

ITEM No ...12.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 19 AUGUST 2019
REPORT ON: LONG-TERM FINANCIAL OUTLOOK & FINANCIAL STRATEGY 2020-2030
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 274-2019

1.0 PURPOSE OF REPORT

This report presents the long-term financial outlook for noting and recommends a financial strategy for the 10 year period 2020 to 2030 for approval. The next steps in the Council's revenue budget process are also set out, for noting.

2.0 RECOMMENDATIONS

It is recommended that the Committee:-

- 2.1 Notes the current projections for the Council's revenue budget for the period 2020 to 2030.
- 2.2 Notes the projected savings and efficiencies that may be required over the period 2020 to 2030 in order to deliver a balanced budget.
- 2.4 Agrees a Long-Term Financial Strategy for the Council, as set out in Section 12 of this report.
- 2.5 Notes the next steps in the Council's revenue budget process, as set out in Section 13 of this report.

3.0 FINANCIAL IMPLICATIONS

- 3.1 Based on current projections of budgetary requirements and available grant funding, it is estimated that savings and efficiencies totalling £78.1m may be required over the next ten financial years in order to achieve a balanced budget. This includes a savings and efficiencies requirement estimated at £17.3m which assumes a flat cash settlement for the next financial year, 2020/21. These figures are before any additional income from annual increases in the current level of Council Tax.

4.0 BACKGROUND

- 4.1 The Council's 2019/20 Revenue Budget was approved by the Policy & Resources Committee on 21 February 2019 (Article II, Report 72-2019 refers). The overall figures were as follows:

	<u>£m</u>
Net Revenue Expenditure	353.705
Funded by:	
General Revenue Funding / Non Domestic Rates	287.524
Council Tax	66.181
Total Funding	353.705

The above figures highlight the significance of central funding in local authority budgeting, with 81% of the Council's net revenue expenditure requirement being met by Scottish Government funding.

- 4.2 The Council's existing medium-term financial strategy states that:

"The Council's immediate planning horizon for revenue expenditure will be three years. In the continuing absence of three year grant allocations from the Scottish Government, years two and three of the budget period will, by necessity, be provisional in nature."

A three year Revenue Budget, covering the period 2019-2022, was presented to the Policy & Resources Committee on 21 February 2019 (Article II, Reports 72-2019 and 98-2019 refer). The three year Revenue Budget will continue to be updated on a rolling basis as part of the annual budget process. In light of the on-going uncertainties regarding public sector funding levels, the Scottish Government has for a number of years now issued grant settlements for one year only. The Scottish Government has, however, recently indicated that they plan to fulfil their recent Budget commitment to bring forward (in December 2019) a three year settlement for local government, covering the period 2020-2023.

- 4.3 The Accounts Commission's report *Local Government in Scotland: Challenges and Performance* (March 2019) noted that Councils have made good progress in developing medium-term financial planning but recommended that, in order to make effective progress, Councils should undertake long-term financial planning to set out how they will deliver national policy commitments while continuing to sustain local services with reducing budgets and increasing demand (Article IX of the minute of meeting of the Scrutiny Committee of 17th April, 2019, Report 166-2019, refers).

There were further references to longer term financial planning in Audit Scotland's 2018/19 Management Report on Dundee City Council, which was submitted to Scrutiny Committee on 26 June 2019 (Article XI, Report 248-2019 refers). Audit Scotland noted the Council's progress on medium-term financial planning but concluded that there is scope to further improve financial planning by developing long-term financial plans (typically 5 to 10 years), aligned to the Council's priorities, to demonstrate how the Council will address future budget challenges. In response, it was agreed that 10 year revenue budget projections and an updated financial strategy would be presented to the Policy & Resources Committee. This report fulfils that commitment by setting out longer-term projections (covering 10 years) and the risks / uncertainties around both the expenditure and funding sides of the revenue budget.

- 4.4 In July 2019, the Scottish Parliament Information Centre (SPICe) published its annual "Local Government Finance: Facts and Figures" report, covering the period 2013/14 to 2019/20. In terms of Local Government in Scotland as a whole, the key findings from the report include:

- Whilst the local government revenue settlement fell quite steeply in 2016-17, and again in 2017-18, this trend now appears to be reversing.
- When comparing revenue settlements, real terms change figures show that between 2013-14 and 2018-19, the local government revenue settlement decreased at a much faster rate (-7.5% or -£810 million) than the Scottish Government revenue budget (-2.8% or -£870.4 million).
- However, the trend is reversed when looking at the Local Government Finance Order figures for 2018-19 to 2019-20 - here the revenue settlement for local government increases by 1%, and the Scottish Government's revenue budget increases by 0.9%.
- The local government revenue settlement as a proportion of the Scottish Government revenue budget decreased by 1.7 percentage points between 2013-14 and 2018-19. Local Government Finance Order figures show Local Government revenue as a proportion of Scottish Government revenue staying stable between 2018-19 and 2019-20.
- To provide some longer-term context, the briefing sets out ring-fenced funds as a proportion of Total revenue settlement, between 2013-14 and 2019-20. There are increases shown across all local authorities, ranging from 2.9 percentage points to 9.5 percentage points.
- Local government funding per head of population has reduced for all Councils between 2013/14 and 2019/20, with reductions ranging from £32 to £270 for mainland Councils.

(Note: all figures are expressed in real terms)

These figures again illustrate the financial challenges that local government in Scotland has faced in recent years.

- 4.5 There are four key elements in the Revenue Budget calculation: expenditure, grant funding, balances and council tax income. A 10 year projection has been prepared, incorporating these four key elements and is included at Appendix 1. The long-term outlook and key assumptions around each element of the calculation are set out in sections 7 to 10 below.

5.0 MACRO-ECONOMIC OUTLOOK

5.1 The wider economic outlook has been challenging and continues to be so. Macroeconomic performance impacts in a number of ways, both directly and indirectly, on the financial outlook for the Council, for example:

- lower levels of economic growth result in lower taxation streams for the UK and Scottish governments and reduce the amount of funding available for public services
- higher levels of inflation in the economy will impact on various areas of the Council's cost base and may also cause upward pressure on pay increases
- higher interest rates will increase the cost of borrowing to finance the Council's capital programme

5.2 Projections for key macroeconomic indicators are published regularly by the Office for Budget Responsibility (OBR) and the Scottish Fiscal Commission (SFC) – see table below. All projections are heavily caveated upon the outcome of the Brexit process.

	2019	2020	2021	2022	2023	Source
Inflation – CPI (%)	2.1	1.9	2.0	2.0	2.0	OBR, March 2019
Interest Rates (%)	0.8	0.9	1.0	1.0	1.1	OBR, March 2019
Scottish GDP Growth (%)	0.8	0.9	1.1	1.2	1.3	SFC, May 2019
UK GDP Growth (%)	1.2	1.4	1.6	1.6	1.6	OBR, March 2019
Scottish Nominal Earnings Growth (%)	2.6	2.7	2.9	3.1	3.3	SFC, May 2019
Scottish Employment Growth (%)	0.3	0.1	0.2	0.1	0.1	SFC, May 2019
UK Employment Growth (%)	0.4	0.5	0.5	0.4	0.3	OBR, March 2019
Scottish Unemployment (%)	3.8	4.0	4.0	4.0	4.0	SFC, May 2019

6.0 DEMOGRAPHICS – LOCAL CONTEXT

6.1 Overall population figures and various characteristics within the population base are significant drivers of local authority service provision and, in turn, budgetary requirements. The grant distribution system in Scotland is also largely driven by various counts of population. Appendix 2 provides an overview of Dundee's current and projected demographic profile and an indication of the likely impacts in terms of demands on Council services.

7.0 EXPENDITURE (REVENUE BUDGET PROJECTIONS 2020-2030)

7.1 As noted in paragraph 4.2 above, three year budgets are already being prepared and updated on a rolling basis. Provisional Revenue Budgets for 2020/21 and 2021/22 are currently in place and these are therefore deemed to represent Years 1 and 2 of the 10 year projection period. Year 2 (2021/22) is then used as the base year for future projections and has been rolled-forward using the following assumptions for years 3 to 10 (2022 to 2030) of the projection period:

- i) A 2% annual allowance for pay awards for all categories of staff. The existing 3-year pay deal covers the period 2018 to 2021, therefore the 2% allowance has also been applied to 2021/22. This is a particular risk area given that every additional 1% adds around £2.3m to the Council's pay-bill.
- ii) Allowances for price inflation on specific budget heads eg non-domestic rates, third party payments, PFI-type projects.
- iii) A 2% annual increase in chargeable income arising from the annual review of charges exercise.
- iv) An increased General Contingency of £1m per annum, to reflect the underlying risks and uncertainties in future years budgets. (The current level of the general Contingency is £0.5m per annum).
- v) Provision for capital financing costs to support the new borrowing included in the 2019-2024 Capital Plan.

- vi) In line with the existing Medium-Term Financial Strategy (and the proposed Long-Term Financial Strategy – see section 12), services will be expected to accommodate recurring cost pressures within their overall annual budget allocations. This includes cost pressures arising from demographic growth.
- vii) Additional costs arising from new statutory requirements or from government policy initiatives will be covered by additional funding and will therefore be cost-neutral.

There are risks and uncertainties around all of the above items. The assumptions underpinning the projected figures will be reviewed as part of the on-going budget process, particularly to identify any areas where the budgetary impact can be reduced without introducing an unacceptable level of financial risk.

7.2 Based on the above assumptions, projected revenue budget totals for the 10 year period 2020 to 2030 are shown in Appendix 1. The net revenue budget requirement increases from the current (2019/20) level of £353.705m to £430.230m in 2029/30, an increase of 22% over the 10 year period.

8.0 FUNDING (GRANT SETTLEMENT PROJECTIONS 2020-2030)

8.1 As can be seen from paragraph 4.1 above, a significant proportion of the Council's net revenue budget requirement is funded by grant from the Scottish Government (81% in 2019/20). The Council's long-term financial outlook is therefore largely linked to the long-term prospects for the Scottish Government budget and the priorities reflected within that budget.

8.2 On 30 May 2019, the Scottish Government published its second Medium-Term Financial Strategy (MTFS), setting out the key financial challenges and opportunities that lie ahead. The document is underpinned by updated economic and fiscal forecasts that were published by the Scottish Fiscal Commission (SFC) on the same day. On the income side, the SFC project that all but one of the devolved taxation streams available to fund public spending will increase over the forecast period. The exception is landfill tax, revenues from which are expected to reduce sharply in line with the Scottish Government's waste disposal policies. The latest forecasts for income tax highlight a potential significant revenue shortfall of c£1 billion over the period 2020 to 2023. This is due to changes in forecast income tax receipts since budgets for earlier years (ie 2017 – 2020) were first set. It is important to note that this is still a forecast position and will likely be subject to further adjustment. A SPICe Bulletin on the MTFS noted that options for addressing the revenue shortfall, should it come to pass, include reducing some areas of spend, increasing taxation, increasing borrowing or accessing the Scotland Reserve.

8.3 On the spending side, the MTFS sets out three different scenarios for the Resource Budget (ie funding for the day-to-day costs of public services, including local government):

	2019/20 £bn	2020/21 £bn	2021/22 £bn	2022/23 £bn	2023/24 £bn	Average Annual Growth
Upper Range	28.582	29.366	30.342	31.962	33.326	3.8%
Central Scenario	28.384	28.857	29.526	30.952	32.151	3.1%
Lower Range	28.186	28.348	28.709	29.942	30.976	2.3%

(Note: the above figures exclude spending on devolved social security - the Scottish Government takes on full budgetary risk, for £3.5bn of annual spend, from 2020/21 onwards)

Commentators have noted that, whilst the above figures appear fairly healthy, the reality is that much of the increased funding is due to health-related Barnett Formula consequentials, most or all of which are likely to be allocated to the NHS in Scotland.

8.4 The first MTFS, published in May 2018, set out six spending priorities for the Resource Budget: Health, Police, Early Learning & Childcare (ELC), Attainment, Higher Education and Social Security. In this year's MTFS there is no detail around the Scottish Government's spending priorities or plans, however there is no reason to believe that these have changed much (if at all) over the past 12 months. Whilst some of the aforementioned priorities are

directly relevant to local government (ie ELC and Attainment), it should be noted that the vast majority of the funding for local government sits outwith these priority areas.

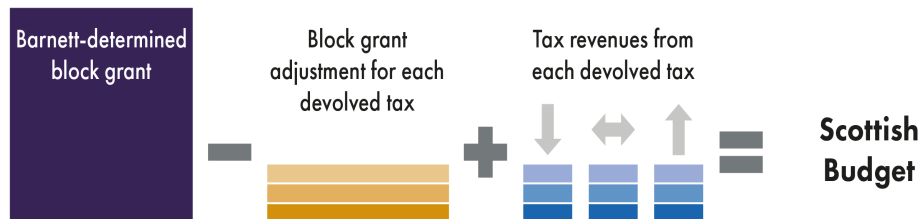
8.5 The 2019 MTFS sets out the principles around how the Scottish Government will exercise its borrowing powers and operate the Scotland Reserve, within the constraints of the Fiscal Framework. The MTFS also sets out a high-level framework for future Spending Reviews undertaken by the Scottish Government. This high-level framework includes the following statements:

- “Scottish Ministers are clear that sustainable public finances are a priority given continued UK austerity and growing demand on public services.
- Irrespective of the UK Government’s decision about its Spending Review, the Scottish Government therefore plans to undertake reviews of spending beyond 2020-21 in order to ensure we can continue to meet the high standards and deliver the quality public services that people across the country expect.
- We will also begin work to fulfil the Budget 2019-20 commitment to bring forward a three-year settlement for local government from 2020-21.
- Our aim is that where possible we will provide certainty for the years ahead. On resource, we currently plan to publish indicative budgets in December 2019 alongside the Scottish Budget 2020-21, but that may not be possible if we do not have sufficient clarity from the UK Government on its spending plans at that stage.”

The intention to bring forward a three-year settlement for local government from 2020/21 is obviously to be welcomed and will assist Councils in meeting their aspirations around longer-term financial planning.

8.6 There are significant uncertainties around the amount of funding that the Scottish Government will have at its disposal over the next ten years. The key risk areas are:

- i) The amount of Block Grant received from the UK Government, as determined by the Barnett formula and largely dependent upon the amount of UK tax revenues which is, in turn, dependent upon UK economic growth.
- ii) The value of the Block Grant Adjustment (BGA). The BGA reflects the fact that an element of the Scottish Government budget is now funded by Scottish tax revenues that were previously retained by the UK Government. The Scottish Government have previously stated that they consider the value of the BGA to be the single biggest risk factor. The proportion of total taxation income that is devolved or assigned to the Scottish Government is expected to continue to grow.



- iii) The amount of revenues raised in Scotland from devolved taxation streams, which is largely dependent upon economic growth in Scotland.
- iv) The terms of the UK’s exit from the European Union (Brexit) and the subsequent impact on economic growth and taxation revenues, both in the UK generally and in Scotland specifically.

8.7 In light of the limited information currently available and the inherent significant risks and uncertainties, it is considered prudent to project future funding levels on the basic assumption

of flat-cash. Within this basic flat-cash assumption, two anticipated high-level changes to grant allocation figures, from 2020/21 onwards, have also been factored in as follows:

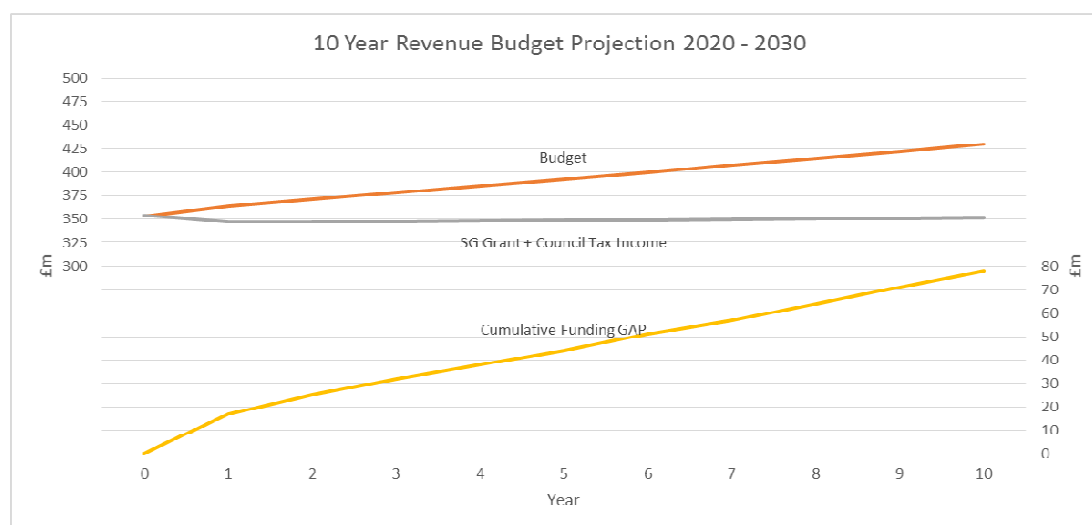
- i) reduction in support for loan charges to reflect the pattern of repayment of the Council's debt (£4.8m per annum)
- ii) removal of grant support for teachers' additional pension contributions (£2.3m per annum)

No adjustment has been made for the impact of distributional changes within the grant settlement process. These distributional changes, largely based on various population counts, can have a significant impact of the relative distribution of grant across Councils. The changes are, however, diluted to some extent through the operation of the floor mechanism which affords some degree of protection to those Councils facing the biggest grant reductions.

Based on the above assumptions, projected grant funding totals for the 10 year period 2020 to 2030 are shown in Appendix 1.

9.0 SAVINGS & EFFICIENCIES REQUIREMENTS 2020-2030

9.1 Appendix 1 shows the levels of savings and efficiencies that may be required in order to achieve balanced budgets over the ten year projection period 2020-2030, based on current projections of budgetary requirements, available grant funding and Council Tax income. By year 10 (2029/30), the cumulative funding gap is over £78m, which is equivalent to 22% of the current net revenue budget total. This reflects the projected gap between the increasing annual budgetary requirement and the assumed flat level of government grant funding plus Council Tax income. This is illustrated in the following graph:



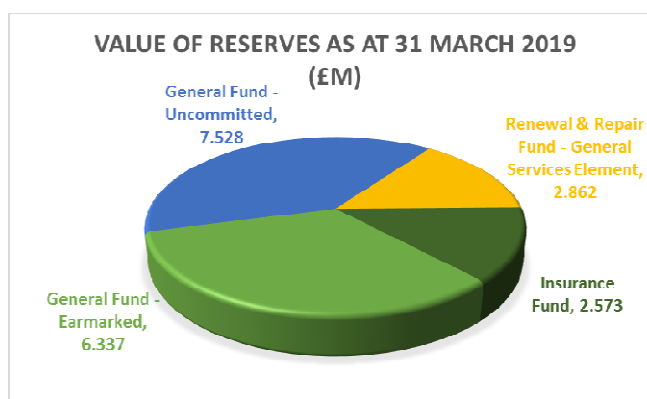
9.2 Council Tax income is effectively the residual item of funding in the budget calculation. There are two key variables around Council Tax income: (i) the number of chargeable properties and (ii) the actual level of the charge. For the purposes of the budget projections it has been assumed that the number of chargeable properties (at Band D equivalent) will increase by 1% per annum from year 3 of the projection period onwards, with new builds coming on-stream expected to exceed demolitions. The budget projections do not assume any increases in the level of the Council Tax charge over the 10 year period. For 2019/2020, there was a cap on Council Tax increases of 3% in real terms (equivalent to 4.79% in cash terms), with the Council increasing its charge level by 3%. To set these figures in context it is estimated that a 1% increase in Council Tax, all other things being equal, would yield additional income of around £520,000 (after allowing for additional Council Tax reductions). Therefore, most of the savings and efficiencies requirement will have to be found from within the Revenue Budget.

Based on the above assumptions, projected Council Tax income totals for the 10 year period 2020 to 2030 are shown in Appendix 1.

9.3 Elected members will be aware that in January 2019, the Scottish Government committed to make a number of changes to local government taxation by end of the current parliamentary term in May 2021. This included a commitment to convene cross-party talks on a replacement for the Council Tax system with a view to publishing legislation, should cross-party agreement on a replacement be reached, with that legislation taken forward in the following Parliament. Also included were proposals to give Councils new statutory powers to introduce a transient visitor levy and a workplace parking levy, should they wish to use them. The projections at Appendix 1 do not assume any additional income for these levies and it will be for the Council to decide whether they wish to either or both of these levies, once the required statutory powers are in place.

10.0 RESERVES AND BALANCES

10.1 The Council's unaudited annual accounts for 2018/19 show the following position on usable cash-backed reserves that are available to fund future revenue expenditure:



In addition to the above, £1.5m of capital receipts from asset sales during 2018/19 have been set aside to fund costs associated with future transformation projects. (On 28 March 2019 the Scottish Government issued finance circular 4/2019, which provides an enhanced financial flexibility scheme covering the period 2018 to 2022. The scheme enables Councils to use capital receipts to fund qualifying expenditure, including certain severance costs, on transformation projects that will generate on-going savings). Proposals will be brought forward in due course regarding the use of the £1.5m that is currently set aside.

10.2 The Council's latest revenue monitoring report for 2019/20 shows a projected overspend of £4.796m. Recovery plans are being developed and implemented however any actual overspend for 2019/20 would require to be funded from uncommitted General Fund balances.

10.3 The Council's existing approved reserve policy is to maintain an uncommitted General Fund balance at a minimum level of the lower of £5 million or 1.5% of budgeted revenue expenditure, but ideally a higher level will be held for operational purposes. The Council's uncommitted General Fund balance as at 31 March 2019 is £7.528m. In light of the considerable risks and uncertainties facing the Council's revenue budget going forward, it is now considered prudent to increase the minimum requirements to £7 million or 2% of budgeted revenue expenditure. This has been included as part of the proposed Long-Term Financial Strategy (see section 12 below).

10.4 In their 2017/18 Annual Audit Report, Audit Scotland noted that although usable reserves had increased in 2017/18, the Council still had the lowest level of total usable reserves (expressed as a percentage of net revenue expenditure) across Scottish Councils. Audit Scotland commented that the Council's flexibility to respond to unforeseen events is limited and that the Council will need to continue to monitor the level of usable reserve held (Article XIV(b) of the minute of meeting of the Policy and Resources Committee of 19th November 2018, Report 326-2018, refers)

10.5 The savings and efficiencies requirements shown in paragraph 9.1 assume that there will be no reserves available to help address the projected budget shortfalls over the ten year

projection period. Indeed, in light of Audit Scotland's observations, it could be argued that the Council should actually be looking to further increase its reserves.

11.0 SENSITIVITY ANALYSIS

11.1 The 10 year budget projections shown in Appendix 1 are underpinned by a number of assumptions. In turns, these assumptions can be impacted by numerous macroeconomic and local factors which can significantly change key elements of the budget projections. By way of exemplification, the following table shows the potential financial impact of variations against the current key budget assumptions:

Budget Area	Current Assumption	Example Variation	Financial Impact
Pay Awards	currently 3%, with 2% from 2021/22 onwards	+0.1%	£230k
Price Inflation	Various	+0.1%	£300k
Interest Rates (CLF Average Rate)	4.0%	+0.1%	£420k
Government Grant Income	currently £287.5m, with £280.4m from 2020/21 onwards	-1.0%	£2.9m
Council Tax Base	currently 50,288 with 1% increase per annum from 2022/23 onwards	-1.0%	£660k
Chargeable Income	£18.5m, with 2% increase per annum	-1.0%	£185k

12.0 LONG-TERM FINANCIAL STRATEGY

12.1 The key aspects of the Council's Medium-Term Financial Strategy (MTFS) have been set out previously in various budget reports to the Policy & Resources Committee. It is proposed that the MTFS is now adapted as necessary and formally adopted as the Council's Long-Term Financial Strategy (LTFS). Accordingly, the proposed LTFS is as follows:

- the Council's corporate approach to identifying savings and efficiencies will be coordinated through the Changing for the Future transformational change programme (C2022) as agreed by Committee on 25 June 2018 (Article V of the minute of meeting of the Policy and Resources Committee of 25th June, 2018, Report 223-2018 refers).
- the Organisational Change Fund, together with any capital receipts set aside to fund costs associated with future transformation projects, will help support and resource, on a spend-to-save basis, the organisational transformation that will be needed to deliver the required savings and efficiencies. This may include costs associated with VERs / VRs however if no balances are available then the initial costs associated with VERs / VRs will normally be met from service revenue budgets. On-going staff costs savings from VERs / VRs will be reflected in service revenue budgets.
- the Council will set annual balanced budgets, taking on board the prevailing constraints e.g. limits on Council Tax increases, reducing grant settlements, unavailability of balances etc.
- the Council will seek to achieve an overall outturn position each year in line with or below budget.
- the minimum uncommitted element of the General Fund balance will be the lower of £7 million or 2% of budgeted revenue expenditure but, ideally, a higher level will be held for operational purposes.
- services will be expected to operate within the limits of their overall revenue budget allocation. Cost pressures which emerge in-year should, where possible, be accommodated within the relevant service revenue budgets. The General

Contingency should normally be used to fund items of a non-recurring or emergency nature. Expenditure of a recurring nature should normally be funded from within service revenue budgets.

- allocation of resources will be informed by a thematic approach designed to reflect the strategic priorities of the Council.
- budget provision will be made for estimated pay awards and, in limited circumstances, for areas of specific price inflation. The costs of incremental progression for staff will be funded from service revenue budgets.
- demographic growth will not be funded given the scale of the financial challenge. All services are expected to redesign services and work in partnership with other bodies to meet the cost of additional pressures.
- the reduction of grant that the Council receives after providing for new responsibilities will be shared by all directly provided and commissioned services, including Health and Social Care, Leisure & Culture Dundee and the Third Sector.
- Council Tax levels are planned to be increased by at least 3% per annum, but annual increases may be higher if allowed under the terms of the local government finance settlement.
- a review of resources within the Council will be undertaken to look at ways to deliver services more efficiently and effectively. Given employee costs currently account for around 65% of the net revenue budget, there is likely to be a significant reduction in the workforce of the Council.
- the Council's Capital Plan will be prudent, sustainable and affordable. In particular, affordability will be assessed with reference to the level of loan charges and additional running costs (including lifecycle maintenance) that can be reasonably included within future revenue budgets.
- the Council's immediate planning horizon for revenue expenditure will be three years and a rolling three year revenue budget will be prepared annually and submitted to the Policy & Resources Committee as part of the budget approval process. In addition, projections covering a rolling ten year period will be maintained and submitted, as necessary, to the Policy & Resources Committee.
- proposals for service re-design and service development will be underpinned by a comprehensive and robust business case, including options appraisal.

The Council's Medium-Term Strategy will be underpinned by other key corporate strategies, including those relating to IT, Digital and Our People.

It should be noted that many of the above areas are already covered by the Council's Financial Regulations, reflect previous Committee decisions or are in line with established custom and practice.

13.0 **NEXT STEPS**

13.1 The Scottish Government's Medium-Term Financial Strategy sets out the following 2019 timeline for its 2020/21 Resource Budget:

- May: Medium-Term Financial Strategy and Spending Review Framework published as well as Scotland's Wellbeing: Delivering the National Outcomes.
- June-September: Proposals developed in line with Spending Review Framework.
- October: Ministerial discussions take place on proposals provided.
- November: Budgets are reviewed in light of UK Autumn Budget / Spending Review.
- December: Budget / Spending Review (to be confirmed once UK Government position is clear) published including a three-year resource settlement for local government, and Budget Bill for 2020-21 introduced.

Given the significant and continuing uncertainty over Brexit, it is not entirely clear whether a UK Spending Review will actually take place in 2019, however the Scottish Government have stated that they plan to undertake their own Spending Review covering a period beyond 2020/21.

13.2 The next key budget milestone for the Council will be the announcement of the Local Government Finance Settlement, expected on 17 December 2019. It is anticipated that this settlement will cover the 3 year period 2020-2023. A report will be submitted to the Policy & Resources Committee on 13 January 2020, detailing the Council's grant settlement for 2020-2023 and the associated implications. This report will also include the proposed procedure for setting the Council's Revenue Budget and Council Tax for 2020/21. If there are any significant developments in the meantime (eg regarding the financial implications of Brexit, the UK Autumn Budget etc) then a Financial Outlook update report will be submitted to the Policy & Resources Committee.

14.0 **CONCLUSION**

14.1 The Council is facing a significant challenge to deliver balanced budgets over the longer term. The proposed Long-Term Financial Strategy provides a framework within which this challenge can be addressed.

15.0 **POLICY IMPLICATIONS**

15.1 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.

16.0 **CONSULTATION**

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

17.0 **BACKGROUND PAPERS**

17.1 None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

8 AUGUST 2019

DUNDEE CITY COUNCIL

10 YEAR REVENUE BUDGET PROJECTION 2020 - 2030

Summary		<u>Net</u>	<u>SG</u>	<u>Council</u>	<u>SG</u>	<u>Cum</u>	<u>Savings</u>	<u>Cum</u>
<u>Year</u>	<u>Financial</u>	<u>Revenue</u>	<u>Grant</u>	<u>Tax</u>	<u>Grant +</u>	<u>Funding</u>	<u>Required</u>	<u>Savings</u>
	<u>Year</u>	<u>Budget</u>	<u>Income</u>	<u>Income</u>	<u>Council</u>	<u>Gap</u>	<u>£000</u>	<u>Required</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
0	2019/20	353,705	(287,524)	(66,179)	(353,703)	0	0	0
1	2020/21	363,922	(280,433)	(66,179)	(346,612)	17,310	17,310	17,310
2	2021/22	371,359	(280,433)	(66,179)	(346,612)	24,747	7,437	24,747
3	2022/23	378,815	(280,433)	(66,841)	(347,274)	31,541	6,795	31,541
4	2023/24	385,757	(280,433)	(67,509)	(347,942)	37,815	6,274	37,815
5	2024/25	392,829	(280,433)	(68,184)	(348,617)	44,212	6,397	44,212
6	2025/26	400,034	(280,433)	(68,866)	(349,299)	50,735	6,523	50,735
7	2026/27	407,374	(280,433)	(69,555)	(349,988)	57,386	6,651	57,386
8	2027/28	414,851	(280,433)	(70,250)	(350,683)	64,168	6,782	64,168
9	2028/29	422,469	(280,433)	(70,953)	(351,386)	71,083	6,915	71,083
10	2029/30	430,230	(280,433)	(71,662)	(352,095)	78,135	7,052	78,135

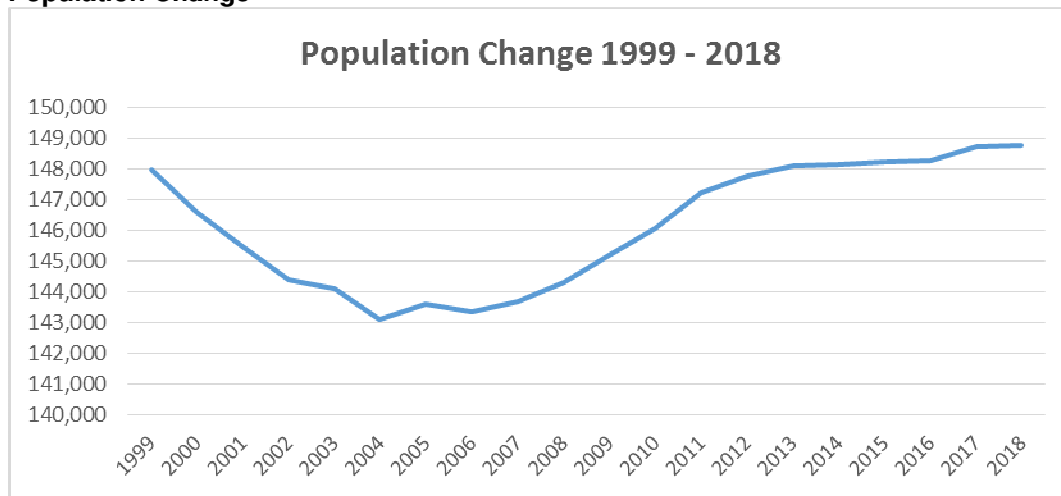
Note: a 1% increase in the current level of SG Grant Income would result in additional grant of £2.9m

DEMOGRAPHICS - LOCAL CONTEXT

Dundee is Scotland’s fourth largest city and is situated on the north coast of the Tay Estuary. The Dundee City Council area covers 60 square kilometres and is, geographically, the smallest local authority area in Scotland. It is bordered by Perth and Kinross Council to the west and Angus Council to the north and east. Dundee continues to serve as the regional centre for this area and for North-East Fife, with an estimated catchment population of some 400,000 people.

Following a long period of population decline in the City the population has now remained stable for a number of years and is projected to remain this way for the foreseeable future. It was, and still is, a key objective of the Council through many of its plans and strategies to ensure that investment and regeneration take place in every community across the City.

Population Change

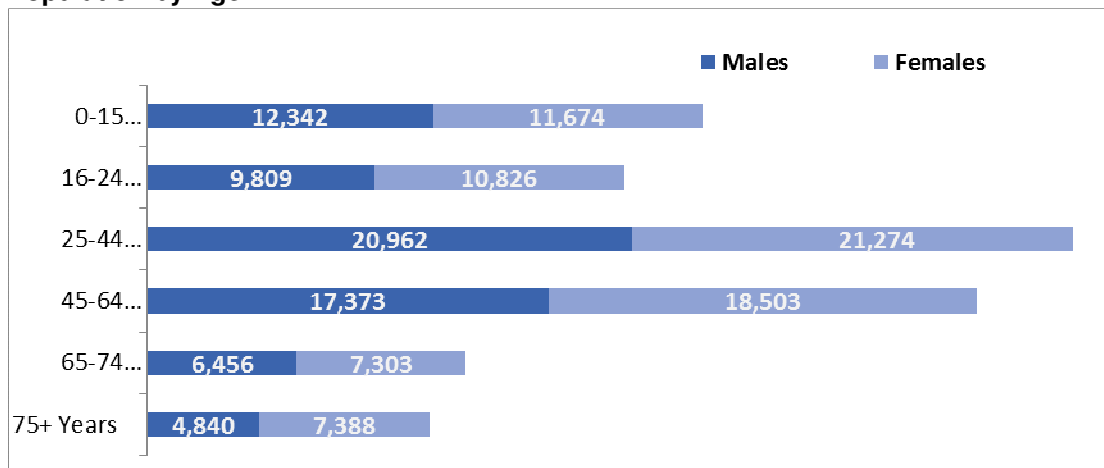


Source: NRS Population Estimates

The most recent estimate of Dundee’s population is **148,750** (NRS 2018 Mid-year population estimate). Dundee has a sizeable student population of approximately 20,000, and is home to the University of Dundee, Abertay University and Dundee and Angus College.

The age group with the largest proportion of the current population in Dundee is the 25 to 44 age group. The 75+ age group has a higher number of women than men, this is reflected also in the life expectancy figures.

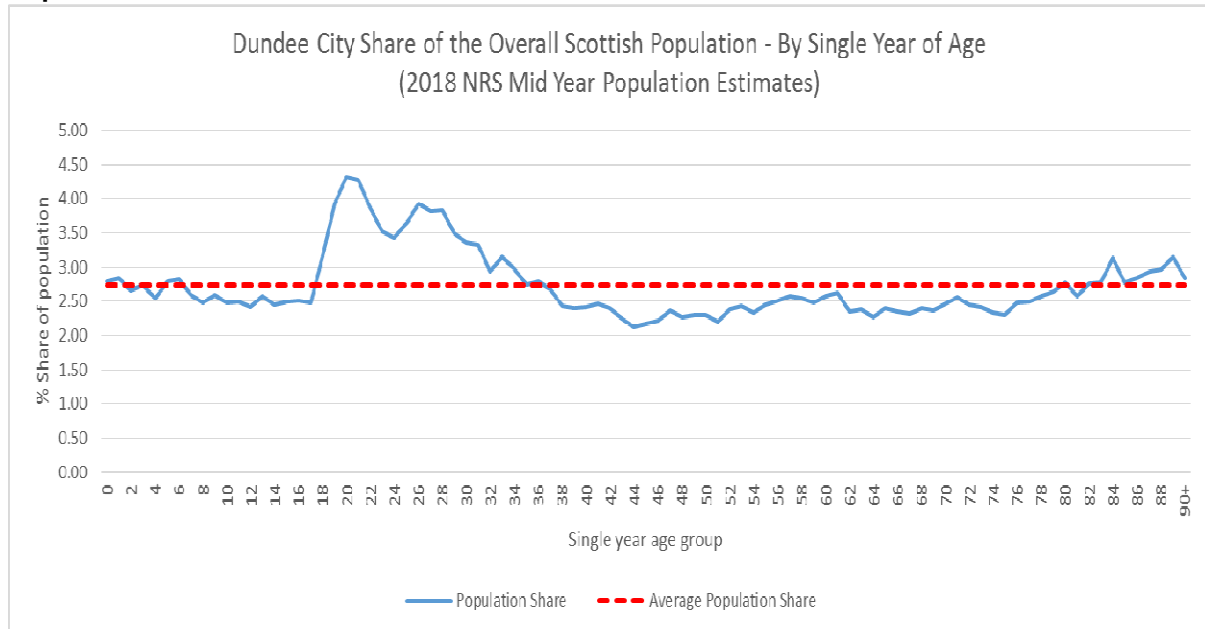
Population by Age



Source: NRS Population Estimates, 2019

When compared to the average for Scotland, Dundee City has a larger share of people who are aged 18-30 and those who are in the **very elderly** age brackets, aged 85 plus. While many of the priorities set out by the Council and its partners will benefit the whole population, there are distinct challenges faced by older people and the very elderly. These are addressed across the wider Partnership but in particular found in Health and Social Care strategies and local community plans.

Share of Scotland's Population

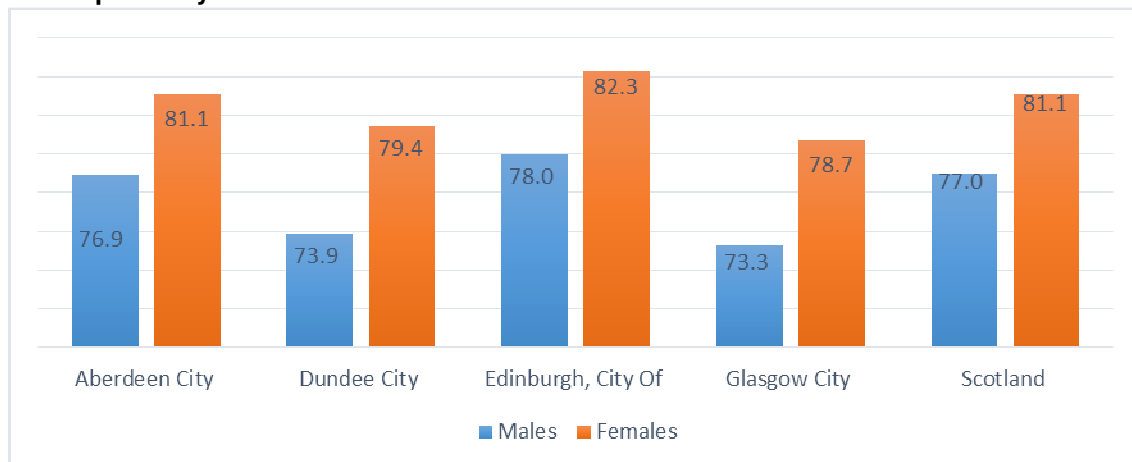


Source: NRS Population Estimates, 2019

Dundee has the second lowest life expectancy in Scotland, male life expectancy being over 3 years lower than the Scottish average (male life expectancy in Dundee is 73.9 compared to 77.1 in Scotland, female life expectancy in Dundee is 79.4 years in comparison to 81.1 years in Scotland).

Residents of Dundee will become unhealthier at a younger age and live longer with health issues, the earlier people become unhealthy, the sooner they are likely to access services from the Council to support them to remain within their homes and communities.

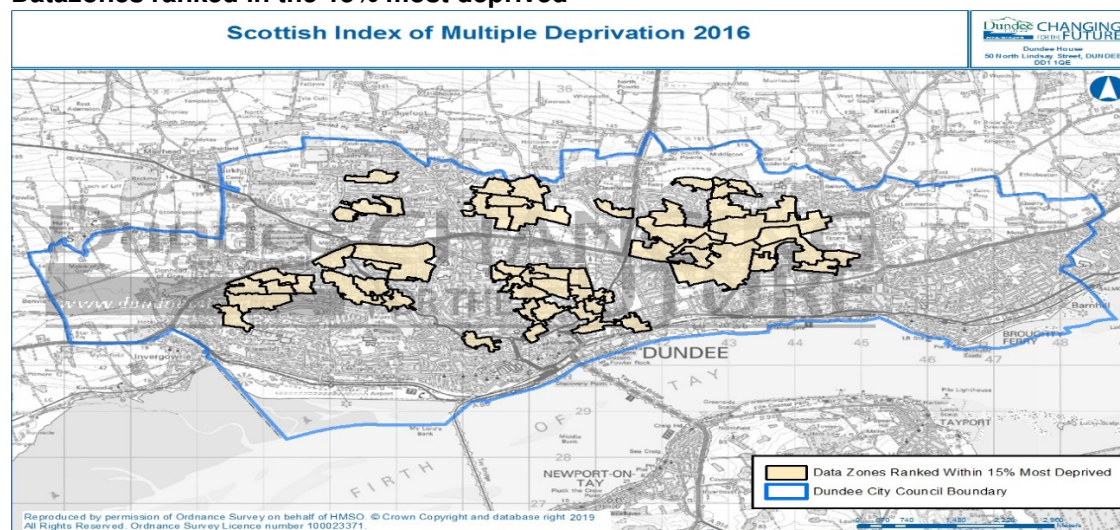
Life Expectancy



Whilst Dundee is a modern, vibrant city which has undergone a remarkable transformation it also has levels of poverty and deprivation which make everyday life a struggle for many individuals, families and communities.

In Dundee, 28.6% of the population live within a data zone which is ranked within the 15% most deprived in Scotland. Of those who live within these areas, 65% are of working age. 35% of children in Dundee live within one of the 15% most deprived data zones.

Datatypes ranked in the 15% most deprived



- Source: Scottish Index of Multiple Deprivation, 2016.

There are wide divisions in health and life expectancy between the richest and the poorest communities in the city. Based on the Scottish Index of Multiple Deprivation, Dundee has six of the city's eight local authority wards identified as community regeneration areas. Using this data the Council can actively target its resources across a range of activities to improve outcomes for the poorest communities.

In Dundee City overall 31% of children in 2018 are in poverty according to the Child Poverty Action Group in comparison to 28% in 2017. Child poverty exists in all areas across the City, over a quarter of children are in poverty (after housing costs) in seven of the eight electoral wards in Dundee City.

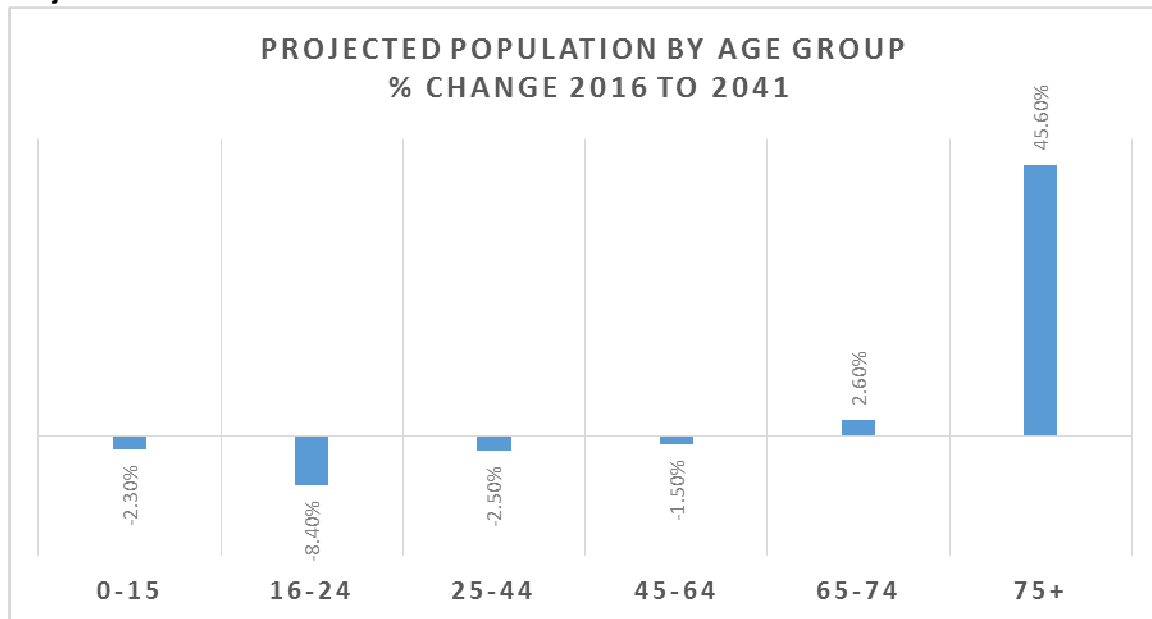
Projected Population

Longer term projections 2016 to 2041

National Records of Scotland produce population projections up to 2041, it should be noted that these projections have limitations in their use due to the level of uncertainty with projecting this far ahead. In Dundee City figures indicate a decrease in all age groups apart from those aged 65 and over, the projected percentage change in those aged 75 and over is 46%.

An ageing population presents challenges and opportunities for the Council. Increasing customer expectations and complex needs results in our services adopting more customer and personalised approaches which will increasingly be co-produced in partnership with individuals within our communities. This will impact significantly on both demand for Council services and potential labour supply from within our local communities, particularly in the direct care sector.

Long Term Population Projection



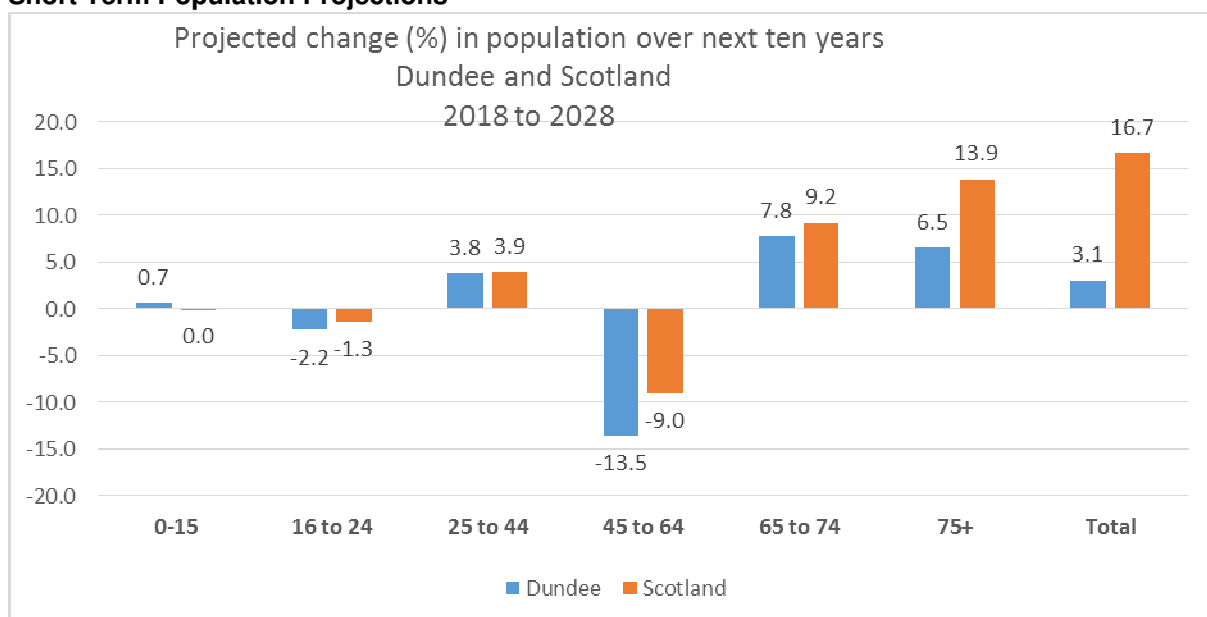
Source: National Records of Scotland, Population Projections, 2016 based.

Shorter term projection – 2018 to 2028

In the shorter term over the next ten years to 2028, the projected figures suggest an increase in all age groups except the 16-24 and 45 to 64 age groups, this could be as a result of decreasing levels of migration from other EU countries following the Brexit decision.

As in the longer term projections the older age groups are projected to increase, the aged 65 and over age groups are projected to have the largest increase. A 13% decline is projected in the 45 to 64 age groups, higher than the overall Scottish expected decline of 9%, this decrease in the working age population could have wider economic implications for the area, including a reduction in the numbers available to work.

Short Term Population Projections

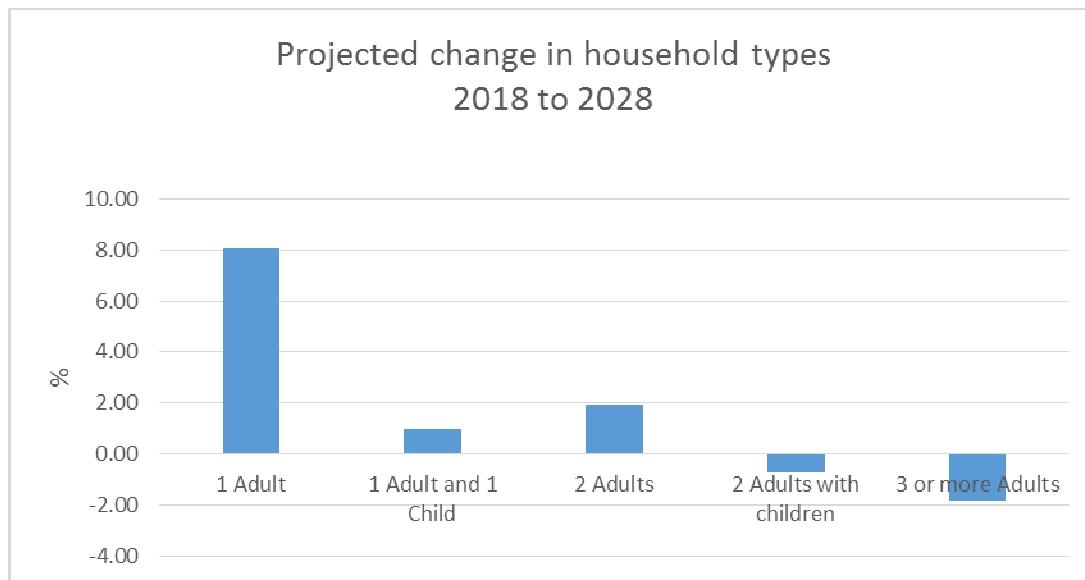


Source: National Records of Scotland, Population Projections, 2016 based.

Households

The number of households in Dundee City is expected to increase by 13% overall to the year 2041, the significant rise being again in the aged 75 and over age groups. Households are becoming smaller with more people living alone, this reduction in family support structures can impact on the need for additional support services in care and education. In the next ten years to 2028 the number of one person households is expected to rise by 8% continuing to increase by 19% to 2041.

Change in household types



Source: National Records of Scotland, Household Estimates and Projections, 2018

