

#### 6.12 Capital Financing Costs (Loan Charges)

The separate Long Term Affordability (Report 65/25) outlines that the provision for capital financing costs within the 2025/26 revenue budget is considered sufficient to meet the commitments as contained in the proposed capital budget. However, it should be noted that any material amendment to the capital budget for 2025/26 would almost certainly necessitate amendment to the Prudential Indicators and could require amendment of the capital financing costs budget provision. Any amendment to the capital financing costs budget would also have consequences in respect of the overall revenue budget for 2025/26.

- 6.13 Surplus Local Tax Income & MOD Council Tax Income  
A budgeted allowance of £0.234 million has been included in the budget summary at Appendix 1 in respect of Surplus Local Tax Income and Council Tax income on Ministry of Defence (MOD) properties. The delivery of the surplus local tax income will be dependent upon continued good performance on Council Tax collection and is not necessarily guaranteed.
- 6.14 Council Tax – Policy on Long Term Empty Properties and Second Homes  
Committee report 57/19 to the Special Budget Meeting of Angus Council on 21 February 2019 approved the recommended change to the Current Long Term Property Policy. This recommended that from 1 April 2019 the funds raised on long term empty properties and second homes be split 75% General Fund and 25% Affordable Housing Rent Account (AHRA). A budget of £0.500 million has been included in the net expenditure summary at Appendix 1 in this regard.
- 6.15 Tayside Valuation Joint Board /Tayside Contracts Joint Committee  
The 2025/26 revenue budget for the Tayside Valuation Joint Board was agreed at the Board meeting on 27 January 2025. Angus Council's budgeted share of the Joint Board's net expenditure is £0.931 million, excluding Electoral Registration Services which are budgeted for separately within Other Services.
- 6.16 The 2025/26 revenue budget for the Tayside Contracts Joint Committee has yet to be determined. The Angus share of the total estimated surplus for 2025/26 has not been changed from the 2024/25 estimate of £0.250 million.
- 6.17 The appropriate allocations to Angus Council in respect of the Joint Board and Joint Committee have been allowed for in the net expenditure summary in Appendix 1.
- 6.18 Summary Budget Position  
Table 2 below summarises the total estimated baseline budget gap after taking account of the budget issues, Change Programme savings and review of charges proposals submitted to the PBSG and included in this report.

**Table 2 – Summary Position - 2025/26 Revenue Budget**

	Ongoing £m	One-Off £m	Total £m
<b>Funding Gap (before Change Programme Savings)</b>	<b>10.918</b>	<b>0.803</b>	<b>11.721</b>
Less Change Programme Savings	(2.854)	0	(2.854)
<b>Funding Gap (after Change Programme Savings)</b>	<b>8.064</b>	<b>0.803</b>	<b>8.867</b>

Closing the funding gap shown in Table 2 will need to come from a combination of increases in Council Tax including growth in the Council Tax base and use of Council reserves. The funding gap shown above is indicative only because the final position will depend on what members decide to do in relation to the budget issues, savings and review charges.

- 6.19 Key Assumptions & Risks  
The Council has a statutory duty to set a “balanced” budget each year taking into account the estimates of its expenses and incomes for the period. As members will appreciate all budgets are, by definition, only a best estimate and therefore carry a degree of uncertainty and risk. It is important to assess each year's proposed budget from the perspective of the risk inherent and the resilience of that budget to changing circumstances. Levels of budget risk continue to be high due the effects of inflation, increasing demand in some services and many areas of uncertainty regarding elements of funding. These risks have been captured in the Council's corporate risk register.
- 6.20 Overall Management of Budget Risks  
The management of budget risk is integral to the Council's approach to budget setting and critically no Director is required to accept a budget which they don't believe is capable of delivery. There are however 4 main elements to the management of budget risks by the Council which are worth highlighting as described below:
- Assessment of Budget Issues  
The Council's budget process ensures that all significant budget issues that require investment can be raised by Services and discussed and assessed by both officers and members prior to the budget being set. A process of risk assessment is applied through the



budget process so that if resources don't allow budget issues to be recognised in full there is an understanding of how much risk is involved in taking such a decision.

- Savings Capable of Delivery

The Change Programme is the primary route through which savings in budgets are being identified and delivered. Change Programme projects are at different stages in their life cycle with some complete and being implemented and others requiring further work to finalise where the savings will come from in the existing budgets.

At the point of setting the 2025/26 revenue budget the overall risk to delivery of the 2025/26 Change Programme savings target is considered to be at a medium level reflecting the scale of further savings being targeted and the challenges to delivery of some of those. Should it arise the Council has reasonable contingency funds to manage the risk of some savings targets not being achieved during 2025/26.

- Provision for Inflation

Inflation and other pressures on costs caused by demand or changing circumstances are a key consideration of each year's budget process and for 2025/26 inflation is considered a significant area of risk and uncertainty. In broad terms the Council does not normally provide for the effects of general inflation within the budget but rather provides additional resources where these are needed for specific spending pressures (as identified through the budget issues process).

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

- Contingencies

Another critical element of the Council's management of budget risk is the availability of contingencies both within the budget, as described earlier in this report and in reserves. A general contingency in the Council's reserves of £5.5 million is being recommended for the 2025/26 budget and this is considered adequate when viewed alongside other elements of reserves which are being earmarked but could if required be reassigned to deal with unforeseen expenditure. A contingency of £5.292 million has also been built into the proposed capital budget.

#### 6.21 Pay Risks

The 2025/26 revenue budget is being set against a backcloth of significant uncertainty in relation to pay and potential pay increases. At the time of writing this report the pay deal for both teaching and non-teaching staff for financial year 2025/26 has still to be negotiated. The 2025/26 revenue budget presented in this report assumes the deal will be finalised without additional cost to the Council beyond the 3% budgeted on the basis that this is already at the limits of what the Council can afford. This represents an area of risk until a deal is reached.

- 6.22 In summary as author of this report I am content, based on the information and assurances provided by Change Programme project leads regarding savings delivery and my discussions with the Chief Executive and the Council Leadership Team, that the proposed 2025/26 revenue budget although extremely challenging is realistic and achievable. I also believe that reasonable contingency provision is being recommended to be made in both the budget and through Council Reserves which if agreed will deliver a budget which has a degree of resilience to deal with changes in circumstances or additional cost pressures which might arise during 2025/26.

## 7. **PROPOSALS – 2025/26 CAPITAL BUDGET**

### 7.1 Background – General Fund Capital Budget 2025/26

Capital budget preparation guidance was issued by the Director of Finance outlining the procedures to be followed in the preparation of the 2024/2029 Capital Plan and the 2025/26 capital budget and services were required to submit capital plans based on an approved list of priority projects, as well as details of proposed new priority projects.

- 7.2 A programme of long-term funding strategy measures has been developed which is intended to maintain levels of capital expenditure into the future. Report 65/25 on the long term affordability of the General Fund capital plan provides more detail of the measures which have been developed.

### 7.3 Capital Resources

The 2024/2029 Capital Plan, incorporating the 2025/26 capital budget, has been prepared under the self-regulating Prudential Code regime. Under the Prudential Code the level of capital expenditure is not the key influence within the setting of the capital plan, rather the affordability and sustainability of the revenue budget consequences of capital investment decisions (including any subsequent impact on the Council Tax) are the major factors. The 2024/2029 Capital Plan has been prepared in this context and further information relating to the Prudential Code is contained in Report 66/25.

### 7.4 2025/26 Local Government Finance Settlement

Finance Circular 10/2024 (issued on 12 December 2024) provided details of funding allocations for 2025/26, these are provisional pending agreement of the Local Government Finance Order. No definitive information is available for 2026/27 onwards. Table 3 below, details Angus Council's capital grant funding for 2025/26.

**Table 3 – 2025/26 Capital Grant Settlement**

<b>Funding Source</b>	<b>2025/26 £m</b>	<b>2024/25 £m</b>	<b>% Increase</b>
General Capital Grant (including new funding for Climate Emergency £0.931 million)	11.427	9.542	19.8
Additional General Capital Grant	n/a	0.698	n/a
Specific Capital Grant - Cycling, Walking and Safer Streets	0.500	0.503	(0.06)
<b>Total Capital Grant</b>	<b>11.927</b>	<b>10.743</b>	<b>11.0</b>

7.5 Total capital grant for 2025/26 from Scottish Government has increased by 11% when compared to 2024/25. No definitive information is available for 2026/27 onwards at this point in time, however it has been indicated by the Scottish Government that capital funding on a national level is likely to reduce only marginally over the next few years in cash and real terms.

### 7.6 Key Points of Note for Capital Budget Setting

The CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition) requires the production of a capital strategy. The Council's proposed capital strategy for 2025/26 is presented in Report 64/25.

7.7 Annual allowances for core maintenance have been included within the new capital plan year 2028/29 and it is recommended that they remain at the 2024/25 level of £6.3 million p.a. These allowances were increased in 2024/25 to address issues with construction inflation which severely eroded the spending power of those core allowances. It also provided additional financial resources to address severe weather events which are becoming more prevalent.

7.8 In preparing the 2025/26 capital budget existing projects have been reviewed and additional resources are recommended for a small number of new high priority capital projects / programmes, which have been included in the 2024/29 Capital Plan and Provisional Capital Budget Volume (Report 61/25).

- £0.143m for retrofit of fire suppression systems in school kitchens
- £1.575m for new cemetery development costs in Arbroath
- £0.111m for replacement of fuel pump facilities at operational depots
- £1.600m for replacement of dock gates and slipway cradles at Arbroath Harbour
- £7.450m for uplift of core roads maintenance budget

### 7.9 Monifieth Learning Campus

At an estimated gross capital cost of £66.5 million (reducing to some £58.1 million once anticipated developer's contributions and other funding has been taken into account) and spread over financial years 2021/22 to 2027/28, the replacement of Monifieth High School still remains a significant investment and long term financial commitment in the 2024/29 Capital Plan.

7.10 2024/2029 Capital Plan (Incorporating the 2025/26 Capital Budget)

The 2024/29 Capital Plan details, for the General Fund, the total cost and phasing of the priority capital projects proposed to be undertaken by Angus Council over the next four years. These costs are shown on an outturn basis, i.e. including an allowance for inflation. The capital expenditure on each Directorates capital programme is differentiated, for budget planning purposes, between that which is anticipated to be legally committed (LC) by 31 March 2025 and that which is not yet anticipated to be legally committed (NYLC) by 31 March 2025.

7.11 Appendix 3 provides a summary of the provisional service capital budgets for 2025/26 as contained in the Provisional Capital Budget Volume (Report 61/25) and shows an estimated net capital expenditure of £44.596 million. Appendix 3 also shows that after the inclusion of the proposed contingency and removal of the oversubscription level built into the programme, as well as the application of corporate capital receipts and general Scottish Government capital grant, the funding of the provisional capital budget will require new borrowing (before the application of assumed slippage) of £32.900 million in 2025/26.

7.12 Capital Projects Which Seek to Address or Mitigate the Effects of Climate Change

Given the significant challenges to public infrastructure caused by climate change and the Council's legal obligations in relation to Net Zero, the 2024/2029 Capital Plan includes, for the first time, a memorandum section which shows all of the capital projects which seek to address or mitigate the effects of climate change. The projects listed in this memorandum section are not new or additional and are already included under the relevant Directorate section of the Capital Plan but have been brought together in a single summary to show the extent of work the Council has planned in relation to climate change.

7.13 A broad interpretation has been applied in deciding which projects should be included in this memorandum section and it does not necessarily cover all capital spend which is linked to climate change. The Council will be undertaking other capital projects which although not mainly about climate change may have a climate change aspect to them – these are not included in this memorandum section. An example of this would be the new Monifieth High School project – this is being built to Passivhaus standards but has not been included in the Climate Change Memorandum section in the Capital Plan because climate change is not the main focus of the project.

**8. BUDGET DECISIONS REQUIRED BY ELECTED MEMBERS INCLUDING SETTING THE 2025/26 COUNCIL TAX**

8.1 The revenue and capital budgets presented in this report and all of the other reports under agenda items 3 to 5 for the Special Council Meeting of 27 February 2025 are based on proposals and recommendations considered by the Policy & Budget Strategy Group (PBSG) at its final meeting on a cross-party basis on 22 January 2025. The PBSG did not conclude an agreed position on the recommendations made at that meeting but noted these would provide a common baseline for elected members to use in making their proposals and decisions on the budget.

8.2 The budget proposals from those elected members and groups of elected members set out in agenda items 6 to 8 for the Special Council Meeting of 27 February 2025 use that common baseline as a starting position and show, by exception, where it is proposed to vary from the position considered by the PBSG. The remainder of this report outlines the remaining financial considerations and the steps necessary to set the Council Tax charge.

8.3 To set the Council Tax for 2025/26 the Council must decide:-

1. The total net expenditure requiring to be met from Council Tax and Reserves;
2. The Tax base and level of non-collection to be assumed for Council Tax in 2025/26; and
3. How much (if any) of the Council's Reserves are proposed to be used to fund the total net expenditure

The result of decisions on points 1 to 3 above will be a figure required to be raised from Council Tax which when divided by the assumed tax base determines what the Band D Council Tax for 2025/26 has to be.

#### Total Net Expenditure To Be Met from Council Tax & Reserves

- 8.4 The proposed Net Expenditure from those elected members and groups of members making budget proposals are set out in Reports 67/25; 68/25 and 69/25 (Agenda Items 6 to 8 refer).
- 8.5 Council Tax Base, Allowance for Non-Collection and Council Tax Reduction Scheme Costs

Council Tax is a daily charge which means that the tax base (the total number of properties to which Council Tax applies) changes over the course of each financial year. Based on past trends Finance officers have projected that the average tax base for financial year 2025/26 will be 49,407, an increase of 325 on the 2024/25 tax base of 49,082.

Despite Angus Council's strong record of collecting Council Tax an element of non-collection will exist and it is therefore necessary to adjust the tax base by making a non-collection allowance to recognise this. The allowance for non-collection agreed by the Council in setting the 2024/25 Council Tax was 1.75% and it is recommended that the same allowance of 1.75% is used for 2025/26 as officers believe a collection rate of 98.25% is still achievable.

The tax base recommended to apply for 2025/26 after adjusting for non-collection is therefore 48,542, an increase of 319 on the 2024/25 adjusted tax base of 48,223.

Council Tax is subject to a variety of discounts and reliefs depending on the circumstances of the taxpayer and a relief scheme – Council Tax Reduction (CTR) - provides full or partial relief from the Council Tax which would otherwise be payable by the taxpayer. Households which are eligible can claim CTR but the cost of providing CTR relief is met by the Council. In practice what this means is that increases in the Council Tax charge result in an increase in the cost of CTR relief. Based on current levels of CTR entitlement and claims around 10% of any increase in Council Tax must be set aside to cover the additional costs of CTR relief which would arise as a consequence.

For information purposes each 1% increase in Council Tax would yield additional gross income of approximately £0.639 million based on the updated tax base of 48,542. In net terms after allowing for the impact on Council Tax Reduction costs each 1% increase would yield approximately £0.575 million.

- 8.6 Uncommitted General Fund Reserve at 31 March 2025  
Report 62/25, Update on the General Fund Reserve and the Proposed Budget Strategy for the use of the Reserve Balance over the Period 2025/26 – 2028/29 on this agenda sets out an updated position on the Projected Uncommitted General Fund Reserve at 31 March 2025 of £18.295 million and seeks approval for a revised 4 year reserves strategy totaling £18.053 million which would leave a projected uncommitted General Fund Reserve balance of £0.242 million.
- 8.7 It should be borne in mind, however, that the projected year-end position for the current financial year included in the projected Uncommitted General Fund Reserve workings cannot be assessed with certainty until the 2024/25 accounts of Angus Council have been prepared. It should also be noted that the actual balance on the General Fund Reserve at the end of 2024/25 could potentially be in excess of the uncommitted sum noted above on the basis that it will include a number of explicit expenditure commitments into 2025/26 such as budget carry forwards and earmarked resources. In addition, experience has shown that projected outturn estimates can change significantly in the last two months or so of the financial year depending on prevailing weather conditions, particularly in respect of roads winter maintenance, heating costs, and so on.
- 8.8 Assessment of Council Reserves  
The Council currently holds various earmarked reserves as part of the Council's longer-term financial management strategy. These reserves give the Council a degree of protection over the longer term from potential risk due to unforeseen significant expenditure calls where insufficient current revenue or capital budget provision may exist. In accordance with the Chartered Institute of Public Finance and Accountancy's LAAP Bulletin 99 "Local Authority Reserves and Balances" as issued in 2014 a Statement of Earmarked Reserves is attached at Appendix 4. This statement provides details of the various earmarked reserves the Council holds, the purpose of each reserve and the anticipated balance on each reserve as at 1 April 2025. Recommendations regarding the replenishment or draw down from these various funds and reserves are provided in Appendix 4 whilst the latest projected balances on those funds is given in Annex A of Appendix 4. This information is provided to help inform decisions with regard to the level of contributions to be made to / from reserves and balances.

#### 8.9 Balancing the 2025/26 Revenue Budget

Table 2 of this report identifies that a projected funding gap of £8.867 million would arise based on the assumptions made in the report on budget issues, savings and review of charges. Closing the funding gap shown in Table 2 will need to come from a combination of increases in Council Tax including growth in the Council Tax base and use of Council reserves and some provisional recommendations on use of reserves are set out in report 62/25.

A partial Council Tax Calculation Statement has been drafted based on the figures set out in this report and is attached at Appendix 5. This calculation is for **illustrative purposes only** and no recommendations are being made. A summary is given in Table 4 below:

**Table 4 – Council Tax Calculation**

	£ m
<b>Net Expenditure</b> (per Appendix 1) to be met from Council Tax (Before Contributions to/(from) Council Reserves)	72.361
Less: Use of Reserves to fund One Off Budget Issues	TBC
Less: Use of Reserves to Balance the Budget	TBC
<b>Net Expenditure to be met by Council Tax (after contributions to/from Council Reserves</b>	TBC

#### 8.10 Council Tax Valuation Bandings

The Council is required to set the Council Tax based on Valuation Band D. The Council Tax Charge for properties in the other Valuation Bands is calculated with reference to Band D based on a formula set down in legislation. The Valuation Bandings used in the calculation of Council Tax are shown in Appendix 6 for information. These bandings are set by legislation not by Angus Council.

### 9. FINANCIAL IMPLICATIONS

- 9.1 There are no additional financial implications for the Council beyond those set out in the body and appendices of this report. Members should however note that any changes to the baseline budget proposals set out in this report which have financial implications will impact onto the Council's overall budget and the basis for achieving a balanced budget.

### 10. RISK MANAGEMENT

- 10.1 The following risks from the Corporate Risk Register are relevant to this report.

- Financial Sustainability
- Transforming for the Future

### 11. ENVIRONMENTAL IMPLICATIONS

- 11.1 There are no environmental implications for the Council arising from the recommendations in this report.

### 12. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

- 12.1 Equality Impact Assessments have been prepared where required for specific proposals like review of charges or savings proposals. An overall Assessment covering the Council's budget as a whole has also been prepared (Report 59/25 refers.)

### 13. CHILDREN'S RIGHTS AND WELLBEING IMPACT ASSESSMENT

- 13.1 Children's Rights and Wellbeing Impact Assessments have been prepared where required for specific proposals like review of charges or savings proposals. An overall Assessment covering the Council's budget as a whole has also been prepared (Report 59/25 refers.)

## **14. CONSULTATION**

14.1 The Chief Executive and Acting Director of Legal, Governance & Change have been consulted on this report.

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

- Finance Circular 10/2024 issued by the Scottish Government

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### List of Appendices:

Appendix 1 - Summary Statement of Net Expenditure 2025/26  
Appendix 2 - Commentary on Funding for Maintaining Teacher Numbers  
Appendix 3 - Provisional Capital Budget (Summary)  
Appendix 4 - Statement of Earmarked Reserves including Annex A  
Appendix 5 – Partial Council Tax Calculation Statement  
Appendix 6 - Council Tax Valuation Bandings