

ITEM No ...5.....

REPORT TO: CITY GOVERNANCE COMMITTEE - 16 FEBRUARY 2026

REPORT ON: LOCAL GOVERNMENT FINANCE SETTLEMENT 2026/27 AND FINANCIAL IMPLICATIONS FOR THE CITY COUNCIL

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 36-2026

1 PURPOSE OF REPORT

- 1.1 To provide details of the 2026/27 Local Government Settlement, its implications for Dundee City Council and to recommend procedures for setting the Council Tax and Revenue Budget for 2026/27

2 RECOMMENDATIONS

- 2.1 It is recommended that the Committee:
- (a) notes the 2026/27 Local Government Settlement and correspondence attached at Appendix B;
 - (b) notes the implications of the settlement for the Council's Revenue Budget and Capital Plan as detailed in the Report;
 - (c) notes that the financial information included in this Report will be updated as necessary and included in the Revenue Budget and Council Tax 2026/27 Report to be submitted to the City Governance Committee on 5 March 2026; and
 - (d) agrees the procedures to be followed for setting the 2026/27 Revenue Budget and Council Tax, as set out in Section 7 and Appendix A of this Report.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report.

4 BACKGROUND

- 4.1 In June 2025, the Scottish Government issued Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy 2025. This document sets out the economic context, funding outlook, spending plans, fiscal risks, and medium-term financial strategy for Scotland.
- 4.2 The 2025 Fiscal Outlook sets out a challenging financial environment for Scotland over the medium term, driven by constrained UK funding, subdued economic growth, rising service demand, and significant fiscal risks. The funding strategy surrounds core spending priorities including positions reducing child poverty, supporting public services, and investing in long-term economic wellbeing as core priorities.
- 4.3 On 22 September 2025 the City Governance Committee agreed its Budget Strategy and Financial Outlook for 2026/27 (Article VII of the meeting of this Committee refers). This report identified an estimated spending gap of £8.4m for the Council in 2026/27 rising to £29.1m over the next 3 years and sets out the principles the Council will follow to address this shortfall.
- 4.4 The Chancellor of the Exchequer presented the Autumn Statement on 26 November 2025. This set out UK wide spending plans for the forthcoming period.

- 4.5 Finally, the Scottish Budget was subsequently published on 13 January 2026 and set out the Scottish Government's plans for 2026/27. This was followed by the Local Government Circular No. 1/2026 that includes the Council's detailed share of government funding.

5 LOCAL GOVERNMENT FINANCE SETTLEMENT 2026/27

- 5.1 The Local Government Settlement was published as Local Government Finance Circular No. 1/2026 on 13 January 2026 and is attached at Appendix B.
- 5.2 It should be emphasised that the figures are provisional at this stage and are subject to consultation between the Scottish Government and CoSLA. The draft 2026/27 Scottish Budget will be debated by the Scottish Parliament during February 2026, with the Local Government Finance (Scotland) Order 2026 due to be presented to the Scottish Parliament for agreement on 25 February.
- 5.3 With exception of resources for the Real Living Wage inflation uplift and Free Personal Care, no additional specific provision has been made in respect of cost pressures faced within Dundee Health & Social Care Partnership. In October 2025, the Dundee Integrated Joint Board (Dundee IJB) was presented with a report outlining a total anticipated budget deficit for 2026/27 for health and social care services of £13.6m. Officers continue to review this estimate in line with any emerging pressures or anticipated changes to other funding that may be available.
- 5.4 The Council's Budget Strategy and Financial Outlook for 2026/27, agreed by the City Governance Committee on 22 September 2025 (Article VII refers) set out an estimated budget shortfall of £8.4m for 2026/27. Paragraphs 5.5 and 5.6 of this Report sets out how the overall implications of the finance settlement, together with the impact of inflation and other adjustments mean that the Council now has an estimated budget shortfall for 2026/27 of £5m.
- 5.5 The following changes / pressures to this estimate have been identified since September include:

| | £m |
|--|-------------|
| Expected Budget Deficit per Budget Strategy report (September 2025) | 8.4 |
| Property Costs reflecting current cost pressures | 2.9 |
| Other inflation | 1.1 |
| Contractual obligations under Service Concessions contracts | 1.0 |
| Information Technology (including licenses and cyber resilience measures) | 0.5 |
| Capital Financing Costs | 0.4 |
| Winter Maintenance | 0.3 |
| Fleet reflecting current cost pressures | 0.5 |
| Other | 0.6 |
| Revised Budget Deficit | 15.7 |

- 5.6 In developing the budget, the following planned savings and additional income is expected to reduce the overall shortfall that the Council needs to find to balance the 2026/27 budget:

| | £m |
|------------------------------------|-------------|
| Revised Budget Deficit | 15.7 |
| Base Savings * | (1.1) |
| Income Generation * | (3.6) |
| Grant Settlement (net uncommitted) | (3.0) |

| | |
|---|------------|
| Discretionary Housing Payments (assumed distribution) | (3.0) |
| Revised Budget Deficit | 5.0 |

* See Appendix B for further details.

6 Capital Budget

- 6.1 The 2026/27 Local Government Settlement includes £13m for Dundee City Council for General Capital Grant. Allocations for Active Travel and Climate Emergency Fund totalling £40m and £20m respectively, have not yet been distributed. A review of the 2026-31 Capital Plan has now been completed and is being submitted separately to City Governance Committee for approval on 16 February 2026.

7 **PROVISIONAL REVENUE BUDGET 2026-2029**

- 7.1 Over the past months Officers have been preparing a Provisional Revenue Budget for 2026-29. This has involved rolling forward the Final 2025/26 Revenue Budget and adding in provision for anticipated inflationary pressures, including pay awards. Recurring cost pressures and savings that have been identified through the 2025/26 revenue monitoring process have also been carefully reflected, together with new cost pressures that will emerge in the period 2026-29. The Provisional 2026-29 Revenue Budget volume (including draft Review of Charges) will be issued separately in due course.
- 7.2 It should be noted that Officers are still examining the finer details of the grant settlement and refining the assumptions and figures in the Provisional 2026/27 Revenue Budget. The financial information included in this report will be updated as necessary and included in the report to be submitted to the City Governance Committee on 5 March 2026.

8 **PROCEDURE FOR SETTING REVENUE BUDGET AND COUNCIL TAX 2026/27**

- 8.1 The proposed procedure for setting the 2026/27 Revenue Budget and Council Tax is as follows.
- 8.2 All final budget and review of charges proposals by any Group **must be submitted to the Executive Director of Corporate Services by 2.00 pm on Monday 2 March 2026** for their competence and accuracy to be checked. Proposals received after that deadline will not be considered at the Revenue Budget and Council Tax setting meeting on 5 March 2026. Once these have been checked and agreed as being competent confirmation of this will be provided by the Executive Director of Corporate Services before the budget meeting on 5 March 2026.
- 8.3 If there are any further technical adjustments required to the 2026/27 Provisional Revenue Budget or grant settlement figures, these will be included in the separate report by the Executive Director of Corporate Services which will be issued along with the agenda for the meeting on 5 March 2026. The Executive Director of Corporate Services will also make recommendations in that report regarding the use of balances in the setting of the Council Tax level.
- 8.4 A timetable showing the procedure for setting the 2026/27 Revenue Budget and Council Tax level on 5 March 2026 is attached at Appendix A.

9 **POLICY IMPLICATIONS**

- 9.1 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.

10 **CONSULTATIONS**

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

11 BACKGROUND PAPERS

11.1 None.

**PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

5 FEBRUARY 2026

PROCEDURE FOR CITY GOVERNANCE COMMITTEE – 5 March 2026

Date and Time

Action

5 March 2026
2:00pm

Revenue Budget and Council Tax

The City Governance Committee will consider the Council's 2026/27 Revenue Budget, as submitted in the Provisional Revenue Budget volume, along with the report by the Executive Director of Corporate Services.

All proposals for Council Tax and review of charges must be tabled at the start of the meeting to be checked for legality and competence. A short recess may be required to enable these to be checked. The Depute Leader will then move the Administration's Council Tax and Review of Charges proposals. Thereafter, an opposition group or member may move any amendments should they wish.

The Committee will then commence the debate and approval of the Final Revenue Budget and Council Tax 2026/27.

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List of Base Budget Savings

| Service | Detail | Amount 2026/27 £000 |
|--------------------|--|------------------------------------|
| Corporate | Energy savings | 616 |
| Corporate | Supplementary pensions (budget realignment) | 270 |
| Corporate | Interest savings through refinancing of market loans | 35 |
| Corporate Services | Removal Financial Support to Dovetail | 140 |
| Corporate Services | Review of Discretionary Spend | 51 |
| Corporate Services | Creation of internal Added Voluntary Contributions (AVCs) Portal | 11 |
| Chief Executive | Various budget realignments | 10 |
| | | |
| Total | | 1,133 |

List of Base Income Generation

| Service | Detail | Amount 2026/27 £000 |
|------------------|---|------------------------------------|
| City Development | Increase Commercial Rents | 280 |
| Corporate | Various additional from HRA recharges | 151 |
| Corporate | Extended Producer Responsibility grant income | 3,130 |
| | | |
| Total | | 3,561 |

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