Agenda

Meeting of
West Dunbartonshire Council

Date:	Wednesday, 4 March 2020
Time:	14:00
Venue:	Civic Space, Council Offices, 16 Church Street, Dumbarton
Contact:	Christine McCaffary, Senior Democratic Services Officer Tel: 01389 737186 – christine.mccaffary@west-dunbarton.gov.uk

Dear Member

Please attend a meeting of **West Dunbartonshire Council** as detailed above. The business is shown on the attached agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:-

Provost William Hendrie
Bailie Denis Agnew
Councillor Jim Bollan
Councillor Jim Brown
Councillor Gail Casey
Councillor Karen Conaghan
Councillor Ian Dickson
Councillor Diane Docherty
Councillor Jim Finn
Councillor Daniel Lennie
Councillor Caroline McAllister
Councillor Douglas McAllister
Councillor David McBride
Councillor Jonathan McColl
Councillor Iain McLaren
Councillor Marie McNair
Councillor John Millar
Councillor John Mooney
Councillor Lawrence O'Neill
Councillor Sally Page
Councillor Martin Rooney
Councillor Brian Walker

Chief Executive
Strategic Director - Transformation & Public Service Reform
Strategic Director - Regeneration, Environment & Growth
Chief Officer - West Dunbartonshire Health & Social Care Partnership

Date of issue: 20 February 2020

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WEST DUNBARTONSHIRE COUNCIL

WEDNESDAY, 4 MARCH 2020

AGENDA

1 STATEMENT BY CHAIR – AUDIO STREAMING

2 APOLOGIES

3 DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in any of the items of business on the agenda and the reasons for such declarations.

Voting: Members are reminded that restrictions on voting in setting the level of Council Tax introduced by s112 of the Local Government Finance Act 1992 apply. Under these rules Members who are present at the meeting and who are at least two months in arrears with payment of Council Tax, must disclose this fact as soon as practicable after the start of the meeting and refrain from voting on any proposal for setting the level of tax. Failing to do so may involve committing an offence.

Members will also wish to consider the guidance found in paragraphs 3.20 and 3.21 of The Councillors' Code of Conduct.

4 OPEN FORUM

The Council is asked to note that no open forum questions have been submitted by members of the public.

5 CAPITAL STRATEGY 2020/21 to 2029/30 — 5 - 39

Submit report by the Strategic Lead – Resources seeking approval of the capital strategy for the period 2020/21 to 2029/30.

6 GENERAL FUND BUDGET AND COUNCIL TAX SETTING 2020/21 — To Follow

Submit report by the Strategic Lead – Resources on the above.

7 HOUSING REVENUE ACCOUNT BUDGET AND RENT SETTING 2020/21 **To Follow**

Submit report by the Strategic Lead – Housing & Employability on the above.

8 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY 2020/21 **To Follow**

Submit report by the Strategic Lead – Resources on the above.

9 DUMBARTON COMMON GOOD BUDGET UPDATE 2020/21 **41 - 45**

Submit report by the Strategic Lead – Resources providing an update on the Dumbarton Common Good budget for 2019/20 and seeking approval for a revised budget for 2020/21.

West Dunbartonshire Council

Report by the Strategic Lead - Resources

Council: 4 March 2020

Subject: Capital Strategy 2020/21 to 2029/30

1. Purpose

1.1 The purpose of this report is to provide Members with the capital strategy for the period 2020/21 to 2029/30.

2. Recommendations

2.1 Members are requested to approve the capital strategy as appended to this report.

3. Background

3.1 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare a Capital Strategy which is intended to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

3.2 The first Capital Strategy was presented to Council in March 2019 and this is the first annual update of the strategy.

4. Main Issues

Capital Strategy

4.1 The capital strategy is reviewed and updated annually and this updated version covers the period 2020/21 to 2029/30 which is the time period covered by the capital plan update which will be reported to Council as part of the separate budget report to this Council meeting.

4.2 The previous Capital Strategy included an action plan with five actions, most of which are ongoing or due at a future point. There was one action which was a one-off action due in the summer of 2019 relating to the development of guidance for the development of business cases for capital projects. This was completed and agreed for use by the Strategic Asset Management Group in August 2019.

4.3 The updated Strategy reflects new accounting rules which come into effect from financial year 2020/21 which means that from 1/4/20, all leases (with a few exceptions) will require to be accounted for on the Council Balance Sheet as assets. Accounting for these leases on the Balance Sheet will result in increases to assets and long term liabilities. This will also result in Prudential and Treasury Management indicators being adjusted – increasing: the ‘level of debt’ identified by the Council; the Capital Financing Requirement; Operational Boundary; and Authorised Limit, by the value of the leases. Forecast and estimates of the ratio of financing costs to Net Revenue Stream may also be affected. This change affects all Councils, though this Council has a low number of leased assets.

5. Option Appraisal

5.1 No option appraisal was required for this report.

6. People Implications

6.1 There are no personnel issues.

7. Financial and Procurement Implications

7.1 There are no direct financial or procurement implications arising from this report.

8. Risk Analysis

8.1 While the appended report provides the capital strategy of the Council there are 3 main risks associated with long term capital planning. These risks are noted below; however the Council has robust capital appraisal and monitoring processes in place and provides regular reports to Council:

- Capital plans are not fully aligned to Council strategic objectives and the Council has robust controls included within the prioritisation and approval process to mitigate this risk;

- The risk of non-deliverability of capital investment plans must also be taken into account; however the Council has robust management and monitoring controls included within its capital investment governance process that will assist in mitigating this risk; and

- Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available. The Council has a robust capital governance process in place to mitigate and manage this risk.

9. Equalities Impact Assessment

9.1 An equalities impact screening has been carried out and has determined that a detailed assessment was not required in relation to this report.

10. Environmental Sustainability

10.1 No assessment of environmental sustainability was required in relation to this report.

11. Consultation

11.1 The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.

12. Strategic Assessment

12.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.

12.2 The capital strategy contributes to the Financial Strategy via the interdependency that exists between pro-active long term capital planning and the formulation of long term financial plans.

Stephen West
Strategic Lead – Resources
20 February 2020

Person to Contact:	Strategic Lead - Resources Council Offices, Church Street, Dumbarton Telephone (01389) 737191 Email: stephen.west@west-dunbarton.gov.uk
Appendix:	Capital Strategy 2020/21 to 2029/30
Background Papers:	Prudential Indicators 2018/19 to 2028/29 and Treasury Management Strategy 2019/20 to 2028/29 (Council 27 March 2019)
Wards Affected:	No wards directly affected.

West Dunbartonshire Council

Capital Strategy

2020/21 to 2029/30

March 2020

Contents

Chapter One - Overview

Introduction

The Capital Strategy for West Dunbartonshire Council provides an overview of how capital expenditure plans reflect the Council's capital investment ambition while ensuring the links between capital investment, capital financing, treasury management, asset management plans/strategies and the Council's revenue budgeting cycle and long term financial planning are maintained.

The Capital Investment Strategy is a reporting requirement introduced by the 2017 edition of the CIPFA Prudential Code. Local authorities produce many plans and strategies in the course of their operations, however, it is recognised that within the context of capital planning, there is a need to produce an overarching view that addresses the following key considerations:

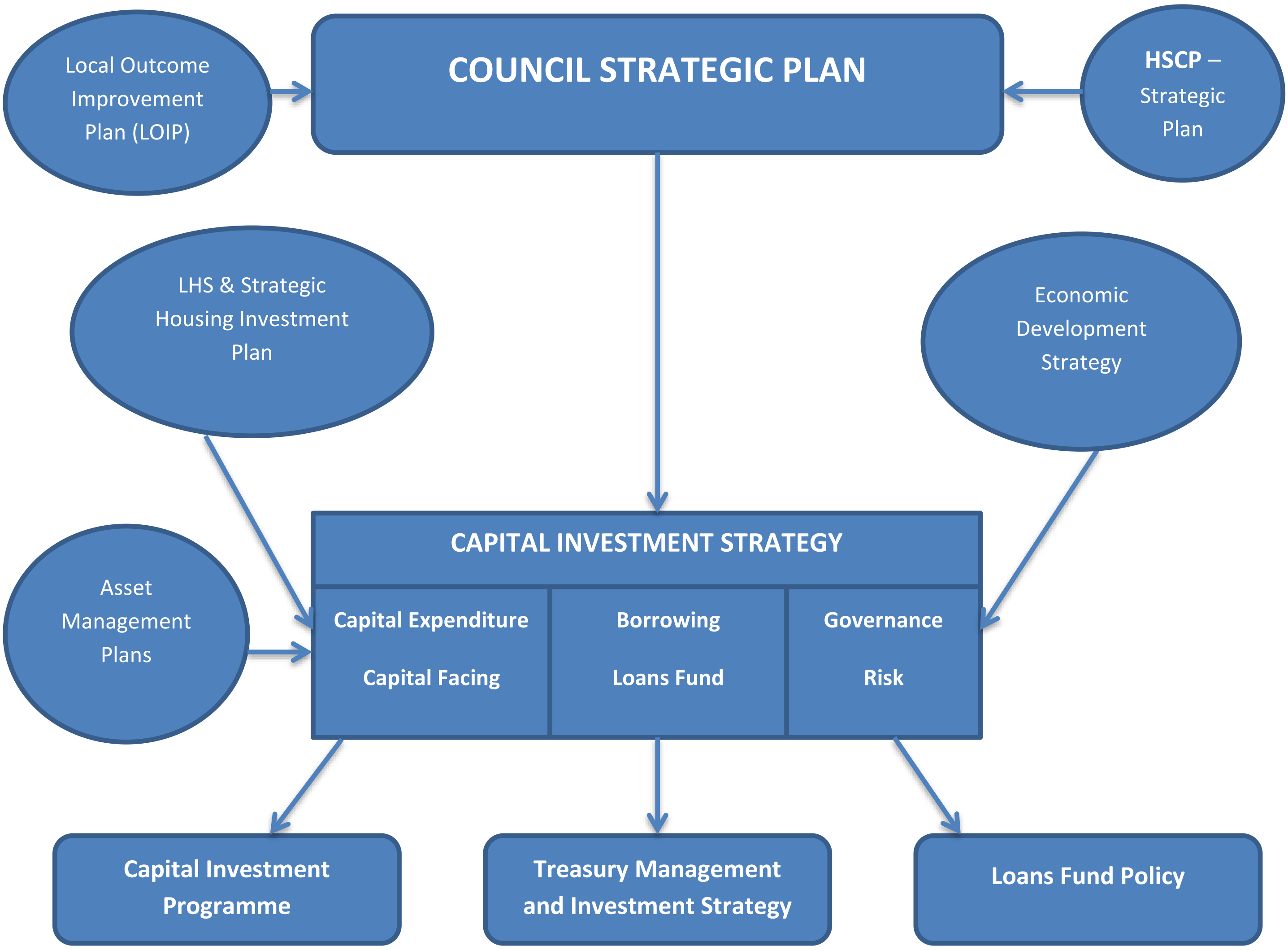
- Ensuring that capital plans are aligned to the strategic priorities as set out in the Council Plan;
- Ensuring that capital plans are affordable, prudent and sustainable;
- Demonstrating the linkage to local strategic planning and local asset management planning;
- Ensuring that financing decisions are taken in accordance with good professional practice and a full understanding of the risks involved; and
- Demonstrating the Council has robust governance arrangements to support its capital planning activities.

The Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across the Council's services and informs decisions on capital spending priorities within both the General Fund 10 year capital plan (2019/20 to 2028/29) and the Housing Revenue Account (HRA) 5 year capital plan (2019/20 to 2023/24). Included within this strategy document is a statement by the Section 95 Officer on the delivery, affordability and risks associated with this strategy.

Background

West Dunbartonshire Council is an ambitious Council and has plans to deliver significant capital investment over the next 10 year capital planning period across housing, schools, economic regeneration and infrastructure. The Council works in partnership with other agencies in the delivery of this investment, including the Scottish Government and Glasgow City Region City Deal.

The Capital Investment Strategy takes account of the Council's strategic priorities and considers any new investment within the context of outcomes, affordability or spend to save. There is also recognition of the need to balance investment between maintaining current assets and infrastructure against the ambitions for acquiring new assets. The Council's current capital programme is shaped and influenced by various associated strategies and plans, as illustrated as follows:

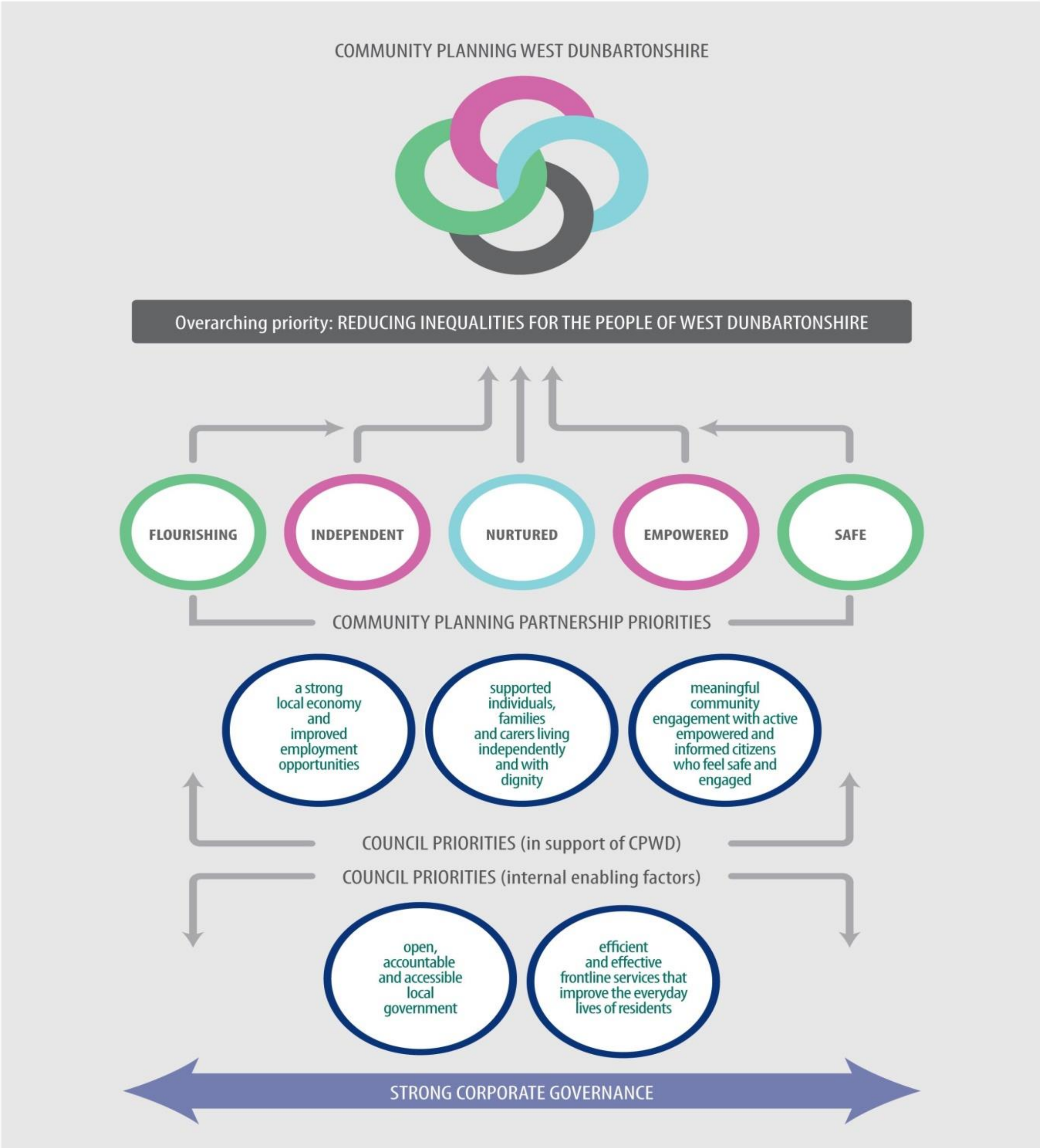


The primary purpose of the Capital Investment Strategy is to provide an overarching view of how various plans and strategies inform capital investment and to demonstrate that this is both affordable and sustainable. The associated plans and strategies each focus on specific priority areas and, through appropriate governance structures, ultimately shape and influence the investment plans delivered through the Capital Investment Programme. Underpinning the Capital Investment Programme is the Treasury Management and Investment Strategy and Loans Fund Policy. Both ultimately consider the delivery of the capital programme within the context of affordability and risk and apply a measurement of what this means against key prudential and treasury indicators. The aim being to demonstrate affordability and sustainability over the long term.

Plans and Strategies

West Dunbartonshire Council Strategic Plan 2017-2022
The vision for West Dunbartonshire Council is to: "*West Dunbartonshire Council will*

deliver high quality services, led by priorities identified by the communities of West Dunbartonshire, in an open and transparent way". The Council has 5 Strategic Priorities that link to the Community Planning West Dunbartonshire's Local Outcome Improvement Plan, with an overarching priority of reducing inequalities for the people of West Dunbartonshire, as illustrated below:



Health and Social Care Partnership Strategic Plan
The strategic plan has been created in partnership with the third and independent sector, public health, community planning partners, local communities and people who use the service. The vision and our desire is to ensure that our citizens have access to the right care, at the right time and in the right place. It involves a range of activities, centred around a continuous cycle of "analyse, plan, do and review" and is iterative and dynamic to support collaborative system change across health and social care and all partners working in our communities. The HSCP Strategic Plan has identified the following Strategic Priorities:

- Early Intervention;
- Access;
- Resilience;
- Assets; and
- Inequalities.

Asset Management Plans
The Council has a number of asset management plans, each of which covers a 5 year period. The following diagram illustrates the linkage between the overarching Corporate Asset Management Strategy and the underlying asset plans that are in place for each asset category.

The overarching document is the Corporate Asset Management Strategy. The aim of the Asset Management Strategy is to ensure that our assets are managed in a corporate, coherent and prioritised fashion, as a mechanism to support the delivery of key services;

ensuring their efficiency and effectiveness in meeting the current and future needs of communities within West Dunbartonshire.

Strategic well-executed asset management is an essential component for West Dunbartonshire Council and is fundamental to being able to demonstrate that the Council is delivering in the context of the Best Value agenda. The Council therefore has a responsibility to ensure that:

- Assets are managed on a strategic basis so that they enhance and improve service delivery; and
- The asset base is aligned to the organisations strategic priorities and objectives and that they are managed in an active, effective and efficient manner.

Sound and efficient management of our assets has a significant part to play in continuing to improve and develop our services to the Community. Therefore, core services such as Education, Health & Social Care Partnership, Housing, etc. must continue to articulate their strategic direction in the short, medium and long term and support the translation of these priorities and their implications in terms of asset requirements to enable the effective development and delivery of Services. Effective Asset Management as well as improving efficiency and effectiveness, can:

- Generate resources through income by selling surplus assets; and
- Generate long term revenue efficiencies as those assets would no longer be a burden on resources.

The corporate Asset Management Strategy supplemented by individual asset management plans. These plans follow the guidance from the Chartered Institute of Public Finance and Accounting (CIPFA) advising that local authorities should classify assets under 6 categories:

- Property (including investment and disposals);
- Open Spaces;
- Roads Structures & Lighting;
- Housing;
- Vehicle Fleet & Plant; and
- Information and Communication Technology (ICT).

West Dunbartonshire Council's approach to the management of these categories require detailed asset management plans which have been developed within the context of this strategic framework and approved by the appropriate Committee for each of the categories.

Each of the asset management plans takes account of six key drivers which are promoted by CIPFA as being critical to effective asset management. These drivers in turn will influence the capital projects that are both in the current capital investment plan and are proposed for future inclusion. The key drivers are:

- Condition;
- Suitability;
- Sufficiency;
- Revenue Costs;
- Accessibility; and
- Value.

Local Housing Strategy 2018-22 and Strategic Housing Investment Plan 2019-24
The key strategic outcomes for the Local Housing Strategy for West Dunbartonshire include ensuring the supply of housing meets the needs and aspirations of local people that they live in good quality homes which are located in strong, safe communities. The Strategic Housing Investment Plan (SHIP) sets out the priorities for affordable housing investment in West Dunbartonshire over the next five years;

- Health and Educational benefits;
- Contribute to Regeneration of West Dunbartonshire;
- Sustainable Investment
- Meet Local Demand and Aspirations; and
- Maximise Return on Investment and achieve Value for Money.

The SHIP will secure investment across the Council and provide sustainable, affordable, accessible high quality homes which will contribute to the wider regeneration aims for the area.

In addressing projected demographic trends of an ageing population in West Dunbartonshire new build homes will be designed for future needs of an aging population with cognisance taken in the design stage for changing mobility needs. The SHIP supports the Health and Social Care Partnership to meet specialist housing need through dedicated supported accommodation projects.

The Council also recognises that bringing former social housing stock back into social ownership can increase the level of housing stock available as well as supporting regeneration in the area. As such, a buy-back programme has been incorporated into the SHIP.

Making sustainable investment in housing is a key priority within the SHIP and this is achieved by incorporating energy efficiency measures and renewable technologies within the new build programme. The developments benefit from a range of sustainable measures including solar photovoltaic panels, district heating schemes and design measures to minimise space heating demand. This investment aligns to the Council's Environmental, Sustainability and Climate Change Strategy in supporting affordable warmth to households across the Council.

The regeneration of Council communities is a strategic priority within the Council Plan and the SHIP. The Scottish Index of Multiple Deprivation shows that West Dunbartonshire has one of the highest levels of data zones within the 15% most deprived areas in Scotland.

Through housing led regeneration and the provision of high quality homes, desirable communities are created where people want to live and which in turn can also attract private sector investment.

Finally, it is recognised that new build housing also provides benefits to health, wellbeing and can contribute positively to educational attainment. New energy efficient, high quality homes can alleviate symptoms in a number of respiratory illnesses and young people can benefit from improved cognitive development and less risk of behavioural issues when living in warm, high quality housing.

Other plans and strategies

In addition to the asset management plans outlined above there are a number of other plans, strategies and approaches that influence the level and type of capital investment undertaken by the Council.

- West Dunbartonshire Strategic Plan;
- Strategic service delivery plans;
- Schools Estate Strategy;
- Early Years Strategy;
- Asset Disposal Strategy; and
- Regeneration charrettes.

Capital Investment

Capital Investment is a highly regulated area of finance and is clearly defined both externally and internally as detailed below:

- CIPFA's Code of Practice (underpinned by financial reporting standards); and
- The Council's Capital Guidance document which can be located in the Treasury and Capital section of the Council's intranet.

In summary capital investment is defined as expenditure that can be directly attributed to the acquisition, creation or enhancement of items of property, plant and equipment or the acquisition of rights over certain longer term intangible benefits. In contrast revenue expenditure is incurred in providing a service on a day to day basis and the benefit is immediately consumed by the Council.

The value of the Council's assets as at 31 March 2019 is detailed in the table below and illustrates the diversity and scale of the asset base:

Asset Classification	**£000**
Operational land and buildings	341,315
Commercial land and buildings	43,866
Surplus assets	10,785
Assets under construction	44,984
Council dwellings	410,438

Infrastructure assets	64,976
Vehicles, plant and equipment	9,751
Assets held for sale	5,670
Community Assets	1,980
Heritage Assets	1,406
Total Asset Value	**935,171**

While this strategy focuses on the Council's management of its own investment in assets, a wider view of capital investment throughout the Council area (by other public organisations and the private sector) will influence both the Council's capital spend and the ability of the Council to meet its strategic priorities:

- Reducing inequalities for the people of West Dunbartonshire Council;
- A strong local economy and improved job opportunities;
- Supported individuals, families and carers living independently and with dignity;
- Meaningful engagement with active, empowered and informed citizens who feel safe and engaged;
- Open, accountable and accessible local government; and
- Efficient and effective frontline services that improve the everyday lives of residents.

The Capital Strategy sets out a number of guiding principles, however a balance is required between guidance and prescription to allow a flexible approach to be taken and to enable the Council to adapt and reflect in times of uncertainty.

The management of both the General Fund and HRA capital plans are supported by the Council's financial regulations and financial code of practice.

Guiding principles

Long term capital investment plans cannot be developed in isolation but instead are informed by a number of key principles which are explored in more detail further in this document:

- Approach to borrowing - ensuring that the Council complies with the CIPFA Prudential Code and that borrowing is prudent, affordable and sustainable in the long term;
- Approach to development and monitoring of long term capital investment plans - ensuring that all plans make a positive contribution to the overall Council strategic priorities and that all plans are clearly linked to asset management planning and any other relevant plans/strategies;
- Approach to treasury management - ensuring that there is a close relationship between long term capital investment plans and overall treasury management; and
- Approach to financial planning - ensuring that the impact of long term capital investment plans are clearly detailed within the Council's Long Term Financial Plan and annual budget reports.

Linkage of capital plan to internal plans and strategies

Any capital investment plans that are undertaken by the Council must link to one of the Council's key priorities and contribute to the documented aims and objectives. While this is achieved through the scoring of capital bids (as detailed later in this document) the capital bids themselves are determined by a number of internal plans and strategies (as described above).

External influences on capital planning

The internal plans and strategies outlined in the previous section will determine the capital strategy for both the management of the existing asset base and future capital investment requirements; however external influences will impact on the Council's ability to deliver the aims and objectives. The level to which the Council is able to mitigate against these externalities will depend on both the risk and materiality of them.

External influences can be considered under a PESTLE analysis and some of the main externalities are explored in more detail below:

<u>Political</u>

Much of the activity undertaken by the Council is governed by statute and in turn this has implications for capital investment required by the Council. Examples of such statutory implications are:

- Scottish Government Early Learning and Childcare Legislation to increase the funded entitlement from 600 to 1140 hours per year from August 2020;
- National housing policy;
- School regeneration;
- Scottish housing standards; and
- Energy efficiency standards.

<u>Economic</u>

Both the UK and the wider global economy have an impact on both the Council's ability to undertake capital borrowing and effectively manage its asset disposal strategy.

- Capital borrowing considerations:

    - While the Council is able to borrow money from the money market or from the Public Works Loans Board to fund capital investment it is essential that this is done in as efficient a way as possible to ensure best value for both Council tenants and Council tax payers; and

    - The Council takes a prudent approach to borrowing, paying particular regard to the robustness of the management and monitoring of the capital investment plan, loan charge forecasting models and the impact that any deviations will have on the level of prudential borrowing required.

- Asset disposal considerations:

- Those properties which have been declared surplus are grouped into three separate categories based on importance. In prioritised order, they are:

  - Strategic sites – sites that could bring significant economic impact;
  - Rationalisation programme – land and buildings that are to be disposed of as part of any Council rationalisation programme; and
  - Commercial and private – land and buildings with commercial and/or private benefit to interested parties.

- The economic climate impacts on the Council's ability to dispose of surplus sites as developers may or may not be able to move forward with development plans. The Council will fully consider the best way to market surplus assets/sites taking all relevant factors into account.

<u>Social</u>
Changes in the social and demographic profile of West Dunbartonshire Council (e.g. changes in the age profile of the population, household size, poverty levels, gender mix and life expectancy) all have implications for service delivery on a day to day basis and ultimately for the long term management of the Council's assets.

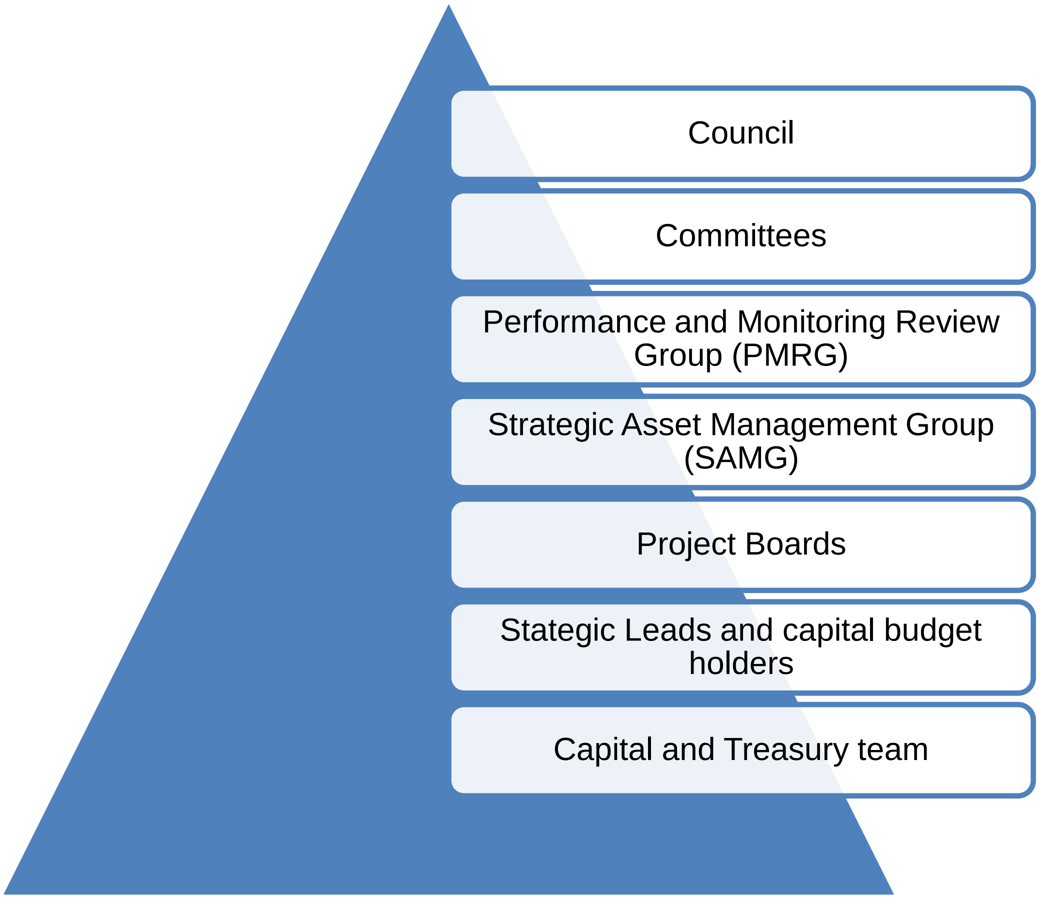
<u>Technological</u>
Changes in technology such as new ways of working, advances in delivering heating and lighting, etc. has the potential to impact on capital investment plans both in relation to the cost of implementation and the frequency of updates required.

<u>Legal</u>
Increasing complex capital investment plans invariably result in complex legal negotiations. In addition legal and regulatory responsibilities of the Council have the potential to result in capital investment requirements such as protecting vulnerable residents.

<u>Environmental</u>
Climate change is widely reported in the news and has far reaching impacts on the Council for capital investment. An example of this is the requirement to tackle the resulting environmental impacts such as flood management.

Chapter Two – Long term capital planning

Governance process
Capital investment within West Dunbartonshire Council is governed by a hierarchy of approval, scrutiny and monitoring processes, as follows:



<u>Council</u>

In accordance with the CIPFA Prudential Code all capital investment must be approved by full Council prior to project commencement and any expenditure being incurred. The General Fund 10 year capital plan (2019/20 to 2028/29) and the HRA 5 year capital plan (2019/20 to 2023/24) will be submitted to Council in March 2020 for approval and include both recurring and one off projects with one off project budgets being approved in principle subject to business case approval. The responsibilities of Council in relation to capital are noted below:

- Approval of capital plans;
- Approval and scrutiny of capital plan budget monitoring reports;
- Approval of budget virements; and
- Oversight of specific capital projects if deemed appropriate.

<u>Committees</u>

Service Committees are responsible for scrutiny of capital budgets, approval of business cases (if delegated authority from Council) and oversight of specific capital projects where required. The main Committees this applies to are:

- Corporate Services Committee;
- Educational Services Committee;

- Housing and Communities Committee; and
- Infrastructure, Regeneration and Economic Development Committee.

In addition the Health and Social Care Partnership is responsible for capital projects that would previously have been classed as social work projects.

Performance and Monitoring Review Group (PMRG)

The PMRG is led by the Chief Executive and membership includes Strategic Directors and Strategic Leads. This group is responsible for scrutiny of capital plans, budget monitoring reports and any other issues that require discussion prior to reporting to Committee/Council.

Strategic Asset Management Group (SAMG)

The SAMG was established in 2010 initially as a short life small working group to take a more strategic focus in relation to asset management and the contribution that an effective asset management strategy could make to the wider issues across the Council.

Since that time the group has increased in both members and remit. Standing members include the following:

- Strategic Director - Regeneration, Environment & Growth (Chair);
- Chief Executive
- Strategic Lead - Regeneration;
- Strategic Lead - Resources;
- Strategic Lead - Environment & Neighbourhood;
- Capital Programme Manager;
- Manager of Legal Services;
- Manager of Procurement Services;
- Service Manager ICT;
- Corporate Assets Manager; and
- Finance Business Partner (Capital).

With other Strategic Leads and/or project sponsors of existing major capital projects (where variance in delivery, budget, or risk is being reported) or proposed new capital projects being required to attend on a case by case basis.

The remit of the group is to:

- Ensure the most efficient use of the Council’s capital assets in pursuit of the Councils strategic priorities;
- Review Asset Management plans prior to PMRG/Committee consideration;
- Ensure that capital spending is aligned to the Council’s strategic priorities;
- Make recommendations on the prioritisation of spending to maximise the impact on those strategic priorities including recommendations on annual refresh of the capital programme;
- Drive the rationalisation of the Councils operational properties, and decide on the allocation of space to services as required by that process

- Receive updates on the financial and physical progress of capital spending and individual capital projects;
- Scrutinise the performance of the capital spending programme and of individual capital projects and make recommendations to PMRG where necessary;
- Scrutinise delivery of the Asset Disposal Strategy and linked capital funding expectations; and
- Drive improvements in capital programme and capital project management.

Project Boards

Major capital projects within similar themes are reported to individual Project Boards. Each project board has a project sponsor who is ultimately responsible for the project objectives and outcomes. Examples of this are:

- Schools Estate Project Board - which oversees all major capital investment in schools such as new builds and/or major refurbishments; and
- More Homes West Dunbartonshire Board – which overseas the development of the HRA capital investment around expanding the provision of Council houses.

Strategic Leads and capital budget holders

Once a capital project has been approved capital budget holders (and ultimately Strategic Leads) are responsible for the implementation of the project. Depending on the scale and nature of the project the budget holder may need to engage the services of other Council departments such as planning, consultancy services, procurement, etc.

Capital and Treasury Team

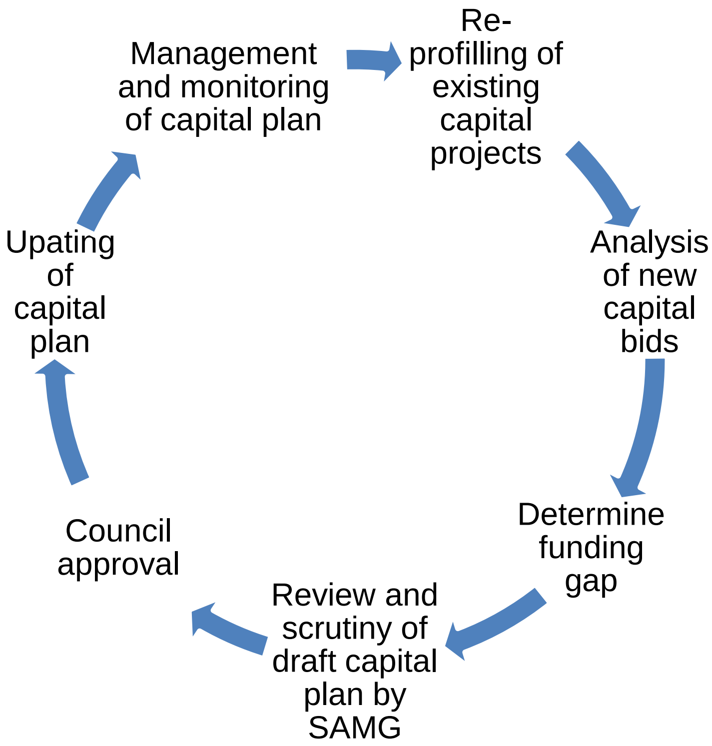
The Capital and Treasury Team is responsible for preparing annual capital plan refresh documentation, budget monitoring, determining capital finance requirements and assisting with financial/business case analysis as and when required. The team also undertake all treasury management functions within the Council including the preparation of the annual treasury management strategy and prudential indicator information thus ensuring the linkage between capital investment and these core documents.

Prioritisation and approval

The Council has separate capital plans for both the General Fund and the HRA. The General Fund plan covers a 10 year period with the next refresh in March 2019 being for the period 2019/20 to 2028/29. The HRA capital plan covers a shorter period of 5 years for the period 2019/20 to 2023/24 (backed up by a 30 year HRA business plan).

Both the updated General Fund and the HRA capital plans will be submitted to Council in March 2020 for approval and is just one part of the cyclical annual capital process. The prioritisation and approval process for each are slightly different due to the different nature of the projects involved and the strategies/plans that underpin them. It is important to maintain a list of “shovel ready” projects to ensure sufficient flexibility in the process to take advantage of any funding opportunities that may occur mid-year or fill any gaps where programme slippage occurs.

The management of capital investment planning follows a cyclical process as follows:



Existing capital projects are subject to an annual review to determine the likely profile of capital spent taking into account the nature, complexity and risk of the project. This exercise is carried out in conjunction with ongoing budget monitoring.

It is always difficult to make choices between competing priorities as funding requests will normally be in excess of finance available. As highlighted above the process involved is slightly different for both General Fund and the HRA with the key differences detailed below:

General Fund – due to the nature of the General Fund being multi-functional if a specific scheme is to be recommended for approval there will be a requirement for a capital bid template to be completed and submitted to the capital and treasury team. The following are some of the details to be provided by prospective budget holders prior to bids being considered through a scoring and prioritisation process:

- Confirmation that the project meets the definition of capital investment;
- The project must be scored by the budget holder according to how well the project meets a number of corporate priorities, financial and non-financial criteria;
- Anticipated budgetary requirements;
- Anticipated resources which may be either full or partial grant funding;
- Anticipated revenue impact of the project which may be either positive, neutral or negative; and
- Risk analysis.

Once all capital bids have been received they are allocated a weighted score to enable the projects to be ranked from ones that are most aligned to assisting the Council in meeting its corporate aims and objectives to the ones least aligned.

HRA – Unlike the General Fund capital investment plans are not subject to a bidding process but instead are primarily driven by stock condition survey results; ongoing housing regulations; and new build investment plans. The proposed capital investment must be affordable within the parameters of the HRA 30 year business plan.

Overall - Once all potential capital investment has been identified an analysis of likely capital resources (e.g. grants, receipts and contributions) is carried out to identify any funding gap which in turn will:

- Determine the level of prudential borrowing and likely revenue impact re loan charges that would be required if all potential capital investment was approved by Council;
- Flow through to both the treasury management strategy and prudential indicator calculations;
- Inform the revenue budget process; and
- Inform the long term finance strategy.

The draft capital plan refresh for the General Fund (covering both investment plans and the anticipated resources in place to finance those plans) is reviewed and scrutinised by the SAMG prior to being submitted to Council for approval. This group challenges the phasing and deliverability of capital projects at each of its meetings.

Documents are produced for council outlining recommendations for both updates to the existing capital plan and inclusion of new capital projects. These documents form part of an overall finance budget report covering both capital and revenue to ensure that the linkage between both types of expenditure are maintained.

In addition to approving the recommended capital plan refresh Council may add new projects to the capital plan that have been identified outwith the bidding process reflecting political priorities. Where this is the case any revenue impact is included within the budget papers thus maintaining the links.

Capital projects are defined as either recurring or one off projects. Recurring projects relate to ongoing investment requirements on the core asset base such as building upgrades and roads infrastructure works. The funding for one off projects are approved in principle with a detailed business case requiring to be approved by the relevant service Committee prior to project commencement. Any projects which are subject to unconfirmed external funding are also approved in principle and should not commence until grant offer letters have been received.

There are a number of business case templates that have been used within the Council and officers are currently working towards development a corporate template that can be used for all appropriate projects in a scalable way. The development of a corporate template will ensure a consistent approach to business case development and ensure that business cases are aligned to the principles contained within the Treasury Green Book.

Once the capital plan is updated for all approvals obtained at council, final confirmation of available budget is communicated to budget holders to allow the management and monitoring part of the capital cycle to commence.

Management and monitoring of the capital plan

The capital plan is monitored on a monthly basis via a combination of verbal updates for small/low risk budgets and face to face meetings for material/high risk budgets. Monitoring is carried out for both investment expenditure and anticipated resources and is reported on an exception basis using a red, amber, green status as detailed below:
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Red
Projects are forecast to be overspent and/or significant delay to completion
Amber
Projects are either at risk of being overspent and/or delay in completion (although this is unquantifiable at present) or the project has any issues that require to be reported at this time
Green
Projects are on target both in relation to overall budget and the forecast stages in the project life cycle and no issues are anticipated at this time

Monitoring reports follow the governance cycle and are reported in a hierarchy from the SAMG and PAMG to Council and Service Committees with the Project Boards receiving more detailed project updates. An example of the monitoring reports prepared can be found on the West Dunbartonshire Council's Committee Management Information System (CMIS) under the relevant Council/Committee meeting.

Funding of the capital investment plan

Capital grants and capital contributions

Grants may be awarded to the council for the purpose of carrying out either a specific project or a general aim, but in either case certain conditions will be imposed by the establishment awarding the grant which will have to be adhered to. Failure to adhere to the conditions may require the grant to being repaid. Grant finance can come from a number of sources such as the Scottish Government, The Big Lottery Fund, Strathclyde Partnership for Transport (SPT), and so on. Some examples of grant income received by the Council in the past are:

- Scottish Government - General Services capital grant;
- Scottish Government – schools regeneration funds;
- Scottish Government - Early years schools funds;
- Scottish Government - Cycling, walking, safer streets;
- Strathclyde Partnership for Transport (SPT); and

- Lottery funding.

Capital contributions arise when funds are provided to the Council by way of a non-refundable and unconditional gift. The capital involved can vary in nature. Cash is an obvious example, but a capital contribution may also be by way of property or services provided.

Capital receipts strategy

Capital receipts that are received are held in either the Capital Receipts Reserve or Capital Fund and can only be used for “defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans (but not any payment of interest on loans)”.

As such it is generally considered that use of the Capital Fund is restricted to (a) funding capital expenditure by the Council or (b) repayment of loans principal.

The Council takes a balanced view in the application of capital receipts and the current strategy is to apply capital receipts both to funding expenditure and to funding the repayment of loans principal, in line with legislation and Scottish Government guidance. The balance between these is considered on an annual basis when Council considers and sets its revenue and capital budgets.

Revenue funding

The situation may arise where the Council requires to either create or enhance an asset; however the project is not part of the approved capital plan. In this case where no capital resources have been previously allocated to the project a funding option that can be utilised is known as Capital Funded From Current Revenue (CFCR).

As the name suggests under CFCR revenue budgets are used to finance the capital project. This allocation must be taken account of when estimating future revenue budget.

Other forms of funding

In addition to the traditional sources of funding outlined above the Council will explore the following where appropriate:

- Leasing and Hire Purchase Agreements
  A lease is a form of contract whereby the Council (lessee) pays an annual charge which is comprised of capital and interest to the finance company (lessor) for the use of an asset. This is normally used for vehicles, plant, furniture and equipment. Up until financial year 2020/21 these were not all required to be accounted for on the Council’s balance sheet, however as noted above this changes from financial year 200/21, with most leases now requiring to be accounted for on the balance sheet.

- Public Finance Initiatives - Public Private Partnerships (PPP), Non-Profit Distributing (NPD) and hub financing models
  Public Finance Initiatives, as a generic term and approach are normally used as a method of financing new buildings and some of the types of buildings as reported by

HM Treasury range from new schools and leisure centres to hospitals. The Council didn't access any such funding from the original PFI scheme, but used a PPP scheme to fund new schools with Scottish Government funding support). Since PPP was terminated as an approach for new investment the Council has used the NPD approach via the West hub to fund Our Lady and St.Patrick's High School. It is likely that the Scottish Government will replace the NPD approach with a new approach for further schools regeneration funding. Under these financing approaches the Council does not own the asset but the asset is constructed and financed by a private contractor and the Council pays an annual charge for the use of the asset for a specified period of time. At the end of the contract the asset ownership passes to the Council.

- <u>Unconventional Finance</u>
  If the Council has any fixed assets bought or constructed with financing that does not take the form of simple borrowing, the future liability should be capitalised.

<u>Borrowing</u>
The current guidance for a Council's level of borrowing is the CIPFA Prudential Code (revised December 2017). The following extracts from the Code and the Local Government Scotland Act 2003 summarise the Code's approach to level of borrowing (self-regulating) and the governance that should apply:

- Prudential Code (Executive summary – E3): "*The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable*"; and

- Local Government Act 2003 (Part 7 [Finance] – 35(1)): "*It is the duty of a local authority to determine and keep under review the maximum amount which it can afford to allocate to capital expenditure*".

From 1/4/2020 there is a significant change to the Accounting Code of Practice for 2020/21 which the Council follows for their Financial Statements, which also impacts on the Treasury Management Strategy and Prudential Indicators and therefore the Capital Strategy. This change is in relation to assets the Council leases in.

Currently there are 2 types of leases which are treated differently through the Financial Statements at present. From 1/4/20, all leases (with a few exceptions) will require to be accounted for on the Council Balance Sheet as assets. For illustrative purposes, leases held by the Council not owned and therefore not currently on the Council's Balance Sheet include leases for properties (such as Aurora/ Clydebank Town Centre Office/ Bridge Street), photocopiers, and vehicles. This is similar to the current accounting reporting for PPP assets.

Accounting for these leases on the Balance Sheet will result in increases to assets and long term liabilities. This will also result in Prudential and Treasury Management indicators being adjusted – increasing: the 'level of debt' identified by the Council; the Capital Financing Requirement; Operational Boundary; and Authorised Limit, by the value of the leases.

Forecast and estimates of the ratio of financing costs to Net Revenue Stream may also be affected.

Under the prudential system, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to CIPFA's Code, which has been given legislative backing. The system is designed to encourage authorities that need, and can afford to undertake capital investment, to do so.

The Council's Section 95 officer is responsible for determining and presenting possible capital investment options to Elected Members and offering them professional advice. However, it is the duty of Elected Members to balance the constraints of affordability with the demands of services for capital investment, and in all but most exceptional cases it will be for elected members to make the necessary judgement.

The ability to borrow additional money in this way comes with increased responsibility and a need for greater transparency in decision making such as what capital projects to borrow for, how much to borrow and when, where to borrow from, how long to borrow over, and so on.

The risks associated with a significant capital plan and a significant level of borrowing can be mitigated and indeed should be mitigated as "business as usual". All capital projects are supported by the Council's governance process and should have:

- Adequate project management and/or project boards;
- Suitable skills for the delivery of the project, tax planning, cash flow;
- Clear operational plan for the use of the asset;
- Clear assumptions on phasing of spend taking into account optimism bias;
- Clear business case analysis where appropriate;
- Use of specific Committees;
- Security and due diligence on loans and purchases;
- Use of external advice where appropriate;
- Project contingencies;
- Full tender process; and
- Regular and transparent reporting to members.

Alternative funding and delivery opportunities
The Council will consider alternative methods of supporting capital investment within West Dunbartonshire Council using alternative funding and delivery opportunities where:

- Opportunities arise;
- Such opportunities are financially viable; and
- Such opportunities positively contribute to the Council's strategic priorities.

Two such opportunities that the Council is currently engaged with is the partnership with Clydeside Regeneration Limited (CRL) in relation to the redevelopment of the former John Brown site at Queens Quay in Clydebank and the developments at the former Exxon Mobil site which is part of the Glasgow City Deal £1.13bn project.

Capacity to deliver
The capacity of the Council to deliver its long term capital investment plans depends upon the following:

- Affordability of capital investment plans;
- Ability to have “shovel ready” capital projects;
- Project officer capacity;
- Interdependencies with other projects; and
- Skills and knowledge.

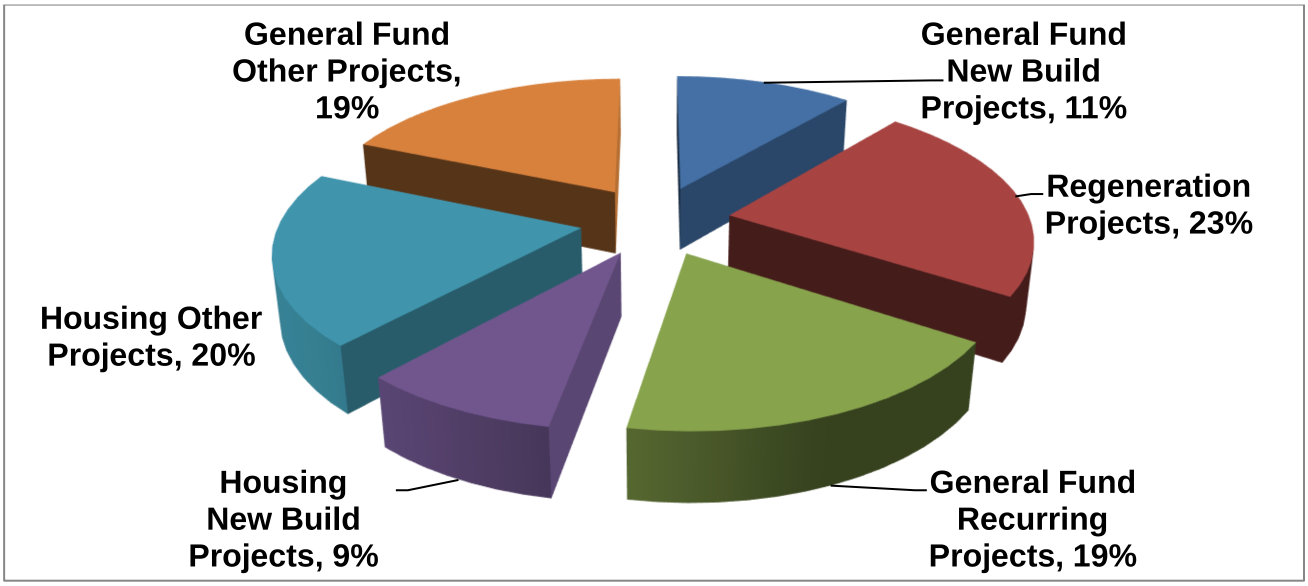
The affordability of capital investment plans is covered both within the capital investment cycle as detailed above and the treasury management and prudential indicators section of the strategy covered in chapter 4.

The ability to have “shovel ready” capital projects primarily relates to recurring capital investment projects such as building upgrades. Such investment plans are mostly driven by the outcome of condition surveys which enable officers to plan capital investment needs in advance of funding being available. This combined with the long term planning horizon of the capital investment plan mitigates the risk of lack of capacity in this area.

Project officer capacity relates to the reliance of the project on the ability of the Council to both access and co-ordinate technical and professional expertise which is primarily internal to the Council and varies depending on the complexity and nature of the capital investment required such as:

- Project managers;
- Planning and building control;
- Environmental health;
- Roads;
- Legal;
- Financial;
- Procurement; and
- Other stakeholders

The following chart shows the nature of the overall capital investment plan for 2019/20and all projects require technical and professional expertise at key milestones within the project life.



The long term planning approach to capital investment will ensure that project officer resources are aligned appropriately to the needs of each project as required.

While many capital investment projects are “stand alone” such that the delivery of them has no material impact on the delivery of others (other than potentially competing for technical and professional expertise), there are a number of capital investment projects where there is a high level of interdependency and thus increased levels of risk associated with delivery. Examples of such projects are:

- Wider Queens Quay Regeneration;
- Queens Quay District Heating Network;
- Clydebank care home; and
- Connecting Clydebank.

Where such interdependencies exist the Council will ensure that project officers and all those involved in project development and implementation maintain regular communication with any issues/concerns/decisions required being highlighted and discussed as appropriate via the capital governance process as detailed above.

Skills and knowledge
The Council will seek to draw upon internal skills and knowledge wherever possible; however this may not be possible for a variety of reasons.

- Project officer capacity issues may arise where the available resource in-house is insufficient to meet project demand either due to staffing vacancies or a number of projects requiring the same technical and professional expertise at the same time thus creating a bottleneck; and
- The expertise required is highly specialised and the Council does not have any resource in-house with the knowledge base at the appropriate level.

Where the Council is unable to utilise internal skills and knowledge (and it is considered essential to the successful implementation of the capital investment project) external expertise will be brought in on a contract by contract basis in accordance with procurement rules. The cost of such expertise will be included in the overall budget set aside for the relevant project. External expertise is more likely to be contracted in where projects are highly complex and/or of a specialist nature.

Chapter Three – Investments and Guarantees

Approach, due diligence and risk appetite

The approach to investments and guarantees will be to fully consider the following prior to recommendation:

- Level of financial and economic benefit to the Council;
- Whether held on a cash or non-cash basis;
- Impact on wider service objectives;
- Impact on wider community; and
- Risk profile of investment.

Investment properties

Linked to its approach to asset management planning and the increasing trend for commercialism the Council will consider, where appropriate, the purchase or development of land and property as an investment to both generate an ongoing income stream or to realise an increase capital value in the future.

Any such purchase or development will only be recommended to members for approval following the development of a robust business case that clearly demonstrates financial and economic benefit to the Council.

Impact of capital planning on investment strategy

Long term capital planning has a material impact on the Council's investment strategy which forms part of the annual treasury management and prudential indicators strategy report covered in chapter 4 of this document.

The process for investment strategy covers a wide range of Council investments and will be broadly managed in the following way:

- Short term cash – Cash relating to day to day cash flow will be maintained on a shorter term basis in cash type products with consideration to the liquidity requirements outlined above;

- Longer term cash – Cash relating to reserves, provisions and balances on the balance sheet may be held for longer periods of time in cash type products or in longer term bonds or funds depending on:

  - Cash flow requirements:

- The underlying expectation for interest rates; and
- The economic background of these investments may be held longer term.

- Service type investments – These types of investments will predominately be policy driven and approved by Members. Shareholdings, development opportunities, loans to third parties, equity instruments and investment properties held for rental returns) will be regularly reviewed to judge the investment performance.

- Non-service type investments – Investments such as Joint venture delivery companies such as Hub West Scotland and investments in regeneration partnerships and development opportunities.

In relation to cash investments it is important to determine the likely profile of capital spend as the timing of such investment plays a crucial part in the ability of the Council to maximise the investment return on surplus funds.

In relation to service and non-service type investments the investment strategy must be future proofed in that all potential investments must be listed as a permitted investment.

Summary of material investments and guarantees

<u>Material investments</u>
The Council currently holds two long term investments which generate annual investment income as noted below, and will in 2020/21 hold an investment in the District Heat Network Company.

- <u>Clydebank Property Company</u>
  Previously known as Clydebank Rebuilt this was a pathfinder urban regeneration organisation, limited by guarantee and included a commercial letting company (industrial units) and a registered charity (the Titan Trust). On 11 August 2014, following the transfer of the Titan Crane to the Property Company, the Council bought the commercial letting company with a view to continuing its regeneration objective.

- <u>Hub West Scotland</u>
  This is a public private joint venture development organisation established in 2012. They work with the public sector partners to plan, design, build, and fund and maintain buildings in the most efficient and effective manner delivering better value for money and ultimately improving public services.

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Further long term investments will be considered as appropriate where there is a clear financial and economic benefit to the Council. It is further noted that the holding of such investments may originate as fulfilling a service need or objective whereby the generation of financial return is a secondary consideration.

Any such investments will be included in the list of permitted investments within the Council's investment strategy.

Guarantees
Loans for a capital purpose may be approved by Council subject to an appropriate business case and due diligence including, as appropriate, guarantees to secure the repayment of the loan.

Business Loans Scotland
In December 2018, Business Loans Scotland was appointed as the Fund Manager, under contract to the Scottish Growth Scheme to deliver a new £10 million debt fund, on behalf of the Scottish Government. Business Loans Scotland is a company limited by guarantee, and has as its Members all 32 Scottish Local Authorities. The company is governed by Articles of Association and Members' Agreement where WDC is a member.

In all investments and/or guarantees entered into by the Council the risks associated with the activity will be clearly weighed up against the long term benefits which may be both financial and non-financial in nature. The Council will seek to protect its position at all times via robust governance and legal processes.

Chapter Four – Treasury Management and Prudential Indicators

Governance process

The treasury management service is an important part of the overall financial management of the Council's affairs with the Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA code of practice on treasury management – revised December 2017).

Closely linked with treasury management is the prudential regime for capital investment. Whilst prudential indicators consider the affordability and impact of capital investment decisions, the treasury service covers the effective funding of these decisions.

Section 56 of the local government (Scotland) act 1973 Act permits local authorities in Scotland to discharge their functions by Committees. Exceptions include setting the Council tax (s56 (6) (b)) and borrowing money (s56 (6) (d)), which requires the authority, that is full Council, to discharge.

As a result of Section 56, both the prudential indicators and the treasury management strategy are required to be approved by full Council before the start of the financial year.

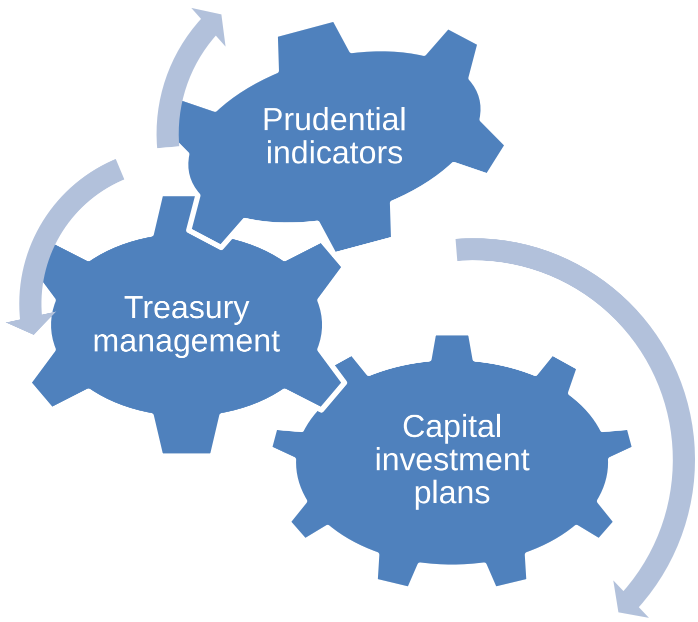
The CIPFA Treasury Management Code of Practice requires greater elected member scrutiny of the treasury polices with one of the key clauses being that a responsible body is required to ensure effective scrutiny of the treasury management strategy and polices. Within West Dunbartonshire Council the Audit Committee provides further scrutiny after Council has considered the policies.

As a requirement of the Code the Council included the following documents within its "Prudential Indicators 2018/19 to 2028/29 and Treasury Management Strategy 2019/20 to 2028/29" report which was approved by members in March 2019:

- Treasury Management Policy Statement (the policy);
- Treasury Management clauses; and
- Treasury Management role of the Section 95 Officer.

The Policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years, however in line with the longer term capital planning approaches, the current treasury management and prudential indicators are provided (where appropriate) covering the period to 2029/30. An updated strategy that will be submitted for approval in March 2020 will extend this period to 2029/30.

Impact of capital investment on treasury management and prudential indicators
There are clear links between the Capital Investment Plan to the Treasury Management Strategy and Prudential Indicators. These are also subject to review and oversight by members at Audit Committee and Council.



Treasury management
The treasury management strategy covers:

- the Council's debt and investment projections;
- limits to the Council's borrowing activity;
- Information on the economic climate and expected movement in interest rates;
- the Council's borrowing, debt and investment strategies;
- treasury performance indicators;
- specific limits on treasury activities; and
- policy on ethical investments.

Any new borrowing increases the Council's overall liabilities that will need to be repaid in the future. This generates a greater financial risk to the Council's two main Funds as the value of borrowing increases as additional borrowing increases the level of interest and principal repayment costs that it will incur each year. This is currently increasing due to previous investment decisions of the Council linked to the Councils priorities as described earlier in this document. The updated 2019/20 Treasury Management Strategy indicated that the Council could generate a borrowing liability of £661.153m and ongoing fixed costs of over £30m per annum by 2020/2021 (split between General Fund and HRA).

As stated above, the change, from 1 April 2020 to the Accounting Code of Practice for 2020/21 will have an impact on the treasury management performance indicators.

Despite a recent increase in borrowing rates by the UK Government in relation to the PWLB interest rates are still at low levels and the current strategy is to borrow short term while converting a fixed percentage of short term into longer term debt over a 20 year period, depending on market conditions. Based on current economic forecasts an average borrowing cost of between 2% to 2.3% for new borrowing is assumed for 2020/21.

The Treasury Management and investment Strategy of the Council will take full cognisance of the capital plan update and is reported to Members in accordance with the Treasury Management Code of Practice.

There are a number of risks associated with the funding of capital investment decisions which are explored (including mitigation strategies) in more detail within the individual strategy documents. In summary these can be defined as:

- Increasing borrowing liability;
- Increasing revenue impact of capital investment (loan charges);
- Interest rate risk;
- Counterparty risk; and
- Security and liquidity in financial markets.

Prudential indicators

The Council is required to approve the following prudential indicators to ensure the financial risks of borrowing are recognised and considered appropriately:

- Capital Expenditure;
- Capital Financing Requirements; and
- Forecast and estimates of the ratio of financing costs to Net Revenue Stream.

In addition to the above Council is also required to approve the policy for loans fund advances.

Prudential indicators are prepared taking both the audited financial accounts and the capital plan update into consideration and therefore the risk that the indicators vary from forecast is directly correlated to the extent to which the capital investment plans and the associated resourcing of those plans is managed effectively.

Chapter Five – Section 95 Officer Statement on delivery, affordability and risk

Delivery

The delivery of the individual projects in the capital plan are directly linked to the original approval of the capital plan supported by the governance process outlined with projects being support by budget holders and (where appropriate) project sponsors who are responsible for the delivery of each approved project and the subsequent achievement of the objectives of that project.

The governance process enables the SAMG, PAMG and Elected Members to review and challenge the delivery of projects and any changes to both the timing and value of the Capital Plan.

Affordability

Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital plan. This is demonstrated by the interdependency of the annual capital plan refresh or update; the revenue budget report and the annual Treasury Management Strategy – which provide Elected Members with key information about the levels of debt and estimates of affordability in short, medium and longer term.

All projects need to have a clear funding source. If external funding such as an external grant is to be used there needs to be a clear funding commitment in place prior to the project commencing.

The affordability of each project needs to be clear, not only for the funding of the capital spend but also to cover any ongoing costs of the operation and funding of that capital spend.

Where borrowing is to be used the affordability is of greater importance and the affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing. This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The "rules" around the governance of this borrowing is outlined in the Prudential Code.

At no stage should the asset value be lower than the value of outstanding debt unless there is a clear plan to mitigate that shortfall or to sell that asset.

Risks

A number of key risks (as listed below) have been identified throughout this strategy along with associated mitigating actions and members need to be aware of them:

- Economic risks - mitigated by capital borrowing and asset disposal considerations;
- General capital investment plan risk - mitigated by the governance structure in place to recommend, monitor and review the capital investment plans of the Council;

- Capacity to deliver - mitigated by both an assessment of the affordability of the capital investment plans supported by the governance structure and clear communication between all relevant parties; and
- Treasury management and Prudential risks - mitigated by the preparation and monitoring of a clear treasury management (investment) strategy and calculation of prudential indicators.

Ultimately all risks impact on the level/timing of borrowing required to be undertaken to finance the capital investment plans of the Council. The current system of borrowing is a self-regulatory system which means that responsibility for borrowing decisions, and the level of borrowing incurred, by a Council is determined on a local level. Therefore Elected Members have a key role.

It is the duty of Elected Members to balance the constraints of affordability with the demands of services for capital investment, and in all but most exceptional cases it will be for Elected Members to make the necessary judgement.

The Section 95 Officer's professional view is that, as all borrowing decisions result in a long term commitment to fund that borrowing, all decision-making should be as transparent as possible to all elected members and the residents of West Dunbartonshire Council.

The pace and level of change in the Council's borrowing is significant, up to £661.153m of borrowing, an ongoing revenue cost in excess of £30m. Therefore all Elected Members need to be fully informed as to all implications of its capital investment decisions, in particular those funded from borrowing.

To assist Elected Members make an informed decision on investment plans the reporting for approval of capital plans to Council each year provides information of future risk around affordability with a projection of the percentage of revenue funding streams (General Fund and HRA) that is being used to fund the borrowing required within the capital plans.

Chapter Six – Action Plan

Long term capital planning is not an exercise that can be carried out in isolation and as such is supported by a number of plans, strategies and processes that are required to be refreshed on a regular basis. The following action plan outlines key actions.

Action	Timescales	Lead Officer	Output	Outcomes
Asset management planning	Dec 2021 Mar 2022 Aug 2022 Feb 2023 Aug 2023 Aug 2023	Property – Craig Jardine Vehicles – Rodney Thornton ICT- Patricia Kerr Housing – John Kerr Roads – Raymond Walsh Open Spaces – Ian Bain	Updated asset management plans	Ensures that asset management plans remain relevant
Asset disposal strategy	Annually, last updated Summer 2019	Michelle Lynn	Updated asset disposal strategy	Ensures the disposal of surplus assets is managed effectively and linked to corporate and service objectives.
Business case development	Summer 2019, completed	Craig Jardine	Development of an updated business case template and guidance aligned to green book principles	Ensures a robust consistent approach to all business cases.
Annual capital plan refresh	February / March annually	Gillian McNeilly Alan Young	Updated capital investment plans for both the General Fund the and the HRA	Ensures long term capital plans are robust and clearly linked to corporate and service objectives
Annual treasury management and prudential indicator strategy report	February / March annually	Gillian McNeilly	Updated strategy documents for treasury management, investment strategy and prudential indicators	Ensures the Council complies with CIPFA Codes and financial impact of long term capital plans clear and understood

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Council: 4 March 2020

Subject: Dumbarton Common Good Budget Update 2020/21

1. Purpose of Report

1.1 The purpose of this report is to provide Council with an update on the Dumbarton Common Good budget for 2019/20 and seek approval for a revised budget for 2020/21.

2. Recommendations

2.1 Members are asked to:

i) Note the probable outturn for 2019/20 as set out in the Appendix;
ii) Approve the revised 2020/21 budget as set out in the Appendix;
iii) Note the indicative budgets to 2022/23 as set out in the Appendix;
iv) Note the projected balances carried forward of £0.455m at 31 March 2020 and £0.329m at 31 March 2021 (based upon the revised draft budget 2020/21); and
v) Agree that Dumbarton Town Centre Common Good Fund may be used for both capital and revenue funding applications.

3. Background

3.1 Following a report to Council on 27 March 2019 Members agreed a budget for Dumbarton Common Good for the period from 2019/20 - 2022/23.

3.2 Since setting the budget there have been additional one-off and ongoing annual financial funding agreed and amendments to the likely level of spend on the Town Centre Management Budget during 2019/20 resulting in a revised budget for the year and also revisions to the 2020/21to 2022/23 budgets (as indicated within the Appendix).

3.3 The budget agreed at Council on 27 March 2019, updated for in-year approvals, projected net spend of £0.240m, deducted from a net brought forward balance of £0.469m, resulting in a balance to be carried forward into 2020/21 of £0.229m.

3.4 The Prudential Reserve of the Common Good is £0.025m.

<u>Dumbarton Town Centre Budget</u>

3.6 Council agreed on 6 February 2013 a five year budget for Dumbarton Common Good. Part of that budget was an annual budget of £0.065m, allocated for 5 years 2013/14 to 2017/18, initially £0.040m was for capital expenditure and £0.025m for revenue expenditure**.** The Dumbarton Town

Centre Fund Common Good Fund application process was agreed by the Housing, Environment and Economic Development Committee in 8 May 2013 with the purpose of providing a funding scheme to assist with regeneration activity in Dumbarton High Street and town centre. However, in the first few years of the fund there was limited interest in the revenue component and the fund was changed to a capital only grant, agreed formally as part of the Council report at Council on 5 March 2018.

4. Main Issues

4.1 The Appendix provides details of the financial performance of the Common Good Budget for 2019/20, together with draft budget for 2020/21 for consideration and approval, with indicative budgets updated to 2022/23.

4.2 The probable outturn against the revised budget projects a net spend of £0.014m – resulting in a favourable variance (underspend) of £0.226m and the main variances are:

Town Centre Management not yet spent	(£0.199m)
Small Grants budget not spent	(£0.007m)
Alcoholic's Anonymous reduced property cost	(£0.004m)
Additional Income received	(£0.016m)
Total	**(£0.226m)**

4.6 Based upon this expected underspend the brought forward reserves at 31 March 2020 are now projected at £0.456m, and based on the proposed budget are projected at £0.329m by 31 March 2021.

4.7 In terms of the adequacy of reserves – the prudential level of reserves is viewed as being an adequate level to deal with any financial shocks to the fund, based on previous experience and future expectations specifically in relation to income streams. As can be seen the level of reserves remains significantly above the prudential level and are therefore judged as being adequate.

Dumbarton Town Centre Fund

4.9 The situation regarding capital funding requirements has now changed and there has been greater interest from community organisations seeking revenue funding. This is, in part, due to the changing circumstances in Dumbarton town centre and waterfront over the last couple of years. It is therefore recommended that the remaining budget for Town Centre Fund within the Common Good Fund be used for grant applications for either capital or revenue funding. This will allow flexibility in the use of the grant and support a greater range of projects.

5. Option Appraisal

5.1 No option appraisal was required for this report.

6. People Implications

6.1 There are no people implications.

7. Financial and Procurement Implications

7.1 Other than the financial position noted above, there are no financial or procurement implications.

8. Risk Analysis

8.1 The Council must consider financial and reputational risks when considering funding to external organisations. The financial risk is that the Dumbarton Common Good remains within budget and a robust budgeting being agreed and ongoing monitoring and review will ensure that this is protected. There is a risk that the voluntary organisations awarded grants don't remain financially sustainable and that grant payments made are not used for purposes expected. Organisations funded by the Common Good must comply with conditions of grant which includes providing financial accounts etc. to the Council on a regular basis. This allows officers to monitor spend as being in line with expectations as well as the financial sustainability of the organisations.

9. Equalities Impact Assessment (EIA)

9.1 No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

10.1 No assessment of environmental sustainability was required in relation to this report.

11. Consultation

11.1 Legal and Financial Officers have been consulted in preparing this report.

12. Strategic Assessment

12.1 Good financial governance is essential to the delivery of each of the Council's Strategic Priorities.

Stephen West
Strategic Lead, Resources
Date: 11 February 2020

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Appendices: Appendix: Financial Analysis and Revised Budget

Background Papers: Minute of Council – 6 February 2013 – *Dumbarton Common Good Fund budget 2013/14*
Report to Council – 5 March 2018 – *Dumbarton Common Good Fund budget 2018/19*
Report to Council – 27 March 2019 – *Dumbarton Common Good Fund budget 2019/20*
Reports to Council – *27 November 2019 - Dumbarton Common Good Fund Grant Applications*
Report to Corporate Services Committee – 19 June 2019 – *Dumbarton Common Good Fund Grant Applications*
Report to Corporate Services Committee – 13 November 2019 – *Dumbarton Common Good Fund Grant Applications*

Wards Affected: 2 and 3.

DUMBARTON COMMON GOOD FUND **Appendix**

Statement of Income & Expenditure

Description	18/19 Actual Outturn	19/20 Approved Budget	18/19 Year End Adjustments	19/20 additional approvals	19/20 Revised Budget	19/20 Probable Outturn	20/21 Draft Budget	21/22 Draft Budget	22/23 Draft Budget
Alcoholics Anonymous - Grant for Property	7,523	11,700	0	0	11,700	7,500	8,000	8,000	8,000
Alternatives	5,000	5,000	0	0	5,000	5,000	5,000	5,000	5,000
Bellsmyre Digital Project	2,500	35,601	0	25,639	61,240	61,240	35,601	35,601	35,601
Bellsmyre Schools Out	6,000	6,000	0	0	6,000	6,000	6,000	6,000	6,000
Bellsmyre Development Trust	0	0	0	25,633	25,633	25,633	36,000	36,000	36,000
Christmas Lights	15,000	15,000	0	0	15,000	15,000	15,000	15,000	15,000
Dumbarton Senior Citizens	10,000	10,000	0	0	10,000	10,000	10,000	10,000	10,000
Dumbarton Fireworks	9,500	9,050	0	0	9,050	9,050	9,050	9,050	9,050
Town Centre Management	70,912	263,286	(34,105)	0	229,181	30,000	199,181	0	0
Rockvale Rebound - Rent	2,600	2,630	0	0	2,630	2,600	2,630	2,630	2,630
Scottish Maritime Museum	50,000	50,000	0	0	50,000	50,000	50,000	50,000	50,000
Small Grants	170	7,000	0		7,000	0	7,000	7,000	7,000
West Dunbartonshire Citizen's Advice Bureau	40,000	40,000	0	0	40,000	40,000	40,000	40,000	40,000
Legal costs	45	0	0	0	0	0	0	0	0
Central Admin Allocation	14,000	14,000	0	0	14,000	14,000	14,000	14,000	14,000
Estates Dept - Management Fee	10,840	10,840	0	0	10,840	10,840	10,840	10,840	10,840
Tullochan Trust	0	0	0	46,520	46,520	46,520	0	0	0
Total Expenditure	**244,091**	**480,107**	**(34,105)**	**97,792**	**543,794**	**333,383**	**448,302**	**249,121**	**249,121**
Interest on Revenue Balance / Investments	(2,673)	(2,673)	0	0	(2,673)	(1,100)	(1,100)	(1,100)	(1,100)
Misc Income	0	0	0	0	0	0	0	0	0
Rental Income	(301,164)	(301,164)	0	0	(301,164)	(318,192)	(321,525)	(321,525)	(321,525)
Total Income	**(303,837)**	**(303,837)**	**0**	**0**	**(303,837)**	**(319,292)**	**(322,625)**	**(322,625)**	**(322,625)**
Net Expenditure	**(59,746)**	**176,270**	**(34,105)**	**97,792**	**239,957**	**14,091**	**125,677**	**(73,504)**	**(73,504)**
Balance b/fwd	(408,930)	(468,676)			(468,676)	(468,676)	(454,585)	(328,908)	(402,412)
Balance c/fwd	**(468,676)**	**(292,406)**	**(34,105)**	**97,792**	**(228,719)**	**(454,585)**	**(328,908)**	**(402,412)**	**(475,916)**