

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officer - Resources****Council: 20 December 2023**

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**Subject: Long Term Financial Strategy****1. PURPOSE**

- 1.1 This report updates the Council's long term financial strategy which was last updated in October 2021.

**2. RECOMMENDATIONS**

- 2.1 Members are asked to endorse the medium to long term financial strategy for the Council and approve the Council's reserves and balances policy detailed in appendix 1 to the Long Term Financial Strategy.

**3. BACKGROUND**

- 3.1 Audit Scotland recommend that all councils should have long term financial strategies in place, ideally covering five to ten years. The strategy, attached as Appendix 1 sets out:

- the current economic and national context within which the Council operates
- medium to longer term forecasts for the revenue budget including assumptions about key variables such as Scottish Government funding, pay awards, inflation and cost pressures
- the Council's council tax rate in relation to rates across Scotland
- the position in relation to the Council's general fund reserve
- future revenue risks and issues
- issues relating to financing the Council's capital plan
- the Council's reserves and balances policy.

**4. MAIN ISSUES**

- 4.1 The Council's Long Term Financial Strategy is one of the Council's key strategic documents which supports the delivery of the Council's Strategic Plan by:

- outlining the Council's high level financial position over the life of the strategy
- ensuring there are available resources to deliver the Council's key priorities.
- planning for a sustainable revenue budget and capital investment programme which support the Council's key priorities.

- ensuring the Council is fully aware of the financial challenges and uncertainties that it faces and is in a strong position to continue to deliver the best possible quality and range of services within available resources.
- increasing the wider community's understanding of the Council's financial position and the challenges it is facing in balancing its budget.

4.2 The Strategy was last approved by the Council on 27 October 2021. The 2022 refresh was put on hold (with the agreement of the Council Leader, Chief Executive and S95 Officer) as:

- the relatively newly appointed S95 Officer was implementing a new approach to setting the budget
- the Council was facing a historic high budget gap amidst one of the most financially challenging eras of local government
- there was lack of clarity over the extent to which COVID Recovery would impact on future funding levels

For these reasons it was felt that a revised Financial Strategy issued in October 2022 would have been of limited value. However to ensure Elected Members were sighted on a longer term view of the Council's financial position the S95 Officer extended his assumptions to a five year window with the estimated budget gaps reported over the same medium to long term timescale. This was first implemented as part of the 2023/24 Budget Setting report to Council on 1 March 2023.

4.3 The strategy provides financial estimates for the period 2024/25 to 2028/29 in detail and also considers longer term issues beyond that five year window that the Council needs to be sighted on. It is based on a set of assumptions and provides a range of potential scenarios and the financial implications.

4.4 Exhibit 1 summarises the total cumulative budget gaps in the best case, mid-range and worst case scenarios. It illustrates that, in the mid-range scenario the Council are faced with a budget gap of £16.970m in 2024/25 rising cumulatively to £49.316m by 2028/29. It also shows that the cumulative 5 year gap ranges from £35.387m in the best case scenario to £73.508m in the worst case.

*Exhibit 1 – Estimated Budget Gaps (Cumulative) – Scenario Analysis*

<b>Budget Gap</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>2028/29 £000</b>
Best Case	14,282	18,532	23,991	29,487	35,387
Mid-Range	16,970	23,894	32,115	40,466	49,316
Worst Case	21,599	33,250	46,302	59,596	73,508

4.5 In addition to providing revenue projections and assumptions the Strategy also sets out the position in relation to the current economic and national context within which the Council operates and provides information on the Council's council tax rate, general fund reserve, Council's capital plan and treasury management.

4.6 The medium term estimates and assumptions detailed in the Strategy will continue to be reviewed on a regular basis and reported to the Council as part of regular Financial Update reports.

4.7 The Strategy also incorporates the Council's reserves and balances policy which Committee is asked to approve.

## **5. PEOPLE IMPLICATIONS**

5.1 The strategy itself does not have any direct implications on the workforce; however any cost reducing options generated to close the projected budget gaps will almost certainly have implications for the workforce.

## **6. FINANCIAL AND PROCUREMENT IMPLICATIONS**

6.1 The strategy does not have any direct financial implications. However, it does identify in future years the Council is facing budget gaps which will require Council decisions to mitigate. There are no direct procurement implications arising from this report.

## **7. RISK ANALYSIS**

7.1 There are a number of assumptions within the Financial Strategy, a number of which are outwith the direct control of the Council – such a pay awards, inflation and the Scottish Government financial settlement. These assumptions as currently applied result in the identified budget gaps. The gaps could vary from those indicated if the Council identifies further cost pressures, or mitigates some.

## **8. EQUALITIES IMPACT ASSESSMENT (EIA)**

8.1 None directly from this report but any proposals to address the estimated budget gap will need to consider equality issues.

## **9. CONSULTATION**

9.1 The assumptions and cost pressures built into the Long Term Financial Strategy have been considered by the Senior Management Team on an ongoing basis during 2023 and the views of Legal Services have been requested on this report who have advised there are neither any issues nor concerns with the report.

## **10. STRATEGIC ASSESSMENT**

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

10.2 The General Services revenue budget contributes to all categories by providing funding in specific areas to help the Council achieve and develop

these priorities.

**Laurence Slavin**  
**Chief Officer - Resources**  
**Date: 20 December 2023**

**Person to Contact:** Laurence Slavin, Chief Officer - Resources

E-mail: [laurence.slavin@west-dunbarton.gov.uk](mailto:laurence.slavin@west-dunbarton.gov.uk)

Appendix 1 – West Dunbartonshire Council Long Term Financial Strategy

**Background Papers**

Budget Report to Council - 1 March 2023

Financial Update Report to Council – 28 June 2023

Financial Update Report to Council – 25 October 2023