

## ITEM No ...2(i).....

**REPORT TO: POLICY AND RESOURCES COMMITTEE – 23 FEBRUARY 2023**

**REPORT ON: REVENUE BUDGET AND COUNCIL TAX 2023/24**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 59-2023**

### **1 PURPOSE OF REPORT**

- 1.1 To advise Members of the current position regarding above and to remind Members of those factors requiring decisions in order to set the Final 2023/24 Revenue Budget and Council Tax. The report also sets out the latest projections of savings and efficiencies that may be required over the period to 2026/27 to deliver a balanced budget.

### **2 RECOMMENDATIONS**

It is recommended that the Committee:

- 2.1 notes the contents of the Provisional 2023-2026 Revenue Budget Volume, report 75-2023 refers;
- 2.2 notes those factors which it requires to consider when setting the Final Revenue Budget and Council Tax for 2023/24, as detailed in paragraphs 4.1 to 14.3 of this report; and
- 2.3 notes the projected savings and efficiencies, as set out in paragraph 10.1 that may be required over the period to 2026/27 in order to deliver a balanced budget.

### **3 BACKGROUND**

- 3.1 On 20 December 2022, the Local Government Settlement was announced that included provisional figures that are still subject to consultation between the Scottish Government and CoSLA. The Policy and Resources Committee on 9 January 2023 considered report 7-2023 that provided details of the settlement and the implications for the Council's 2023/24 Revenue Budget. The report also detailed the proposed procedures to be followed by the Special Policy and Resources Committee on Council Tax setting day (23 February 2023).

### **4 PROVISIONAL REVENUE BUDGET 2023-2026**

- 4.1 Over the past few months Executive Director of Corporate Services, in conjunction with the Chief Executive and other Executive Directors, have been preparing a Provisional Revenue Budget for 2023-26. The outcome of this exercise is reflected in the Provisional 2023-26 Revenue Budget Volume and the total budget requirement for 2023/24 is £418.118m. It is emphasised this figure is before any amendments or budget savings which may be approved at this meeting.
- 4.2 The Provisional 2023/24 Revenue Budget reflects a number of budget growth items, cost pressures and savings that have been identified through the 2022/23 revenue monitoring process, together with new cost pressures that will emerge in 2023/24. Details of these items are shown in Appendix A to this report.

### **5 DRAFT REVIEW OF CHARGES 2023/24**

- 5.1 A draft 2023/24 Review of Charges document has also been prepared that shows additional income of £642,000 and is already included in the Provisional 2023/24 Revenue Budget. It is stressed, however, that the final decision on the review of charges is a matter for this meeting. It should also be noted that the Council remains responsible for setting charges for services that are now delivered through the Dundee Health and Social Care Partnership.

## 6 PAY AWARDS, PRICE INFLATION ETC

- 6.1 The Provisional 2023/24 Revenue Budget includes an estimated allowance within service budgets of 4% for agreed pay awards in 2023 for all categories of staff, including Teachers. The base budget also includes an estimate of 5% for the 2022 Teachers Pay Award that is yet to be settled. The Provisional 2023/24 Revenue Budget also includes allowance for specific items of price inflation, where appropriate.

## 7 CONTINGENCY PROVISIONS

- 7.1 A number of Contingency Provisions are included in the Provisional 2022/23 Revenue Budget. These include the general contingency for any unforeseen or emergency expenditure (£0.500m), together with specific amounts for pay pressures (£10.753m), new monies and adjustments included in the local government finance settlement. Full details are shown on page 5 of the Provisional 2023-2026 Revenue Budget Volume.

## 8 CAPITAL FINANCING COSTS/INTEREST ON REVENUE BALANCES

- 8.1 The total budgetary allowance for Capital Financing Costs/Interest on Revenue Balances is £19.796m. This allowance is based on the actual level of capital debt outstanding at 31 March 2022 plus the net new borrowing shown in the 2023-2028 General Services Capital Plan. The projected average annual interest rate is 3.5% for 2023/24. The Executive Director of Corporate Services is of the opinion that the projected interest rate is at the minimum prudent level and cannot be reduced to a lower level.

## 9 REVENUE FUNDING ALLOCATION

- 9.1 The City Council's Revenue Funding Allocation for 2023/24 is estimated as follows:

	<b>2023/24</b>
	<b>£m</b>
General Revenue Funding	263.563
Non-Domestic Rates	<u>73.704</u>
	337.267
Ring-Fenced Grants	<u>22.991</u>
	<u>360.258</u>

- 9.2 The above figures represent the best-estimate of the Total Revenue Funding that will be available to the Council in 2023/24. Estimated income from Ring-Fenced Grants is already included in the Provisional 2023/24 Revenue Budget. Accordingly, it is the sum of £337.267m that requires to be considered when setting the 2023/23 Council Tax.

- 9.3 The City Council's Revenue Funding Allocation for 2023/24 includes the following new monies and other funding adjustments:

	<b>2023/24</b>
	<b>£m</b>
Share of £140m Pay Award	4.024
Empty Property Relief - Devolution	2.798
Whole Family Wellbeing	0.893
School Meal Expansion	0.428
Summer Programme	0.294

Personal & Nursing Care Older People	0.221
Removal of Music Tuition Fees	0.105
Local Energy Strategy	0.075
Scottish Disability Assistance	0.048
School Clothing	0.035
Green Growth Accelerator Resource Funding	0.026
Removal of Core Curriculum Charges	0.018
RRTP Homelessness Funding	0.015
Educational Psychologist Training	0.005
Social Work Capacity in Adult Services	(0.008)
1+2 languages (Time limited funding)	(0.032)
Additional Investment in Health & Social Care	(0.080)
Supporting People reduction	(0.082)
Interim Care Funding (Time Limited Funding)	(0.571)
Child Bridging Payment (Time Limited Funding)	(1.675)
DHP costs excluded from settlement	<u>(2.497)</u>
<b>Total</b>	<b><u>4.040</u></b>

## 10 BUDGET SAVINGS REQUIREMENTS

- 10.1 The Council requires to identify budget savings totalling £8.442m to in order to set a balanced budget in 2023/24. The assumptions for the Council's medium-term financial projections were set out in the Financial Outlook and Strategy (report 257-2022 refers). This paper estimated that the Council would have to identify cumulative savings and efficiencies of £45m in order to achieve a balanced budget over the period to 2026/27. Based on latest projections of budgetary requirements, this figure is now estimated as follows:

	<u>Cum Savings Required - Flat Cash Grant (£m)</u>
2023/24	8.4
2024/25	22.4
2025/26	34.4
2026/27	42.4

## 11 RESERVES AND BALANCES

- 11.1 Section 12(1) of the Local Government in Scotland Act 2003 states that "It is the duty of a local authority to observe proper accounting practices". CIPFA have previously issued guidance on Local Authority Reserves and Balances (including updates in November 2008 and July 2014), and this guidance is considered to constitute proper accounting practice. The key requirements of the guidance, as they affect the Council, are two-fold:
- i the setting out of a clear protocol covering the purpose, utilisation, management, control and review of reserves and balances.
  - ii the inclusion in the annual budget report of a statement on reserves and balances detailing the proposed strategy over the budget period, after considering the strategic, operational and financial risks facing the Council.
- 11.2 The Policy and Resources Committee on 9 February 2004 agreed report 70-2004 (Revised Guidance on Reserves and Balances) by the Depute Chief Executive (Finance). This report included a protocol for the operation of the Council's various Reserves and Balances, thereby addressing the first key requirement detailed in paragraph 11.1 above. The protocol on reserves was reviewed by officers as part of the 2013/14 budget process and was considered

to remain relevant and fit for purpose. The protocol includes the following element which in itself addresses the second key requirement detailed in paragraph 11.1 above:

In the annual budget report that is considered by the Policy and Resources Committee on Council Tax setting day, the Executive Director of Corporate Services shall include the following:

- i a statement showing the estimated opening and closing General Fund balances for the financial year ahead.
- ii a statement advising as to the adequacy of the General Fund balances over the budget period(s) under consideration, after considering the strategic, operational and financial risks facing the Council.
- iii a statement reporting on the annual review of earmarked Reserves.

11.3 In accordance with the element of the protocol that relates to the annual budget report, the following statements are made by the Executive Director of Corporate Services:

- i the latest Revenue Monitoring projection as at 31 December 2022 projects the Council's General Fund balances to be as follows:

<b>Detail:</b>	<b>Opening Balance 1 April 2022 (£000)</b>	<b>(Surplus) / Deficit for the Year (£000)</b>	<b>Projected Balance 31 March 2023 (£000)</b>
Earmarked Carry-forwards:			
- Covid	4,390	4,390	0
- Non-Covid	6,029	5,529	500
Covid cost related pressures	18,000	4,671	13,329
Covid recovery measures	3,000	1,720	1,280
Service change initiatives	5,000	0	5,000
Roof Remedial Works	4,400	1,081	3,319
Other Inflationary Pressures	5,472	0	5,472
Other earmarked Funds	5,710	314	5,396
<b>Total Earmarked Funds</b>	<b>52,001</b>	<b>17,705</b>	<b>34,296</b>
<b>Unallocated Balance</b>	<b>9,312</b>	<b>(770)</b>	<b>10,082</b>
<b>Total General Fund Balance</b>	<b>61,313</b>	<b>16,936</b>	<b>44,377</b>

Therefore, the projected level of uncommitted General Fund balances carried forward to 2023/24 will be £10.1m. The Council's agreed medium-term financial strategy states that the minimum uncommitted element of the General Fund balance will be the higher of £8 million or 2% of budgeted revenue expenditure but, ideally, a higher level will be held for operational purposes.

- ii based on the provisional revenue budget the minimum level of balances that should be retained in line with the medium-term financial strategy. However, is currently £8.3m. After considering the strategic, operational and financial risks facing the Council (including volatility in energy prices, climate, and service demand in children's services) the view of the Executive Director of Corporate Service is that no more that £0.5m of the projected balance of £10.1m should be used in setting the 2023/24 Council Tax. Elected members will be aware of previous references made by the Council's external auditor (Audit Scotland) to the relatively low level of uncommitted reserves held by the Council.
- iii the Council's earmarked reserves (i.e. the Renewal and Repair Fund, Insurance Fund Reserve, Capital Fund and Capital Grants/Receipts Unapplied) have all been reviewed and are considered to be adequate for their respective intended purposes.

11.4 In preparing the above statements, the Executive Director of Corporate Services has considered the key strategic, operational and financial risks facing the Council over the period. The main factors considered were:

- the on-going impact of the Covid-19 pandemic and the implications for the Council's expenditure and income streams
- the anticipated short to medium term impact of the current financial climate including reductions in core grant funding levels and reductions in chargeable income.
- the impact of the UK's withdrawal from the European Union (Brexit), including the impact on economic growth and the level of taxation revenues available to fund public services.
- the requirement to make significant savings over the short to medium term.
- the possibility of new cost pressures or responsibilities emerging during the year.
- potential changes in service provision.
- the certainty of significant income streams.
- the inherent uncertainty surrounding matters such as pay, interest rates and inflation.
- the impact of the Prudential Code for Capital Finance.
- the possibility of major items of unforeseen expenditure.
- the availability of general and specific contingency provisions.
- the possibility of identifying further budget savings and efficiencies, if required.
- the adequacy of the Council's insurance arrangements.
- the on-going impact of Welfare Reforms, which is considered to be significant.

By way of exemplification, the following table shows the potential financial impact of any variations against the current key budget assumptions:

<b>Budget Area</b>	<b>Current Assumption</b>	<b>Example Variation</b>	<b>Financial Impact</b>
Pay Awards	4%	0.1%	£234k
Price Inflation	Various	0.1%	£271k
Interest Rates (CLF Average Rate)	3.5%	0.1%	£566k
Government Grant Income	£336.4m	1.0%	£3,364k
Chargeable Income	£25.3m	1.0%	£253k

## 12 PROVISION FOR NON-COLLECTION OF THE COUNCIL TAX

12.1 The Council Tax was introduced in 1993/94 and the current collection figures in respect of the financial years 1993/94 to 2021/22 inclusive show a collection rate of around 96.8% with outstanding amounts continuing to be collected. A provision for the anticipated level of non-collection of the 2023/24 Council Tax requires to be decided by the Special Policy and Resources Committee on 23 February 2023. Elected Members will recall that a non-collection provision of 3.2% was agreed in setting the Council Tax for 2022/23. Based on the actual collection figures referred to above, and in light in the current economic circumstances, it would be prudent to use the same level of non-collection when setting the 2023/24 Council Tax.

12.2 For the purposes of determining the net Council Tax base, the number of Band D equivalent properties is estimated at 52,657. This represents a 1% increase over the actual figures for 2021/22. The above figure is before the provision for non-collection has been deducted. The Executive Director of Corporate Services is firmly of the opinion that the allowance for non-collection provision cannot be lower than 3.2%.

## 13 BUDGETS DELEGATED TO DUNDEE HEALTH AND SOCIAL CARE PARTNERSHIP

13.1 Budgets totalling £99.353m in 2023/24 will be delegated to the Dundee Health and Social Care Partnership that includes any new monies. The Dundee Integration Joint Board will agree its 2023/24 Revenue Budget on 29 March 2023.

## **14 OUTCOME OF BUDGET CONSULTATION EXERCISE**

- 14.1 A budget consultation survey was made available via the Council's internet site during October and November 2022. A total of 572 completed responses were received. The survey asked specific questions based on 10 Council services. Respondents were asked to rate the level of importance (within a budget setting context) that they felt towards these on a scale of 1 to 10 from least to most important. Education (Nursery, Primary and Secondary School) and Waste collection and recycling had the highest averages on the scale of importance and leisure and culture (museums, sports centres etc) had the lowest.
- 14.2 The survey also asked citizens if any services had become more or less important to them over the past year. The services with the highest number of respondents saying had become more important were again Education (Nursery, Primary and Secondary School) and Waste collection and recycling, while the service with the highest number of respondents saying it had become less important to them was again leisure and culture.
- 14.3 Respondents were asked what percentage change in Council Tax was preferable. The greatest response from the options available (74.5%) was for a 3% increase, followed by 17.7% stating that they would prefer a 4% increase and 7.9% preferring more than 4%. The survey also asked for views on how the Council could review its services and property in order to save money, with the highest levels of agreement being for selling property that is no longer used, reducing or stopping some non-essential services to protect other services and reducing or stopping grants given to other organisations.

## **15 CONCLUSION**

- 15.1 This report provides members with the background information necessary to assist them in considering the final stages of setting the 2023/24 Revenue Budget and Council Tax.

## **16 POLICY IMPLICATIONS**

- 16.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

## **17 CONSULTATION**

- 17.1 The Council Leadership Team has been consulted and is in agreement with the content of this report.

## **18 BACKGROUND PAPERS**

- 18.1 Scottish Government Finance Circular 11/2022 (20 December 2022).

**ROBERT EMMOTT**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**13 FEBRUARY 2023**

**APPENDIX A**

**BUDGET GROWTH / COST PRESSURES AND OTHER ADJUSTMENTS  
REFLECTED IN PROVISIONAL 2023/24 REVENUE BUDGET**

<u>Service / Item</u>	<u>£m</u>
Amount set aside in reserves for inflationary pressures	(3.800)
Release of previous pay contingency	(2.295)
Effect of funding settlement	(1.135)
Slippage on loan charges	(1.054)
Construction Services surplus	(0.484)
Adjustment to staffing budget (Corporate Services)	(0.699)
Barclay saving	(0.360)
Other various adjustments	(0.087)
Energy inflation	2.550
Rates revaluation	1.283
Estimated pay increases	1.150
Effect of interest rates on contractual obligations	1.032
Adjustments to income and recharges	0.099
	<b>(3.800)</b>

**SAVINGS REFLECTED IN PROVISIONAL 2023/24 REVENUE BUDGET**

<u>Service / Item</u>	<u>£m</u>
Children and Families - utilisation of ring-fenced funding to fund School Family Development Workers	(0.420)
Children and Families - review cleaning specification of cleaning across the school estate	(0.142)
Children and Families - reflects the level of mainstream funding for Early Years and Community Justice Service that will now be met from ring-fenced funding	(0.768)
City Development - savings in operational cleaning costs	(0.037)
City Development - savings in security costs for Gellatly Street multi storey car park	(0.034)
City Development - rationalisation of fleet previous acquired during pandemic	(0.079)
City Development - reduction in various City Promotion budgets and contributions to external bodies	(0.005)
Neighbourhood Services – additional income from temporary accommodation	(0.500)
Neighbourhood Services – savings from transformation of paper / card metals and plastics processing	(0.125)
Neighbourhood Services – additional income from HRA	(0.145)
Neighbourhood Services - additional income from life extension arrangement	(0.500)
Neighbourhood Services - additional income from excess revenue share	(0.300)
Corporate Services – reduction in non-contractual overtime	(0.136)
Corporate Services – increased recharge to Superannuation Fund	(0.200)
Corporate Services – reduction in postage costs	(0.050)
Capital Financing Costs – savings from slippage in 2022/23 capital programme and lower interest rates	(0.300)
Various – removal of inflationary allowance on third party payments and other supplies & services	<b>(1.139)</b>
	<b>(4.880)</b>

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