

ANGUS COUNCIL

SPECIAL ANGUS COUNCIL – 27 FEBRUARY 2025

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

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

1. ABSTRACT

- 1.1 This report updates members on the General Fund Reserve position post that reported in the Council's 2023/24 Audited Annual Accounts and sets out a proposed budget strategy for the use of the General Fund Reserve over the 4 year period from 2025/26 to 2028/29.

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

- 2.1 This report contributes to the following strategic priorities in the Angus Council Plan, we want
- Angus Council to be efficient and effective

3. RECOMMENDATIONS

- 3.1 It is recommended that the Council:

- (i) note the updated uncommitted General Fund Reserve position post that reported in the Council's 2023/24 Audited Annual Accounts as set out in section 5 of this report;
- (ii) approve the de-commitment of £7.119 million of existing General Fund commitments that have been identified as no longer being required in part or in full for the purpose originally expected following an extensive review by officers;
- (iii) approve the 4 year strategy for the use of the uncommitted General Fund Reserve of £18.053 million over the 4 year period 2025/26-2028/29 as set out in Section 6 of this report and Appendix A, noting that this strategy may require revision depending on what the Council decides in regard to Agenda Items 6 to 8 and in regard to the level of Council Tax for financial year 2025/26;
- (iv) note that the 4 year reserves strategy can be flexed and adjusted in response to changing circumstances and will be subject to annual review as part of future years budget setting processes; and
- (v) note that the projected remaining Uncommitted General Fund Reserve position after all of the above recommendations are applied is £0.242 million as set out in Section 6 and Appendix A to this report.

4. BACKGROUND

- 4.1 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 from potential risks due to unforeseen significant expenditure calls or falls in income where insufficient current revenue or capital budget provision may exist.
- 4.2 The Council is required to review the position and its forward plans for reserves annually as part of its budget setting process and further detail on all reserves and proposals for these in the 2025/26 budget are included in Appendix 3 and Annex A of Report 58/25. The main Reserve of the Council is the General Fund Reserve which can be used in a variety of ways including to support one-off spend or to help balance the budget overall. In addition to the core General Fund Reserve the Council has (as a sub-set of that main Reserve) an Exceptional Cost Pressures Reserve which was established as part of the 2023/24 budget setting, report 57/23 refers.

5. CURRENT POSITION

- 5.1 The General Fund Reserve is split between uncommitted balances (the level of funding available to Angus Council to manage financial risks and unplanned expenditure) and balances which have been committed for specific purposes. The General Fund Reserve was £60.703 million as at 31 March 2024 as reported in the Council's 2023/24 Audited Annual Accounts. Of this balance some £59.706 million was committed for specific purposes which left an uncommitted balance of £0.997 million, which was subsequently reduced to £0.257 million following approval of the 2023/24 budget carry forward requests.
- 5.2 In setting the 2024/25 Revenue Budget the Council agreed a 4 year Reserves Strategy which resulted in the following sums being set aside for the purposes indicated in Table 1 below:

Table 1 – Existing Reserves Strategy

Purpose	£million
Core General Fund Reserve (Uncommitted)	0.000
Exceptional Cost Pressures Reserve	1.556
Provision for Severance Costs, Staff Training & Redeployment	3.500
Provision for Spend to Save Initiatives/Projects	1.500
Reserves Drawdown Strategy to Support Balancing Future Budgets (£2.889m in 24/25; £3m in 25/26; £2.5m in 26/27 and £1.5m in 27/28)	9.889
Total Commitments Per Strategy	16.445

- 5.3 In addition to the values in Table 1 the Council also agreed to retain a corporate contingency balance of £5m when setting the 2024/25 budget.
- 5.4 It is good practice to regularly review reserves and the sums earmarked therein and to this end finance officers have, in liaison with Service Directors, now reviewed all of the £59.706 million of existing commitments which existed at 31 March 2024.
- 5.5 The review has led to a significant value of existing commitments totalling £7.119 million being able to be de-committed as no longer being required in full or in part for the purpose originally expected. Table 2 below sets out the details of the £7.119 million de-commitments.

Table 2 – De-Commitments Following Review

Area of De-commitment	£million	Comments
Monifieth High School - Reduction in Funding Required from Reserves	1.889	Increases in budgeted income from developer contributions means planned use of Reserves to part fund the cost is no longer required to the same extent
Return of IJB Reserves (uncommitted element)	0.809	Initially earmarked upon return but has no specific commitments against it
Grant redetermination funding not required in full - 22/23 Pay Deal	0.716	Portion of grant funding related to pay deal now confirmed as not required as ongoing costs and funding now included in base budget.
Grant redetermination funding not required in full - Teachers 22/23	0.706	As above in relation to teachers pay deal from 2022/23. Now in base budget.
Insurance Fund - Storm Babet Excess	0.700	The Council's £1m excess on the Storm Babet insurance claim has now been split between the HRA and General Fund. Initially the whole £1m had been set against the General Fund.
Grant redetermination funding not required in full - LGE Staff	0.540	Grant funding related to pay deal not required in full for Local Government Employees. Now in base budget.
Provision for Public Transport Inflation Risk - no longer required	0.537	The budget for these costs was uplifted permanently in setting the 2024/25 budget.

ANGUSalive cancelled savings 2020/21	0.458	Held as a contingency in case ANGUSalive required exceptional financial support during COVID. They did not require such support and this provision is no longer required for that purpose. Sum was planned savings which were cancelled at start of the pandemic.
Total of all other de-commitments of lower value	0.300	Smaller value items no longer required
COVID Spend not fully required/utilised	0.179	Dates back to projects agreed in 2021 and 2022 which are now complete and spent less than budgeted.
Prior Year Budget Carry Forwards not fully required/utilised	0.150	Various projects now complete where some of the funding is no longer required.
Grant redetermination funding not required in full - Various	0.135	A number of small grant allocations haven't been required – services have managed some of these issues within existing resources.
Total Identified for De-Commitment	7.119	

6. PROPOSALS

- 6.1 In setting the 2024/25 budget the Council agreed a 4 year Reserves Strategy covering the period 1 April 2024 to 31 March 2028 which included setting aside reserves for a number of purposes over the 4 year period. A comprehensive review of the existing Reserves Strategy and the General Fund Reserve Commitments has been undertaken and this report presents an updated Strategy covering a new 4 year period to 31 March 2029. Table 3 below summarises the funding available to support a new 4 year Reserves Strategy

Table 3 – Funds Available for New Reserves Strategy

Reserves Available (including per existing Strategy)	£million
Spend to Save - Remaining Balance	1.060
Existing Drawdown to Balance Future Budgets (25/26 to 27/28)	7.000
Exceptional Cost Pressures Reserve	1.556
Severance, training, redeployment provision	4.157
New uncommitted balance following review	7.119
Sub-total	20.892
Less required for 2024/25 Projected Net Overspend (Report 20/25)	(2.597)
Total Estimated Funding Available	18.295

- 6.2 It is worth bearing in mind that the Council's Reserves remain in a healthy position thanks to the one-off benefit from applying the Service Concessions accounting policy change through the 2023/24 Revenue Budget which gave a one-off benefit of £22.9m as well as an ongoing benefit of £2.9m. Utilising that one-off benefit over a number of years remains a key driver of the proposals below for a new Reserves Strategy covering the next 4 financial years.
- 6.3 It is also important to emphasise that reserves are a one-off source of funding and as such using them to fund permanent additions to the Council's budget and costs is not recommended. Reserves are best used to support one off issues or spend or as part of a longer term strategy to support the Council's financial challenges.
- 6.4 Approval of the strategy below would commit the sums involved for the purposes shown but any unused element of funding can be reconsidered annually as part of the budget setting process, i.e. some of the commitments would be capable of being unwound should the need arise to do so – this provides the Council with more flexibility than appears to be the case if looking only at the level of uncommitted reserves remaining.
- 6.5 Table 4 sets out the proposed use of the funds available. It will be noted that a sum of £0.242 million would remain as uncommitted based on the proposals. This provides some flexibility should it be required as members finalise their budget proposals.

Table 4 – Proposed New Reserves Strategy

Proposed Use Under New Strategy	£million
1) Required for 2025/26 One-off Budget Issues (based on the recommendations presented to the Policy & Budget Strategy Group)	0.803*
2) Drawdown to Support Balancing Future Budgets (25/26 to 28/29)	7.350*
3) Updated Exceptional Cost Pressures Provision	2.750
4) Revised provision for severance costs, training, redeployment	1.500
5) Revised provision for Spend to Save Projects/Initiatives	1.000
6) Increase General Fund Contingency to £5.5m	0.500
7) Provision for One-off Budget Issues (26/27 to 28/29)	1.500
8) Graduate/Modern Apprentice Programme	1.500
9) One-off Top Up to Roads, Property & Parks Renewal & Repair Funds	1.000
10) Allocation to the Change Fund	0.150
Total of Proposals For New Strategy	18.053
Funds remaining as uncommitted	0.242

* - these figures may change depending on the final budget proposals agreed by elected members at the budget setting meeting on 27 February 2025.

6.6 A brief commentary is set out on each proposal in the following paragraphs.

1) Required for 2025/26 One-off Budget Issues

A sum of £0.803m would be required to fund those budget issues which have been recommended for approval by officers to the Policy & Budget Strategy Group on a one-off basis. Members will note from Agenda Items 6 to 8 that changes to the position considered by PBSG are being proposed.

2) Drawdown to Support Balancing Future Budgets (25/26 to 28/29)

It is proposed that the Council continue to plan to use Reserves on a reducing basis to lessen the impact/need for further savings and Council Tax increases over a period of years. The proposed 4 year profile would be:-

- £2.850m in 2025/26
- £2m in 2026/27
- £1.5m in 2027/28
- £1m in 2028/29.

3) New Exceptional Cost Pressures Provision

It is proposed to increase the existing provision to £2.750 million. The Council is facing multiple risks and areas of uncertainty as it sets the 2025/26 budget including those related to national insurance funding; national insurance impacts on to our supply chain and therefore the prices they will charges us; uncertainty over funding and costs for maintaining teacher numbers and uncertainty over waste legislation funding. In addition there is evidence from the current financial year of all service budgets being under strain with most services projecting an overspend for the year. This provision could be used over more than one year if required and if funds remain available.

4) Revised provision for severance costs, training, redeployment

Retaining a provision for such costs is considered essential but at a lower level than in recent years to reflect a lessened risk of having to incur such costs. The Council has been successful in managing down its workforce to deliver savings through natural turnover and in an environment where vacant posts are often difficult to fill the likelihood of severance costs being incurred is lessened.

5) Provision for Spend to Save Projects

The original provision of £1.5m has been used in part. There is no doubt that further savings will, in some cases, require some upfront investment and this provision will provide a means to deliver that over the next few years. Use of those funds would continue to require specific approval from elected members.

6) Increase General Fund Contingency to £5.5m

Audit Scotland consider a contingency provision of between 2 and 4% of a Council's net budget to be a reasonable contingency provision. For Angus this would be between £7m and £14m. Our current contingency is £5m equivalent to 1.4% of the net budget. It is proposed to increase the contingency to £5.5m which would be equivalent to 1.5% of the net budget. A higher level than this is not considered to be required because of the other provisions being proposed in the reserves strategy.

7) Provision for One-off Budget Issues (2026/27 to 2028/29)

For many years the Council has had one-off budget issues to deal with in the budget process and these have been funded from reserves. It is inevitable that future years will see further budget issues coming forward which need a one-off source of funding. It is therefore proposed to set aside £0.5m p.a. over 3 years towards these future issues. This would be in addition to the £0.803m for 2025/26 mentioned in point 1) above.

8) Graduate/Modern Apprentice Programme

The Council's challenges with recruitment and retention and an ageing workforce are well known. It is also the case that service budgets are now so constrained that there is very limited scope to fund places for trainees. It is therefore proposed to set aside £1.5m over a 3 year period to allow a further programme of modern apprentices to be taken forward and a programme of graduate apprentices also to be implemented. Ideally this funding would be able to be augmented by using existing budgets or external funding to make it go further and allow more apprentices and graduates to be brought in. A report with further detail on this Apprentice Programme will be brought to members early in financial year 2025/26.

9) One-off Top Up to Roads, Property & Parks Renewal & Repair (R&R) Funds

Due to the severe financial challenges the Council has faced in recent years it has not been possible to add fresh funding to our Renewal & Repair Funds for many years. It is known that investment in public infrastructure across Angus has suffered due to the Council's financial challenges and it remains difficult to afford any substantial increases in funding for repairs and maintenance in the Council's core budget. It is therefore proposed to make a modest top up to 3 of the funds - £400k to the Property R&R Fund; £400k to the Roads R&R Fund and £200k to the Parks R&R Fund. No contribution to the IT R&R Fund is proposed largely because of the shifting nature of IT costs from larger one-off investment in on-premise equipment to ongoing revenue costs and cloud hosted applications.

10) Allocation to the Change Fund

It is proposed to make a small top up allocation to the Council's Change Fund to support delivery of the Council's Change Programme. This Fund has served the Council well in delivering the scale of savings made to date.

6.7 The new 4 year Reserve Strategy arising from all of the above proposals is set out in Appendix A.

6.8 After applying this proposed 4 year strategy this would leave a residual uncommitted balance on the Core General Fund Reserve of £0.242 million.

7. FINANCIAL IMPLICATIONS

7.1 It is being recommended that a new 4 year Reserve Strategy is adopted for the period 2025/26 to 2028/29 which proposes that £18.053 million is committed in the Reserve Strategy as set out in Table 4 above, leaving a residual balance on the Core General Fund Reserve of £0.242 million.

7.2 The position set out in this strategy may require revision depending on what the Council decides in regard to Agenda Items 6 to 8 and in regard to the level of Council Tax for financial year 2025/26.

7.3 The Council's General Fund Reserve remains in a strong position following the service concessions accounting change in 2023/24. The Strategy set out in this paper is considered to balance both short and medium term needs by enabling the Reserves to be used to deliver some immediate impact whilst also making provision for the financial challenges to come in future years.

8. RISK MANAGEMENT

8.1 The following risks from the Corporate Risk Register are relevant to this report:

- Financial Sustainability
- Transforming for the Future

9. ENVIRONMENTAL IMPLICATIONS

9.1 There are no direct environmental implications arising from the recommendations of this report.

10. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

10.1 A full Equality Impact Assessment is not required for this report as it does not impact on people and it is a technical report concerning reserves policy.

11. CHILDREN'S RIGHTS AND WELLBEING IMPACT ASSESSMENT

11.1 A Children's Rights and Wellbeing Impact Assessment has been undertaken and a full assessment is not required as the "General Principles" do not apply to this proposal.

12. CONSULTATION

12.1 The Chief Executive and the 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 A – Update on the General Fund Reserve Strategy