

REPORT TO: CITY GOVERNANCE COMMITTEE - 4 SEPTEMBER 2023

REPORT ON: BUDGET STRATEGY 2024/25

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 230-2023

1 PURPOSE OF REPORT

1.1 To present to Members medium-term financial projections and to recommend a strategy to address the projected budget shortfall for 2024/25.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee:

- (a) notes the financial projections set out in the Report;
- (b) agrees the budget strategy set out in Section 5 of the Report; and
- (c) notes the outline timetable set out in Section 6 of the Report

3 FINANCIAL IMPLICATIONS

- 3.1 Whilst there are no direct implications associated with the recommendations in this Report the Council has a duty to set a balance budget each year. Based on the best information currently available the Council is projected to face a budget shortfall currently estimated as £19.5m for 2024/25. The medium-term outlook over the three years 2024-27 indicates an estimated budget gap of £38m.
- 3.2 The most significant factors that will influence future budgets are levels of Scottish Government funding and inflation, especially its impact on pay and energy prices.
- 3.3 Since 2008 the Council has realised savings amounting to £157m and the future budget proposals need to be considered in the context of the impact these reductions have had on council services.
- 3.4 This Report sets out a Budget Strategy and process to enable the Council to set a balanced budget for 2024/25 and subsequent years.

4 CONTEXT

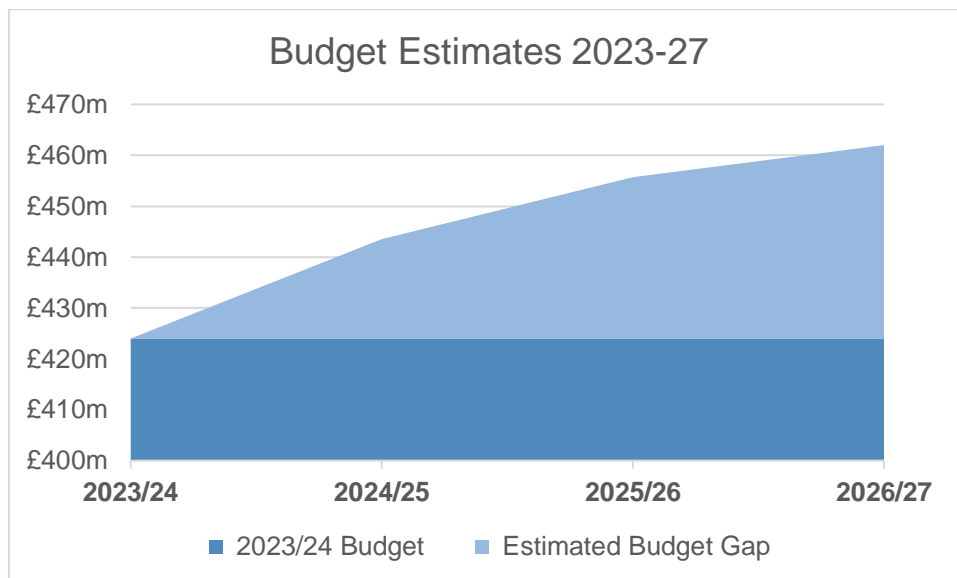
- 4.1 As previously reported to the Council the Scottish Government published “Scotland’s Fiscal Outlook, the Scottish Government’s Medium-Term Financial Strategy” on 25 May 2023. This set out how spending on public services in Scotland was projected to grow faster than forecast funding over the next 4 years creating a gap of £1bn in 2024/25 rising to £1.9bn in 2027/28.
- 4.2 A key assumption in the projected £1.0bn shortfall in 2024/25 is that pay awards will be agreed at 2%. Given current levels of inflation this presently seems an unlikely outcome and each 1% of pay adds around £0.2bn to the budget gap.
- 4.3 On 30 June 2023 the Scottish Government and COSLA signed the Verity House agreement. This sets out agreed priorities of tackling poverty, a just transition to net zero and sustainable public services. The agreement includes improved engagement on budgets; a commitment to a fiscal framework; and a review of Specific Grants and in year transfers (aimed at increasing flexibility for councils).
- 4.4 An analysis of the Council Budget shows that the scope for further savings is constrained by policy commitments and the table below shows that, out of a net budget of £424m, only 40% or £170m is available for savings.

Net Revenue Budget 2023/24	£424m
Less:	
Health and Social Care	(£102m)
Teachers	(£88m)
PFI contracts	(£24m)
Loan Charges	(£19m)
Council Tax Reduction	(£14m)
Other fixed costs	(£7m)
Budget available for savings	£170m

- 4.5 As indicated above the Council has already realised significant savings over the past 15 years and the prioritisation of Health and Social Care and Education means that savings will require to be sought in services that have already seen significant change.

5 BUDGET STRATEGY

- 5.1 The chart below shows the financial projections for 2024-27. Key assumptions are that inflation, including pay awards reduces to 3.5% in 2024/25 and thereafter falls by half a percent a year to level out at 2% and that Scottish Government funding remains at the 2023/24 level for the next three years.



- 5.2 The Council's Medium-Term Financial Strategy (MTFS) was agreed on 26 September 2022 (Article IX of the meeting of Policy and Resources Committee of 26 September 2022 refers). This set out the Council's medium-term strategy which is included at Appendix A for reference.
- 5.3 Given the significant uncertainty about inflation and funding in the coming year it is proposed that the Council adopts six strands to deliver the 2024/25 Budget:

(I) Budget Management

Officers will be remitted to minimise service expenditure where this can be done without impacting on service delivery. This will include a focus on Children's Services and Energy, alleviation of these pressures would make a significant contribution to the budget gap.

(II) Service Efficiencies

Services have been tasked with finding 2% year on year efficiencies, in controllable budgets, through changes that do not impact on service outcomes. In addition, Officers will identify further opportunities for property rationalisation.

(III) Income Generation

The MTFS contains a planning assumption that fees and charges will grow by 3% a year. This is well below inflation and Officers will undertake a full review to identify opportunities to ensure fees and charges are aligned to costs.

(IV) Local Taxation

The recently agreed policy on Empty Property Relief for non-domestic properties and the concurrent Report on the consultation on Council Tax multipliers both provide opportunities to raise additional revenues to support local services.

The Council will also consider opportunities to raise additional revenue through new levies such as the proposed Visitor Levy.

The MTFS contains an assumption of a 3% year on year increase in Council Tax. Each additional 1% over and above this would generate an estimated £0.6m net income for the Council.

(V) Reserves

The current strategy on reserves is that they will only be used for earmarked purposes or to support the budget though spend to save initiatives. As part of the budget process, Officers will review reserves and opportunities to deliver savings on this basis.

(VI) Service Reductions

Where insufficient savings can be realised through the other five strands proposals will be brought forward for reductions in discretionary services.

- 5.4 As noted by the Council in the Financial Outlook Report, considered by Policy & Resources Committee on 26 June 2023, Officers' will engage with partner organisations, including Dundee Health and Social Care Partnership, Tayside Contracts and Third-Party Organisations to consider budget options. In relation to Leisure and Culture Dundee the Council agreed on 21 August 2023 to extend Covid-19 support to the end of the current financial year (31 March 2024) on the basis that the Trust would move to a balanced budget in subsequent years.

6 OUTLINE BUDGET TIMETABLE

- 6.1 It is recommended that the Council notes the following key aspects of the budget timetable:

- **September 2023: Updating of Financial Projections:** This report sets out the current projections over the medium and long-term. These estimates will be updated by Officers as further information becomes available.
- **Autumn 2023: Public Consultation:** The Council will undertake a consultation exercise that outlines the challenge facing Dundee and seeks views on the priority of services and suggestions as to how services could change or reduce.
- **December 2023: Local Government Settlement:** The Scottish Budget and Local Government Settlement are anticipated in December 2023.
- **February 2024: Budget and Council Tax Setting:** The Council will set the 2024/25 budget and Council Tax in February 2024.

7 POLICY IMPLICATIONS

- 7.1 This report sets out a process to deliver a balanced budget for 2024/25 based on an estimated shortfall of £19.5m. This report has been subject to the Pre-IIA Screening tool, it does not make any recommendations about changes to specific services at this time, so it is not therefore possible to set out what particular services, communities or individuals would be impacted or what mitigations may be required. Any specific proposals that arise from the budget setting process will each be subject to due

process, including an integrated impact assessment, as appropriate. Decisions made in the setting of the Council's budget may have an impact on services delivered by the Council and/or its partners.

8 CONSULTATIONS

8.1 The Council Leadership Team have been consulted on the content of this report.

9 BACKGROUND PAPERS

9.1 None.

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

4 SEPTEMBER 2023

MEDIUM TERM FINANCIAL STRATEGY

At the meeting of Policy and Resources Committee on 26 September 2022 the Council agreed the following approach to its Medium-Term Financial Strategy:

- (a) the Council will set a balanced budget each year;
- (b) savings and efficiencies will be driven by transformation and service prioritisation;
- (c) resources will be prioritised to improve outcomes;
- (d) the Council will seek to achieve an overall outturn in-line with or below budget;
- (e) free balances will be retained at the higher of 2% of revenue budget or £8m;
- (f) reserves will only be used for earmarked purposes and to support the revenue budget through spend to save initiatives;
- (g) demand and demographic change will be managed through prioritisation within services;
- (h) the contingency budget will only be used for one off expenditure which is not recurring;
- (i) Joint bodies and boards will bear their share of any General Revenue Grant reduction;
- (j) a planning assumption that fees and charges will increase by at least 3% annually;
- (k) a planning assumption that Council Tax will increase by at least 3% annually;
- (l) budget provision will be made for pay awards (with incremental drift managed by services) and unavoidable inflation; and
- (m) the Council will evaluate the risks and benefits of all financial flexibilities made available to local authorities

The Council further agreed that this Medium-Term Strategy will form the basis of planning and the Council will continue to maintain a rolling three-year financial plan at each budget cycle. A longer term (ten year) financial outlook will be prepared alongside the 2023/24 budget and this and the MTFS will be updated annually.

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