

REPORT TO: POLICY AND RESOURCES COMMITTEE – 27 JUNE 2022
REPORT ON: INVESTING IN SCOTLAND’S FUTURE: RESOURCE SPENDING REVIEW
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 171-2022

1.0 PURPOSE OF REPORT

To advise Members of the outcome of Scottish Government’s Resource Spending Review.

2.0 RECOMMENDATIONS

It is recommended that the Committee:

- (a) notes the outcome of the Scottish Government’s Resource Spending Review;
- (b) remits the Executive Director of Corporate Services to update the Councils medium and long-term financial plans and report back to the Committee after Summer recess;
- (c) note that officers are developing the Council’s transformation plans and these will be reported to a future meeting of the Committee; and
- (d) note that the Council’s People Strategy is being updated and will be presented to a future meeting of the Committee.

3.0 FINANCIAL IMPLICATIONS

The Council has a statutory duty to set a balanced budget each year and in doing so must observe proper accounting practice and make arrangements to secure Best Value.

A flat cash settlement for Local Government will mean that the Council will require to fund inflation and cost pressures from within existing resources. Significant factors for the Council are pay awards, inflation, and the Government Grants. The table below provides an indication of the impact of variations in these budget areas.

Budget Area	Variation	Financial Impact
Pay Awards	1.0%	£2.4m
Price Inflation	1.0%	£2.5m
Government Grant Income	1.0%	£3.2m
Chargeable Income	1.0%	£0.2m

The spending review includes £1.94bn for Capital Investment by Councils which maintains investment at similar levels to 2022.23. However, the construction sector is seeing particularly high levels of inflation and Officers are currently reviewing the deliverability of the Capital Plan in the light of the current financial environment. In the event that the Capital Plan requires to be revised, a further Report will be brought before Committee for approval.

4.0 MAIN TEXT

The Resource Spending Review, published on 31 May 2022, sets out spending plans to deliver the Scottish Government’s ambitions for the period 2022-27.

The Review outlines the financial challenges facing Scotland, especially in the context of the war in Ukraine, inflation, the impacts of Covid and Brexit and policies of the UK Government.

Whilst overall spending is projected to rise from £41.8bn to £47.5bn by 2026/27. The prioritisation of Health and Social Security means that there is limited funding available for other sectors.

Through the review the Scottish Government sets out areas of focus for reform including digitalisation, maximising income, cross-sector property rationalisation, consideration of the public body landscape and improving public procurement.

A key reform that will have an impact on the funding and functions of Local Government is the establishment of a National Care Service (NCS). Depending on the model adopted for the NCS, this could have a material impact on the Council. It is expected that legislation will be introduced in Summer 2022 and this will be the subject of a future report to the Committee. If the proposed Bill is published prior to the consideration of this Report by Committee Members will be provided with an update.

For Local Government the indicative funding over the next four years is £10.616bn for the next three years, rising to £10.716bn in 2026/27. The agreed distribution methodology (including the contribution that Dundee City Council receives from the floor) means that an overall flat cash settlement would equate to a reduction of 0.25% to 0.75% in funding (£0.8m to £2.5m). In addition to any change in grant the council will require to find savings, or generate additional income, to fund pay awards, inflation and any other cost pressures.

The Council's net revenue budget for 2022/23 is £404m. Over the period since 2008 the Council has made around £138m of savings to deliver balanced budgets and protect services. Over the period from 2018-2022, employee numbers have reduced by 1.7%.

Alongside the Review, the Cabinet Secretary for Finance and Economy has indicated that Councils will be permitted to recognise principal debt repayments over the life of service concessions and to apply this retrospectively. Officers are reviewing the impact of this on the Council. However, an independent review of Capital Accounting, aimed at closer alignment with accounting standards, was also announced and Members should note that there is a risk that any change could impact on councils.

It is recommended that the Council updates its medium and long-term financial plans in the light of the Resource Spending Review and that these be presented to the Committee after Summer recess.

Key strategies that will support the development of the Councils Financial Strategy are the transformation plans and People Strategy which will be brought back to future meetings of the Committee.

5.0 POLICY IMPLICATIONS

"This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues".

6.0 CONSULTATIONS

The Council Leadership Team were consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

Investing In Scotland's Future: Resource Spending Review

<https://www.gov.scot/publications/investing-scotlands-future-resource-spending-review/>

Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy

[Supporting documents - Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy - gov.scot \(www.gov.scot\)](#)

The Outcome of the Targeted Review of the Capital Spending Review – Updated Spending Allocations for 2023-24 to 2025-26

[Supporting documents - The Outcome of the Targeted Review of the Capital Spending Review – Updated Spending Allocations for 2023-24 to 2025-26 - gov.scot \(www.gov.scot\)](#)

**ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

27 JUNE 2022

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