



**WEST
DUNBARTONSHIRE
COUNCIL**

DRAFT FINANCIAL STRATEGY

2011/12 – 2020/21

WEST DUNBARTONSHIRE COUNCIL

DRAFT FINANCIAL STRATEGY 2011/12 TO 2020/21

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1 Introduction

- 1.1 The Financial Strategy shows we are clear both about the outcomes we want to achieve for our communities and the financial challenges that we will have to address if we are to successfully deliver on these outcomes.
- 1.2 The Council faces significant financial challenges over at least the next five years of the strategy (thereafter assumptions become less clear and perhaps more speculative). Difficult choices will have to be made – this Strategy provides the practical framework within which choices will be identified, debated and approved.
- 1.3 To provide clear and consistent direction for the organisation, the following objectives have been identified for the Financial Strategy – it will ensure that:
- the Council has a comprehensive, coherent balanced budget for both General Services and the Housing Revenue Account;
 - resources are allocated and deployed to facilitate delivery of the outcomes set out in the Corporate Plan, Community Plan and Single Outcome Agreement. This takes account of the functions and services provided by the Council which are of a statutory nature as well as those services provided due to local need;
 - all key strategic decisions on the allocation and deployment of resources are made within the appropriate financial context, with due regard to levels of risk;
 - members are able to take full account of the impact of decisions on the overall financial resources of the Council in the short, medium and long term;
 - the Council has flexibility to address new policy requirements, or significant changes to existing policies, within overall available financial resources;
 - resources are invested effectively, efficiently and on sustainable basis;
 - there is a significant improvement in the delivery of major projects;
 - there is an ongoing focus on securing efficiencies across the organisation;
 - a significant proportion of efficiencies secured are invested in improving service quality, delivering new infrastructure or upgrading existing assets; and
 - there is an increased level of understanding on behalf of the wider community with regard to the finances of the Council.
- 1.4 The primary financial challenges facing the Council over the next five years will be delivering a coherent, balanced revenue budget year on year and developing a capital programme that, given the financial commitment to the Schools Estate, maintains appropriate investment in other key infrastructure.
- 1.5 To deliver a coherent, balanced revenue budget year on year, given the scale of the revenue funding gap faced by the Council, we will need to continue to review existing and revised service delivery arrangements to determine if they are effective, efficient and sustainable, consider alternative methods of

service delivery where appropriate and proactively identify opportunities to secure efficiencies.

- 1.6 There is no doubt that the information generated through this process will result in options that require hard choices – one of the main challenges for the Council over the next few years will be that, once chosen, these options will inevitably require a lead in period prior to implementation.
- 1.7 Given the difficult position the Council finds itself in regarding the future of the capital programme magnified by the current economic climate, it is essential that future capital expenditure proposals are largely self-financing through the release of other capital assets, as well as delivering efficiencies which will secure ongoing revenue savings. Although with due regard being given to Government support.
- 1.8 The decision by the Scottish Government to change the way it allocates funding to local authorities has required the Council to develop and implement a new budget process over the last twenty-four months.
- 1.9 We are also required to make sure that the Financial Strategy takes full account of the new Community Plan, the Single Outcome Agreement for West Dunbartonshire.
- 1.10 If the Financial Strategy is to be successful, and achieve the objectives outlined, it must be a dynamic, living document reviewed on a regular basis.
- 1.11 This Financial Strategy is about making sure we have sufficient resources in place when required to deliver the outcomes we want to achieve for the communities of West Dunbartonshire.

Councillor Ronnie McColl
Leader of the Council

David McMillan
Chief Executive

2 What is the point of a Financial Strategy?

- 2.1 The purpose of a Financial Strategy is to provide clear direction, supported by a practical framework and explicitly defined parameters, on how a Council will structure and manage its financial resources in the medium to long term to ensure they are deployed effectively to achieve corporate objectives.
- 2.2 This is not just another financial process - the Strategy forms an integral part of our Strategic Planning and Performance Management Framework which underpins the achievement of the vision and outcomes identified in the Community Plan, Corporate Plan and the new Single Outcome Agreement.
- 2.3 The requirement to develop a medium to long term financial strategy covering the next five to ten years has been recognised by the Council for some time and was identified as an area requiring more focus within the Best Value review.
- 2.4 The Council has taken into account Guidance produced by the Institute of Public Finance (IPF) for local authorities in Scotland on developing a Financial Strategy as well as best practice from other local authorities.
- 2.5 The ambition of the Council is to produce a single, coherent Financial Strategy that brings together the corporate objectives of the organisation along with all the relevant financial information in a clear and accessible document covering a five to ten year period (and beyond where appropriate).
- 2.6 The value of such a Strategy is that it should enable the Council to understand the wider policy and financial environment within which it operates, identify and respond flexibly to opportunities and threats, manage and mitigate risks and ensure that financial resources are contributing to achieving corporate objectives.
- 2.7 The strategy will also provide information to a range of stakeholders:

Table 1 – Stakeholder Information

For the Council and Elected Members	to decide how available financial resources will be used and prioritised
For Chief Officers, managers and employees	to reinforce their roles in financial management arrangements
For residents	to show how the Council's Financial Strategy impacts upon service provision
For Council Tax payers	to demonstrate how the Council looks after public resources
For partners	to share the Council's vision and help identify opportunities for joint working

- 2.8 The Strategy identifies issues that will impact beyond the period of the strategy, so that the Council can plan ahead; it includes expenditure forecasts, and projected funding, where known.
- 2.9 Inevitably some of the information of the Financial Strategy will be based on assumptions and these will change over time - the Strategy will be reviewed and updated regularly so that the Council can respond proactively to any such changes.
- 2.10 The inclusion of information in the Financial Strategy, for example on a specific project in 2012, does not infer approval and all financial projections and issues will have to be subject to approval through the budget process.
- 2.11 The Strategic Planning and Budgeting framework will ensure there is a clear linkage between the strategic planning and budgeting processes.
- 2.12 This will also allow services to plan ahead, taking into account the resources available over the next three years, and proactively identify opportunities to achieve efficiencies or secure alternative funding sources.

3 Financial Summary

3.1 General Services Revenue Budget

3.2 The budget process for 2011/12 was progressed through the Strategic Finance Working, together with the Chief Executive, all Executive Directors and the Head of Finance and ICT. In order to balance the 2011/12 budget, efficiencies and enhancements were identified and agreed by Members.

3.3 Draft budget gaps for 2012/13 and 2013/14 were reported to Members during the Council Tax setting of 2011/12. At that point, the likely gaps were reported as £8m and £15m cumulative. The position has recently been reviewed following the setting of the budget for 2011/12 and is now £7.156m & £12.618m cumulatively.

3.4 Housing Revenue Account Budget

3.5 The Housing Revenue Account Budget was agreed on 9 February 2011 with a 4.5% increase in rent for 2011/12. The budget was balanced with the use of £0.194m reserves applied to fund year 1 of the rent remodeling capping arrangements. Draft forecasts for future years indicate budget pressures in many areas, such as: reduced house numbers through sales; possibility of stock transfer; and meeting the Scottish Housing Quality Standards by 2015 through the Standard Delivery Plan (as noted in 7.39).

3.6 Capital Budget

3.7 The General Services Indicative Capital Plan for 2011/12 is due to be reported to Council in June 2011, with the draft plans for 2012/13 and 2013/14 being reported to Members for information in August 2011. These reports will highlight likely capital receipts, committed expenditure, uncommitted bids split by Health and Safety, Legislative, Asset Maintenance, Service Improvement. They will also highlight risks in relation to capital receipts, inflation, possible overspending on projects going forward. Members generally agree the annual capital plan at Council as early as practical with an aim to agree it no later than the start of the new financial year. There is a firm commitment to update Members on future year plans in August each year. The Capital Plan for 2011/12 is due to be reported to and approved by Members in June 2011.

3.8 The Housing Revenue Account Indicative Capital Plan was reported to Council in March 2011, taking account of anticipated receipts for each year to 2015 and delivery of the standard delivery plan, as noted in 7.39.

3.9 Table 2 summarises the Council's projections for General Services and HRA Revenue and Capital for 2011/12 to 2013/14. At this point, Scottish Government Funding is unknown beyond 2011/12 and as such assumptions have been made for 2012/13 and 2013/14.

Table 2 - Three Year Summary - Revenue and Capital

	2011-12 £million	2012-13 £million	2013-14 £million
<u>General Fund Revenue Budget</u>	239.517	241.875	242.719
<u>Financed by</u>			
Government Grant	(200.786)	(195.988)	(191.370)
Council Tax	(38.731)	(38.731)	(38.731)
Funding Gap	0.000	7.156	12.618
<u>General Fund Free Reserves</u>			
Projected Balance at Year End	4.500	4.500	4.500
<u>Housing Revenue Account Budget</u>	<u>32.637</u>	<u>34.060</u>	<u>35.526</u>
Financing	32.637	33.529	34.329
Funding Gap	0.000	0.531	1.197
<u>Housing Revenue Account Free Reserves</u>			
Projected Balance at Year End	0.725	0.725	0.725
<u>General Services and Housing Capital Programme</u>			
Anticipated spend	35.483	29.536	26.932
<u>Financed by</u>			
Supported Borrowing	5.070	5.070	5.070
Capital Grant	8.060	7.930	7.930
Capital Receipts	4.193	4.246	3.945
Revenue Contribution	0.323	0.000	0.000
Contribution to Capital Fund	0.000	0.000	0.000
Other Borrowing	17.837	12.290	9.987
Sub Total	35.483	29.536	26.932

4 National Context

- 4.1 Following the Scottish Parliamentary Elections in May 2007 there have been significant changes at a national level as the Scottish Government has sought to redefine its role and set a new direction of travel across a range of policy areas that impact on local government and the wider public sector.
- 4.2 It is clear the Scottish Government has sought a new relationship with local government - this culminated in the Concordat between the Scottish Government and the CoSLA Presidential Team in November 2007.
- 4.3 The Concordat seeks to establish a new working relationship between COSLA and the Scottish Government, built upon genuine partnership and mutual respect for each others roles, responsibilities and contributions.
- 4.4 The Council continues to address the financial elements of the Concordat, including the removal of ring fencing and a freeze in the level of Council Tax, through the budget process and has reviewed its position for each specific commitment to establish whether further action and/or resources is required.
- 4.5 In 2010, due to reductions in government funding nationally, the Scottish Government announced settlement figures for 2011/12 only (year 1 of the next 3-year settlement). After an allocation of a further £5m to specific authorities in 2011/12 to dampen the effect of the changed supporting people allocation, the West Dunbartonshire allocation of the national reduction in government funding was 4.07% (equivalent of £8.812m), with the Scottish average being 2.55%. The Council later also received a further allocation (£0.965m) in 2010/11 to further dampen the effect of this supporting people allocation.
- 4.6 ***The Financial Settlement***
- 4.7 In 2011/12 the Council will receive Revenue Grant/Non-Domestic Rates Income/Specific Grant of £199.596m. In addition, for freezing Council Tax, the Council will receive a further grant of £1.190m.
- 4.8 When the Council's own projection of Council Tax Income based on a 97.25% collection rate is added (£38.731m) then the gross income for the Council in 2011/12 is budgeted at £239.517m.
- 4.9 As stated above, the Scottish Government has not yet provided grant figures for 2012/13 and 2013/14 (years two and three of the three-year settlement), however, the Council is anticipating a real cut of 3% per annum over the next two years which has been taken into account in this Strategy.
- 4.10 Additional funding of £8.551m was offered to the Council within 2011/12 finance settlement should it choose to agree to the specified commitments being asked by the Scottish Government. The Council agreed to the commitments and the funding has been included within its 2011/12 funding total. The commitments agreed by the Council are noted in Appendix 10.

5 Local Context

- 5.1 The environment within which the Council operates has changed significantly in recent years and is likely to alter further over the next five years due to changes in legislation, policy and other developments nationally and locally.
- 5.2 The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Budget Process which was published in March 2003 and updated annually – this framework includes the Community Plan, the Corporate Plan, the Directorate Plans and provides guidance on the links to the budget process.
- 5.3 The overall strategic framework has been revised in light of the introduction by the Scottish Government from April 2008 of a Single Outcome Agreement with the Council and its Community Planning partners
- 5.4 The Council has approved the current Corporate Plan for 2011-15 which sets out a clear vision for the area:

'Improve prosperity and inclusion for all citizens, deliver better and more efficient services, and improve West Dunbartonshire as a place to live, work and visit.'

- 5.5 To achieve this vision for West Dunbartonshire, the Council will work with its key partners in the public, voluntary and community sectors, as well as the business community.
- 5.6 Members have acknowledged the overall challenge for the Council remains the continuing financial challenges, balanced with the need to deliver sustainable services, encourage economic growth and develop long term management of our assets. The Strategic Priorities for 2011/12 were agreed at Council on 25 May 2011 as:
 - Social and Economic Regeneration;
 - Financial Planning and Strategy;
 - Asset Management Strategy; and
 - Fit for purpose services.

Council on 25 May 2011 agreed a decision framework which uses the strategic priorities as a set of guiding principles to help direct and influence decision making within the Council. In effect the priorities send a clear steer to officers about what is important when building a business case and submitting recommendations to the CMT and Elected Members. Similarly they can be translated as a set of decision criteria which help the CMT and Elected Members in the process of decision making in relation to key projects and initiatives:

- i. How does this (project/initiative) contribute to economic and social regeneration?
 - i. How will this help make best use of our money?
 - ii. How does it make better use of our physical and human assets?
 - iii. How does it change or impact on service provision?
- 5.7 The Corporate Plan identifies why each of these themes are important, what the council's priorities and objectives are under each themes and the indicators and targets which will help measure progress.

- 5.8 The Financial Strategy underpins the delivery of the vision, priorities and objectives identified in the Corporate Plan.
- 5.9 West Dunbartonshire Community Planning Partnership is a partnership of agencies and groups from the public, third sector and community sector that are committed to working together to make a positive contribution to the development and well being of the individuals and communities that reside in this area.
- 5.10 The CPP Strategic Board is the public structure for community planning in West Dunbartonshire. The members are:
- West Dunbartonshire Council (the lead body with a duty to facilitate community planning)
 - Three elected members
 - Strathclyde Police
 - Strathclyde Fire and Rescue
 - Community Forums (one place for each of three forums)
 - Scottish Enterprise
 - Skills Development Scotland
 - WD CVS
 - CHCP
 - Strathclyde Partnership for Transport
- 5.11 Other national and local organisations such as DWP, Clydebank College, Clydebank Rebuilt and the Environment Trust are involved in thematic groups and local partnerships key to the delivery of partnership working in West Dunbartonshire.
- 5.12 There are six thematic groups within community planning. Each group is populated by officials, community residents and elected members. The thematic groups are
- Regenerating and Growing our Local Economy
 - Improving Health and Well Being
 - Developing Affordable and Sustainable Housing
 - Creating Sustainable and Attractive Living Environments
 - Promoting Education and Lifelong Learning
 - Building Safe and Strong Communities
- 5.13 The Single Outcome Agreement (SOA) is a high end agreement between the CPP and the Scottish Government. It identifies areas for improvement and sets out how the CPP will deliver better outcomes for the people of West Dunbartonshire. It is a three year document. The SOA for 2011 – 2014 is in draft form and will be presented to Council for approval at its June meeting.
- 5.14 This SOA is the third version produced for West Dunbartonshire. Version one for 2008-2009 was solely focused on the work of the Council. Version two for 2009-2011 was focused on the wider Community Planning Partnership. This version three also focuses on the work of the Community

Planning Partnership but reflects the learning and progress made in earlier versions. This SOA is:

- Shorter, sharper and now focused on three main priorities, described below;
- Significantly influenced by the views and aspirations of community residents; and
- Focused on challenges that the Community Planning Partnership can positively affect in the lifetime of the SOA.

5.15 Community planning has progressed significantly since the previous SOA. Positive change and improvement has been achieved in terms of strategic direction and clarity, operating procedures, structures, performance management and financial controls. In certain specific service areas, following a lead from West Dunbartonshire Council, the Community Planning Partnership is exploring innovative and groundbreaking approaches to designing and delivering services.

5.16 New approaches to the delivery of the current SOA, and associated CPP investment, have delivered real and measurable improvements in service delivery. It was felt that a new approach to community planning in West Dunbartonshire was urgently required that would produce efficiencies, demonstrate best value and pilot an approach to SOA delivery that could be relevant across Scotland. Our aim was to ensure that a shared commitment to the SOA was placed at the centre of our public sector partnership activity.

5.17 The CPP recently approved three new priorities to inform its new SOA. These priorities also influenced the Council's recent public consultation on the budget, and are consistent with the Council's four strategic priorities described in paragraph 5.6 above. All activity described in the SOA 2011-2014 links to these priorities. The three priorities are:

1. Work and Benefits
2. Safe, Strong and Involved Communities
3. Supporting Children and Families

5.18 The most significant challenge facing West Dunbartonshire is depopulation and associated demographic change – this has been recognised as a priority by the Council and is reflected in the Corporate Plan and is highlighted as a key priority in the new Single Outcome Agreement.

5.19 The population of West Dunbartonshire is estimated at 90,570. This is a reduction of 350 from the mid-2009 figure and a total population loss since 2001 of 3.6% of the population. This continues the trend in population loss which began in the 1990's. In contrast the population of Scotland has risen slowly and steadily by 3.1% since 2001 to its current figure of 5,222,100.

5.20 Between 2001 and 2010, the Council areas with the largest percentage population growth were West Lothian +8.4%, Perth and Kinross +9.5% and East Lothian +8.4%. For the same period the largest percentage decreases were in Inverclyde -5.8%, East Dunbartonshire -3.7% and West Dunbartonshire -3.6%.

- 5.21 West Dunbartonshire in common with the rest of Scotland shows declines in the number of children while the number of older people and pensioners is continuing to rise. This year there are more people over pensionable age than aged under 16, with 14% of men of pensionable age and 25% of women. There are also more men than women in the population (which is the case for every Council area except for Moray and Shetland) with 67% of men are of working age and 59% of women.
- 5.22 Even though the population is contracting the number of households is projected to grow. The structures of households and families will continue to be complex with a growing number of single adult households driven by the continuing high divorce rate, lower rates of marriage, the rising numbers of children born to unmarried mothers and the ageing of the population.
- 5.23 The SIMD 2009 shows that West Dunbartonshire had 32 data zones in the most deprived 15% of all data zones. The Scottish Index of Multiple Deprivation ranks West Dunbartonshire as the 4th poorest Local Authority area in Scotland. One in five people are classed as income deprived (24% of the population). This is the second highest in Scotland where the average is 17%.
- 5.24 Demographic change will have significant impact on services as funding allocated from the Scottish Government is partly based on the population of an area. Even with additional allocations to take account of deprivation the budget is likely to reduce in real terms over the next five years
- 5.25 The projected population movement will have an impact on all service areas, particularly Education and Social Care, where there will be a need to actively manage the transition from current service delivery arrangements to new models that are built around the needs of the future population.
- 5.26 The deprivation profile will have major implications for services as research indicates that those vulnerable to poverty are more likely to require greater social intervention and a targeted focus to move out of poverty.
- 5.27 The predicted demographic changes also have other implications. A decline in younger economically active people means a growth in the older, more vulnerable age group with fewer informal carers. This will result in a higher dependency on services provided Social Care.
- 5.28 The employment rate within the Council area is currently 66.6%, significantly lower than the Scottish average of 71%. West Dunbartonshire has the second highest Job Seekers Allowance rate in Scotland at 6.3%, with the figure for Scotland at 4.3% and the UK at 3.8%
- 5.29 The most recent forecast anticipates little net employment growth in 2011 and 2012, adding back a total of only 6,000 jobs in the whole of Scotland by 2012, with nearly 200,000 being lost through the recession.

6 Financial Management

6.1 Corporate Governance

6.2 The Council positively promotes the principles of sound corporate governance within all aspects of its activities.

6.3 Corporate governance is about the structures and processes for decision-making, accountability, controls and behaviour throughout the Council. It is based around key principles of openness, equality, integrity and accountability.

6.4 The fundamental principles of corporate governance should be reflected in the various dimensions of Council business, including:

- Ensuring a community focus underpins the Council's vision and priorities;
- Ensuring the effective delivery of local services on a sustainable basis;
- Establishing effective management structures and processes which include clearly defined roles and responsibilities for officers;
- Developing and maintaining effective risk management systems that form part of the Council's strategic decision making process;
- Ensuring high standards of propriety and probity in the stewardship of the Council's funds and the management of the Council's affairs; and
- A commitment to openness in the Council's affairs and the provision of full, accurate and clear information to all stakeholders.

6.5 The Financial Regulations and amendments are approved by Council and are an essential component of the corporate governance of the Council. These have been updated and are being presented to June Council

6.6 The Chief Financial Officer has been designated as "the proper officer" and is responsible for advising the Council on all financial matters including the determination of Accounting Policies. This role is part on the responsibility of the Executive Director of Corporate Services in the current structure and of the CMT.

6.7 The Financial Regulations are designed to facilitate the smooth running of the Council, protect its interests and the interests of members and officers, and ensure the proper administration of the Council's financial affairs, including, Trading Accounts, Trust Funds, The Common Good and Sundry Accounts.

6.8 Head Teachers must comply with the Financial Regulations, with the exception of virement which is defined within the Devolved Management of Resources Scheme (DMR).

6.9 ***Roles and Responsibilities***

- 6.10 It is important to set out clearly the roles and responsibilities of the key parties involved in the Financial Strategy and the management of overall financial resources of the Council. Further detail is noted within the Financial Management and Control Code of Practice.
- 6.11 *Elected Members*
- 6.12 Council Members, through the Full Council and Strategic Committees are responsible for considering, monitoring and approving budgets and the overall Financial Strategy for the Council. Approved budgets must be financially balanced and demonstrate value for money and sustainability.
- 6.13 Audit and Performance Review Committee, with representation from Members as well a lay-persons, scrutinises performance and management of resources of the Council, with internal and external audit information reported. The Council's year end position and relevant audit comments re reported and monitored at this Committee.
- 6.14 Throughout the year Committees and Council receive reports which allow progress against approved budgets to be scrutinised. All members should receive appropriate training in the areas of Financial Strategy, Local Government Finance and key specialist areas such as Treasury and Risk Management.
- 6.15 *Corporate Management Team*
- 6.16 The Chief Executive and Executive Directors who form the Corporate Management Team, chaired by the Chief Executive, are responsible, individually and collectively, for ensuring that best value and value for money is achieved across the Council, in service delivery, internal processes and systems of control, procurement of goods/services and the use of assets.
- 6.17 As Budget Holders they responsible for the budgets delegated to deliver the services within their Directorate in line with the priorities of the Council. Whilst they may delegate this responsibility within their Directorate they remain accountable in exercising overall financial control.
- 6.18 *Chief Financial Officer*
- 6.19 The Chief Financial Officer has a statutory role to ensure the correct arrangements are in place for the proper administration of the financial affairs of the Council. He/she has the authority to comment on any financial decision and advises CMT, Chief Executive and elected members on all financial matters. As noted above, this role within responsibility of the Executive Director of Corporate Services.
- 6.20 *Heads of Service*
- 6.21 Heads of Service are individually responsible for ensuring that the services within their remit are delivered in line with the agreed policy, and support the strategic direction of the Council. As Budget Holders they are responsible for

the budgets delegated to them to deliver their service in line with the priorities within the Corporate Plan.

6.22 *Service Accountants/Budget Managers*

6.23 The main role of the service-linked accountant is to advise the Executive Directors and their management teams on all financial matters and to be responsible for the preparation of budget reports. They will also provide specialist advice and general guidance on financial systems including rules and procedures

6.24 However responsibility for budgetary control lies with the Executive Directors as delegated budget holders, their Heads of Service and Service Managers.

6.25 *Internal Audit*

6.26 Internal Audit provide assurance to elected members, the Chief Executive and management that the internal processes of the Council are being managed appropriately in line with the overarching policies and outcomes are being delivered in the most efficient and effective manner.

6.27 *External Audit*

6.28 The role of External Audit is to provide assurance to the Auditor General and the Accounts Commission that the Council has spent public money properly to deliver outcomes in an efficient and effective manner.

6.29 They provide assurance to the elected members, the CMT and general public that the Council's performance is reported in accordance with the extant financial standards and presents a fair account of the Council's activities.

6.30 ***Managing the Budget***

6.31 The Council has acknowledged that the decision by the Scottish Government to change the way it allocates funding to local authorities may require the Council to consider changes to the current budget process.

6.32 However, at present the Council has an effective method of developing both the revenue budget and capital programme that has started to align resources with the strategic outcomes the Council wants to achieve for the area.

6.33 *Revenue Budget - Pressures and Savings*

6.34 The current process for considering the development of the revenue budget is undertaken collectively between the CMT, individual political groups and the Strategic Finance Working Group. The process is undertaken with due consideration of, and agreement on, policy and financial parameters for the budget, corporate and political expenditure pressures and/or savings options.

6.35 The CMT collectively evaluates all expenditure pressures and savings options to ensure that they are sufficiently robust and deliverable.

6.36 All pressures and savings options generated are evaluated in the context of the current Corporate Plan, which informs consideration by both the CMT and individual political groups.

- 6.37 *Public Private Partnership*
- 6.38 In 2008/09 the Council reached financial conclusion on the current PPP project. Unitary Charges became due payable in 2009/10, along with savings, Government financial support and the use of a Sinking Fund to pay for these charges. The Council's Facilities Management Service is also involved in providing services to the Council (catering, grounds maintenance and cleaning services). BAM is the company with the contract for building and managing the PPP project. Administration and monitoring of the project, its costs and its savings will require to continue to be strictly managed.
- 6.39 *Capital Programme - Growth Bids*
- 6.40 The current process for developing capital programmes take account of available resources, committed expenditure and uncommitted bids from departments broken down by category – e.g. Health and Safety, Legislative, Asset Maintenance, etc. Due regard is also given to Council Priorities such as Schools Regeneration, Fire Regulations in social work homes and schools.
- 6.41 *Service Specific Funding (Ringfenced funding)*
- 6.42 With recent changes in Scottish Government Settlement due to the introduction of the Concordat, there remains minimal ringfenced funding. In essence, the Council can choose which services it aligns resources to, taking cognisance of statutory duties, corporate plan priorities and our local outcome agreement.
- 6.43 *Time Limited Funding*
- 6.44 The following issues need to be considered when considering time limited funding:
- Prior approval before accepting funding to ensure it fits with Council strategy, and there is a clear understanding of the desired impact of the funding;
 - Clear monitoring that the funding is delivering and achieving the required impact, within the approved funding level;
 - Should not result in any ongoing commitment for the Council and the project or initiative should cease once the funding ends - this should be clear from the outset with severance costs and other termination costs factored into the overall budget for the project or initiative; and
 - If this type of funding has been used to pilot a new approach to develop services in line with corporate priorities, a full evaluation of the financial and service implications would be needed before consideration is given to ongoing funding.
- 6.45 The overall reduction in the level of ring fenced or time limited funding may minimise the need for this type of approach but it is important that it is included as part of the overall Financial Strategy
- 6.46 *Additional Income*
- 6.47 The CMT has discussed the need to ensure that any additional income to the Council, for example from the Scottish Government or a partner, should be considered through a structured process that would allow initial appraisal by CMT, the identification of a lead officer of service and ultimately the

submission of a report with clear recommendations to an appropriate committee.

- 6.48 This will ensure that all relevant factors are taken into account and that provision is made for administration costs, any time constraint on the funding is considered, and, where necessary provision is made for severance costs.
- 6.49 The overall reduction in the level of ring fencing by the Scottish Government may minimise the need for this type of approach but is important that it is part of the overall Financial Strategy.
- 6.50 Services should carefully consider the implications of seeking additional funding in terms of the impact on service delivery and the distortion of resource allocation.
- 6.51 *Income Generation*
- 6.52 The generation of income is an important aspect of the overall financial strategy and is continuously being reviewed by the CMT and by Council.
- 6.53 *Fortuitous Savings*
- 6.54 This is addressed in the Financial Regulations. If savings are identified by departments outwith their control, these saving are removed through virement from departmental budgets to the Council's Contingency Fund. Departments also have the right to apply for funding from the Contingency Fund during the year for costs borne outwith their control (refer to Appendix 8).
- 6.55 *Freedoms and Flexibilities*
- 6.56 Subject to the limitations in the Financial Regulations virement may be exercised by Executive Directors and strategic Committees. Executive Directors must use the Virement Approval Form to provide a clear audit trail.
- 6.57 *Council Tax*
- 6.58 The Council continues to climb the council tax league table in Scotland from 30th in 2000/01 to 21st by 2008/09 (£1,063 at Band D). The table below shows the increase in council tax over the past 6 years. Funding has been made available through the financial settlement equivalent to a 3.14% increase in council tax each year, subject to the Council agreeing to freeze the council tax in each of the financial years over the period from 2008/09 to 2011/12.

Table 3: Council Tax Band D Levels 2006/07 to 2011/12

Year	WDC Band D	WDC Increase	Scottish Average Band D	Scottish Average Increase
	£	%	£	%
2006/07	1,138	2.25%	1,129	3.20%
2007/08	1,163	2.20%	1,149	1.77%
2008/09	1,163	0.00%	1,149	0.00%
2009/10	1,163	0.00%	1,149	0.00%
2010/11	1,163	0.00%	1,149	0.00%
2011/12	1,163	0.00%	1,149	0.00%

6.59 Due to proactive debt collection management, the Council continues to show a steady and consistent improvement in collection performance over the past few years, increasing the rate by 4.5% since 2005/06 to 94.1% in 2010/11. Accordingly, collection levels anticipated for budget purposes now sits at 97.25%.

7. Financial Outlook

- 7.1 Key financial issues are known or anticipated events and activities which will have to be addressed within the Council's overall financial resources in the short-term (within three years), medium-term (within five to ten years) or long-term (over ten years).
- 7.2 Events and activities includes efficiencies, planned savings, changes to service priorities and delivery, and known potential pressures - the financial impact of an event or activity may be one-off, recurring or time-limited.
- 7.3 West Dunbartonshire Council will receive Aggregate External Funding of £199.596m in 2011/12. In addition to this the Council, having frozen Council Tax, will receive a further grant of £1.190m.
- 7.4 When the Council's own projection of Council Tax Income based on 97.25% collection rate is added (£38.731m) then the gross income for the Council in 2011/12 is £239.517m.
- 7.5 This Financial Strategy runs up to 2020/21 and beyond in terms of identifying potential issues, but the revenue forecasts are limited to the period which can normally be reasonably forecast, 2011/12 to 2013/14. 2011/12 is year 1 of the current three year settlement and as yet the Council has not been advised of their likely funding beyond 2011/12. However, the Council expects to receive a 'real' cut of 3% on the 2011/12 funding level. Planning assumptions have been made on this basis.
- 7.6 Some expenditure assumptions have also had to be made for 2012/2013 to 2013/2014.
- 7.7 The level of resources available to the authority to fund its revenue expenditure is also dependent on Council Tax. The Financial Strategy currently assumes no increase in 2012/13 and 2013/14, with an associated assumption of continued grant support for freezing the council tax.
- 7.8 As part of the budget process the Council agreed a Reserve Strategy which gives an optimum target for an unallocated General Fund Prudential Reserve of £4.200m and £0.653m for the HRA Prudential Reserve (2011/12).
- 7.9 The overall position of the Reserves was considered as part of the budget process, see Section 10.
- 7.10 The projected budget position in the short to medium, and long term, is set out in the following tables and notes for both revenue and capital. Details of the short, medium and long-term issues identified in consultation with services which require to be developed further are contained at Appendices 2 to 4.

7.11 Short to Medium Term – Revenue

Table 4 – General Services Projected Revenue Budget Position (Short/Medium Term)

	2011/12 £m	2012/13 £m	2013/14 £m
Base Budget for Prior Year	249.179	239.517	241.875
<u>UPLIFTS FROM PRIOR YEAR</u>			
<u>Inflation</u> (note 1)			
Pay Inflation	0.000	0.000	0.000
Other Inflation	0.070	0.070	0.070
Joint Boards	(2.270)	(0.919)	(0.892)
Income Inflation	(0.500)	(1.000)	(1.000)
	(2.700)	(1.849)	(1.822)
<u>Council Priorities</u> (Note 2)			
Policy Priorities	0.559	2.635	0.390
	0.559	2.635	0.390
<u>Pressures</u> (Note 3)			
Corporate Pressures/ Efficiencies	(7.617)	1.172	1.876
Loan Charges Increase	0.096	0.400	0.400
Contribution to Reserves	0.000	0.000	0.000
	(7.521)	1.572	2.276
Overall Total	239.517	241.875	242.719
<u>Funded by:</u> (Note 4)			
Revenue Grant/NDR Income	199.596	194.798	190.180
Council Tax Income	38.731	38.731	38.731
Council Tax Freeze Grant	1.190	1.190	1.190
	239.517	234.719	230.101
Budget Gap	0.000	7.156	12.618

Note 1

- (a) Pay inflation assumed for teaching and non-teaching staff assumed at 0%
- (b) Other inflation on other non staffing protected lines assumed at 0% and on sales fees and charges at 4%
- (c) General efficiency reduction assumed on Joint Boards of 3%

Note 2

- (a) Priorities assumed for future years includes income securitisation and the build of Dumbarton Academy.

Note 3

- (a) Corporate pressures in 2011/12 have been consumed within efficiencies identified through the budget process. Further pressures and efficiencies have been identified for future years, which fall within the base budget for the years following. However it is recognised that assumptions further into the future are much harder to determine accurately.

Note 4

- (a) Revenue Grant/NDR Income
2011/12 figures are based upon actual figures announced January 2011, updated for known changes.
2012/13 - 2013/14 figures are based upon 2011/12 reduced by an assumed 3% targeted efficiency level. This has still to be confirmed by the Scottish Government
- (b) Council Tax
Assume no change in Council Tax base. If base is increased then grant would reduce correspondingly.
- (c) Council Tax Freeze Grant
Assumed that this will continue at its current level.

Note 5

A full list of budgetary assumptions are noted within Appendix 11

Table 5 – Housing Revenue Projected Revenue Budget Position (Short/Medium Term)

	2011/12 £m	2012/13 £m	2013/14 £m
Base Budget for Prior Year	31.967	32.637	34.060
<u>UPLIFTS FROM PRIOR YEAR</u>			
<u>Inflation</u>			
Pay Inflation	0.000	0.000	0.000
Other Inflation	0.000	0.000	0.000
	0.000	0.000	0.000
<u>Council Priorities (Note 1)</u>			
Policy Priorities	0.000	0.250	0.250
	0.000	0.250	0.250
<u>Pressures (Note 2)</u>			
Corporate Pressures	0.079	0.475	0.489
Loan Charges Increase	0.591	0.698	0.727
Contribution to reserves	0.000	0.000	0.000
	0.670	1.173	1.216
Overall Total	32.637	34.060	35.526
<u>Funded by: (Note 3)</u>			
Rent	31.369	32.169	32.969
Other Income	1.268	1.360	1.360
Reserves	0.000	0.000	0.000
	32.637	33.529	34.329
Budget Gap	0.000	0.531	1.197

Note 1

- (a) The figures above assume additional spend on pilot projects already agreed will continue but from 2012/13 will be an integral part of the budget
- (b) The figures are on a current level of service and as such do not assume a positive stock transfer ballot
- (c) Includes expected amount which will be required to fund stock transfer costs to ensure prudential level of reserves remains intact

Note 2

- (a) The figures above assume no contribution to reserves in any year noted.
- (b) Loan charges increases caused by principle on historic debt, including that agreed in the Council's Standard Delivery Plan to bring housing stock to the Scottish Housing Quality Standard by 2015

7.12 ***Other Short to Medium Term Revenue Issues***

7.13 *Modernisation Fund*

7.14 The Council holds within its reserves £3.807m as at 31 March 2011 for an earmarked Modernisation Fund. Bids for spend to save projects are currently being generated and will be reported to Council in August 2011 for consideration. Any such bids are required to contribute to future efficiencies of the Council (either on a cash or non cash basis)

7.15 *Income Securitisation*

7.16 The Council is currently developing an option around an income securitization project, which could lead to around £35m becoming available to the Council for investment. This is still at early stages and the costs of such a project have been incorporated into the budgets for 2012/13 and 2013/14. Any efficiencies gained from project have not yet been incorporated as these cannot yet be quantified.

7.17 *Leisure Trust*

7.18 The Council is currently progressing arrangements for the creation a Leisure Trust, for implementation during 2012/13. This has resourcing issues during the implementation and the modernisation fund in 2011/12 and draft budget 2012/13 take account of both costs and benefits going forward.

7.19 *Potential Housing Stock Transfer*

7.20 The Council is currently planning to ballot Council tenants as to whether they wish to transfer from Council tenancies to tenancies run by Registered Social Landlords (RSL). In the event of tenants voting against the Housing Stock Transfer (either in one transfer area, a number of transfer areas, or in full) the Council has alternative plans it can put in place to ensure delivery of the SHQS by the deadline date. These alternative plans will involve the investment required for the Council to bring the housing stock to standard being funded through increases in rent charges to tenants.

7.21 In the event of tenants agreeing to the Housing Stock Transfer, the Council has considered the likely impact on the General Fund. At this point, the transfer could include up to 157 temporary accommodation units which would transfer to a RSL.

Recent changes within the DWP following Central Government announcements on Welfare Reform will affect levels of housing benefit able to be claimed from the DWP – depending upon landlord type. It is expected that the transfer of the 157 units identified above to an RSL would potentially significantly affect income levels within the General Fund. The potential financial effect is currently being identified, along with the identification of possible actions to reduce the exposure to this risk. It is not fully clear at present when such a financial effect would affect the Council.

7.22 **Long-Term Revenue Issues**

7.23 Looking beyond 2013/14 becomes increasingly difficult with significant uncertainty around how local authorities will be funded let alone the level of funding likely to be available.

7.24 By 2014/15 the incremental impact of most current major initiatives will have been fully incorporated and embedded into prior years budgets.

7.25 Looking into the post 2013/14 period the main issues impacting on the revenue budget will be:

- Funding will be impacted by future population levels/demographic shifts and any changes to the way Local Government in Scotland is funded.
- Demand for services driven by demographic change, such as Social Services with an ageing population, or Educational Services with possible reductions in pupil numbers.
- Pension costs influenced by the impact of the changes to Local Government Pension Scheme.
- Costs associated with sustainability including waste disposal and recycling, carbon management, energy and fuel costs and general procurement and wage inflation.
- With the completion of the PPP construction phase, unitary charges have been paid from 2009/10 onwards. The monitoring of this, together with the monitoring of service delivery and penalties becomes paramount in relation to Council finances.

7.26 *Depopulation and Population Change*

7.27 The most significant challenge facing West Dunbartonshire is depopulation and associated demographic change – this has been recognised as a priority by the Council and is reflected in the Corporate Plan.

7.28 The fundamental issue for the Council is that at some point if the decline in population continues at the current pace then the area will effectively become unviable as a unit of administration and this will have an associated impact on other services such as health, police and fire.

7.29 The population of West Dunbartonshire is projected to decrease to 83,670 in 2033, a drop of 8%. West Dunbartonshire has the 3rd highest population loss behind East Dunbartonshire and Inverclyde. It is anticipated that the children population will fall by 15%, working age population by 14%, and pensionable age population to increase by 17% (55% in the group 75+) by 2033.

7.30 In addition to population decline, the numbers of older people living within the Council area is expected to increase significantly over the period to 2021. This is expected to result in additional demand for Council services such as Social Work. The Scottish Government has identified this issue as a significant risk across Scotland and has identified funding for 2011/12 (expected to run for 4 years). This funding is known as the Change Fund and

is being used in partnership between Councils and Health Boards, working with partner agencies, to shift the balance of care (proportion of people being cared for at home rather than in hospital or residential settings) by seeking to provide short/medium term funding to resource work to significantly reduce places in hospitals and care homes, thereby releasing funding to support care at home through the development of rehabilitation and reablement services. For 2011/12 this funding is £70 million across Scotland and £1.2 million has been allocated to the West Dunbartonshire CHCP.

7.31 **Capital Projections**

- 7.32 The Council generally agrees a one year Capital Programme around February each year which allows officers to come forward in August each year with clearer recommendations for the following two years Capital Programmes linked to various strategies which are being finalised.
- 7.33 Due to the significant level of capital earmarked for the Schools Regeneration Programme, the Council has very limited room to agree extra General Services projects over and above basic Health and Safety, Legislative, service breakdown and asset maintenance. Indeed, the 2011/12 programme highlights available resources for uncommitted bids of £4.831million, with £18.431million of remaining uncommitted bids listed.
- 7.34 The Council's housing stock requires much investment to meet Scottish standards by 2015. The Council has a Standard Delivery Plan to achieve targets set. This involves much capital investment and indeed the Council is also reviewing the possibility of stock transfer, having a major impact on the HRA capital programme.
- 7.35 Further work will be carried out to balance the 2012/14 Capital Programmes but the Council needs to look at other methods of delivering its Capital Programme such as Prudential Borrowing, Partnerships and increasing Capital Receipts. With the current economic downturn, the risks are higher that receipts will not be achieved or will be less than assumed.
- 7.36 The Council holds a number of assets, ready for sale, including an element which is to be used in future years to help fund the cost of the PPP project. Due to the current economic climate, issues surrounding value of assets and timing of sales could have an impact on future capital (and revenue) plans.
- 7.37 The Council is currently submitting a bid for grant funding for the building of 75 new Council houses, in three areas (Clydebank, Dumbarton and Alexandria). HEED Committee on 26 May 2011 agreed to submit this bid. The result of this bid is not yet know, but again could have an impact on the overall capital programme for housing over the next few years.
- 7.38 A summary of the projected capital programme for the Council and how it is likely to be financed is noted within Table 2.
- 7.39 **Standard Delivery Plan/Delivery of the Scottish Housing Quality Standard (SHQS) by the year 2015**
- 7.40 A critical factor for setting rents for future years is to both ensure that the Council has the resources available to meet the SHQS by the year 2015 and that it maintains this standard beyond that date.

- 7.41 The Council at its meeting held on 29 October 2008 agreed to submit its proposals for meeting the SHQS to the Scottish Government in the form of a Standard Delivery Plan. This plan proposed the transfer of 45% of the Council's stock and identified the need to increase rent by an inflation indicator (the Council uses CPI (Consumer Price Index)) plus 2.25% in 2009/2010, 2010/2011, 2011/2012 and 2012/2013. Rents from 2013/2014 onwards would be set at CPI plus 1%.
- 7.42 The Council's consultants have now revised the Business Plan and the revised Plan identified the need to increase the 2010/2011 rents by CPI plus 3% and that this should be the minimum level of annual rent increase up to an including 2015/2016.
- 7.43 Tenants were consulted on the implications of the draft Standard Delivery Plan before the October 2008 Council meeting and this was reported to the Council
- 7.44 It should be noted that the 30 year business plan for reaching and maintaining the SHQS has been prepared on the basis that there will be fluctuations in inflation over the period of the plan.
- 7.55 In April 2009, the Scottish Government indicated that the Council's strategy for meeting the Scottish Housing Quality Standard was achievable. Risks were also identified, including the challenge of identifying registered social landlords willing to take on the stock available for transfer.

8 Key Organisational Issues

8.1 Assurance and Improvement Plan

- 8.2 In response to comments from Councils over several years about the burden of the scrutiny regime in place, Professor Lorne Crerar was commissioned to conduct a review of regulation, audit, inspection and complaints handling of public services in Scotland. Following this review it was determined that scrutiny of public services needed to be streamlined.
- 8.3 The result is that, in common with all 32 Councils, the scrutiny bodies operating in West Dunbartonshire Council (WDC) have adopted a shared risk assessment and the output from this collaborative approach is the Assurance and Improvement Plan (AIP).
- 8.4 The AIP draws on the work and experience of a number of scrutiny bodies including:
- Audit Scotland
 - Care Commission
 - HM Inspectorate of Education
 - Scottish Housing Regulator
 - Social Work Inspection Agency
 - KPMG, External Auditor
- 8.5 The objectives of this collaborative approach are to maximise the efficiency and effectiveness of scrutiny work and minimise the impact of scrutiny activity on the Council.
- 8.6 The first AIP for WDC was published in July 2010, setting out the planned scrutiny for the Council for the period April 2010 to March 2013 based on a scrutiny risk assessment undertaken by a local area network (LAN) made up of representatives of all of the main local government audit and inspection agencies.
- 8.7 The AIP is a key document within the Council's improvement process.
- 8.8 The LAN reconvened in January 2011 in order to update the AIP, revise the risk assessment and consider the level of scrutiny required for the Council. The updated AIP has drawn on evidence from a number of sources, including the following 2010/2011 planned activity:
- Annual Report to Members from the External Auditors
 - Review of progress on Best Value improvement actions by External Auditors
 - SWIA follow up inspection

- Care Commission’s inspection of Adoption and Fostering Services and the programme of inspections of regulated care services for adults and children
- Review of performance, including Single Outcome Agreement performance and SPIs and outcomes of establishment level inspection work

8.9 The latest Shared Risk Assessment: Assurance and Improvement Plan 2011-14 recently published by Audit Scotland stated that “over the past year the council has continued to make progress on its strategic priorities and continues to deliver a range of high quality public services. There is evidence that members and officers are beginning to work more productively together with elected members taking some difficult decisions. There have also been indications of improvements to the budgeting process. All of this indicates improvements in leadership and strategic direction. These improvements are however quite recent and therefore their full impact has yet to be demonstrated.

8.10 The AIP identified a numbers of areas where risk remained an issue for West Dunbartonshire as follows:

Table 6: Identified Areas of Risk

Area	2010/11 Risk Assessment	2011/12 Update
Regenerating and growing our local economy	Significant risks and concerns	This was identified as an area of significant risk in the 2010/2011 AIP and as part of the SRA refresh process the LAN reviewed progress in this area, with reference to local outcome indicator evidence. Whilst a number of important developments have taken place recently, including the approval of an economic development strategy the LAN has concluded that this area remains an area of significant risk, largely as a result of the economic downturn and the council’s own assessment of the impact this is having in West Dunbartonshire. This area will be considered by Best Value Audit work in 2012/13.
An improving council/ Performance Management & Improvement	Areas of uncertainty	The ‘an improving council’ outcome remains an area of uncertainty as it was last year. There is evidence of recent improvement in the council, for example in terms of the budget process and the reserves position, and more productive working between officers and members aligned to clearer strategic priorities. Although the council continues to develop its performance management arrangements the LAN considers that the full impact of the improvement is yet to be demonstrated and so this remains an area of uncertainty.

Area	2010/11 Risk Assessment	2011/12 Update
Use of resources – assets	Areas of uncertainty	Following consultation the council has agreed a strategy for rationalising and improving the primary school estate which is supported by an implementation plan. There is a significant area of uncertainty in relation to the outcome of proposals for partial housing stock transfer. While progress has been made across a broad range of asset management areas overall the impact of this is yet to be demonstrated and this remains an area of uncertainty overall.

8.11 In addition the above issues there are a number of National risk priorities which will be considered when reviewing performance of all Councils:

- The protection and welfare of vulnerable people (children and adults);
- Assuring public money is being used properly; and
- The council's response to the challenging financial environment.

8.12 For 2011/12, Audit Scotland have confirmed that WDC can merge the Best Value Improvement Plan into the Assurance and Improvement Plan, so that only one scorecard report rather than the previous two reports is now required in Covalent. Reporting arrangements are simplified by having just the one report.

8.13 The Improvement & Efficiency Executive last met on 30th September 2010. It is intended to ask members in a report to the Council meeting on 29th June 2011 to discontinue the Improvement & Efficiency Executive with reports on the Assurance and Improvement Plan for 2011/12 and other papers as appropriate being submitted directly to Council.

8.14 **A focus on strategic leadership**

8.15 The Strategic Leadership Group oversees and coordinates progress on the key issue of improving leadership. Its prime aims are:

- (i) to develop a synergistic approach to influencing relations with members;
- (ii) driving the strategic priorities and member involvement; and
- (iii) building the corporate approach to key initiatives. It does this through refining decision-making processes, reviewing the progress of the key strategic priorities, overseeing better financial planning, improving scrutiny arrangements and overseeing the implementation of the PSIF.

8.16 **Senior Managers' Network**

8.17 The Network is used as a communication and training platform for all senior staff within the organisation. Financial issues and options for solutions are raised and discussed in this forum. It focuses on cultural and wider organisational change.

8.18 **Strategic Asset Management Group**

8.19 This group addresses overall corporate asset issues at a strategic level with a view to maximising Council resources in the form of the Council's Asset Management Strategy. This group is currently leading in the Income Securitisation Project.

9. Treasury Management

- 9.1 West Dunbartonshire Council has adopted the CIPFA “Treasury Management in the Public Services – Code of Practice” which sets out good practice for treasury management governance. The Council must also comply with legal and regulatory requirements in relation to its Treasury Management activities.
- 9.2 The Council has appointed consultants to provide advice on Treasury Management issues, including technical issues and the formulation of views on interest rates.
- 9.3 In complying with the Code of Practice, the Council produces a Treasury Management Practices document which sets out how the Council will manage and control its Treasury Management activities.
- 9.4 The following reports are also submitted to Council and Committee in accordance with the Code of Practice:
- An annual Treasury Management Strategy submitted at the start of the financial year and which includes the Council’s Prudential Indicators and covers issues such as the economic situation, the prospects for interest rates, and the Council’s borrowing and investment strategy for the coming year
 - Bi-monthly Treasury Management Monitoring reports which include details of interest rates, debt and investment positions and debt restructuring activity.
 - An Annual Report for Treasury Management submitted before the end of September each year and which advises members of Treasury Management activities during the previous financial year
 - During 2011/12 a mid-year strategy review will also be prepared and remitted to Council.
- 9.5 The table below shows the Council’s debt and investments position as at 31/03/10.

Table 7 – Council’s Debt and Investment Position – 31/03/11

	Principal		Average Rate
	£m	£m	
Fixed rate funding	PWLB	141.739	5.17%
	Market	<u>77.600</u>	
Variable rate funding	PWLB	0.000	0.00%
	Market	<u>0.000</u>	
Other long term liabilities		<u>94.588</u>	4.78%
TOTAL DEBT		<u>313.927</u>	5.05%
TOTAL INVESTMENTS		11.133	0.65%

- 9.6 The long term liability total is in relation to the PPP project which came onto the Council’s Balance Sheet in 2009/10.

10. Reserves

10.1 A key aspect of the consideration of the General Fund Revenue Budget and Capital Programme Budgets is the position of the General Fund Reserves.

10.2 The Reserves Strategy seeks agreement that the core Reserve be maintained at a level of 2% of net expenditure (excluding requisitions) and it is recommended that the core General Fund Reserve for 2011/12 be £4.200m and the core HRA Reserve for 2010/11 be £0.653m. These figures being based on the 2011/12 revenue budgets.

10.3 Reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows - this forms part of general reserves.
- A contingency to cushion this impact of unexpected events or emergencies which also forms part of general reserves.
- A means of building up funds, often referred to as earmarked reserves, to meet unknown or predicted liabilities.

10.4 For each reserve held, there should be a clear protocol on:

- The reason for/purpose of the reserve
- How and when the reserve can be used
- Procedures for the reserve's management and control
- A process and timescale for review of the reserve to ensure ongoing relevance and adequacy

10.5 The level and use of reserves is determined by the Council, informed by the advice and judgement of the Chief Financial Officer. In order to help the Council reach its decision in respect of reserves, the Chief Financial Officer should report the facts that influenced this judgement and ensure that the advice given is recorded formally.

10.6 Where the Chief Financial Officer's advice is not accepted, then this should be recorded formally in the minutes of that Council meeting.

10.7 The Council's estimated reserves at the beginning of 2011/12 are summarised below (appendices 6 and 7 provide more detail):

	31/3/11 £000	31/3/12 £000	31/3/13 £000	31/3/14 £000	31/3/15 £000
Revenue					
General Service Free Reserve	4.500	4.500	4.500	4.500	4.500
General Service Earmarked Reserve	8.213	2.471	0.471	0.471	0.471
HRA Free Reserve	0.725	0.725	0.725	0.725	0.725
HRA Earmarked Reserve	1.409	0.382	0.000	0.000	0.000
	14.847	8.078	5.696	5.696	5.696
Capital					
Capital Item replacement Fund	0.356	0.356	0.356	0.356	0.356
Unapplied Capital Receipts	2.810	0.000	0.000	0.000	0.000
Capital Reserve: Schools Regeneration	4.178	4.078	8.484	8.396	8.252
	7.344	4.434	8.840	8.752	8.608
Overall total	22.191	12.512	14.536	14.448	14.304

10.8 The earmarked revenue reserves are a variety of funds earmarked for specific revenue purposes. The detailed Reserves for both General Services and the Housing Revenue Account are shown at Appendix 6 and Appendix 7.

11 Monitoring and Reporting Arrangements

- 11.1 The Financial Strategy will be monitored by CMT and the Strategic Finance Working Group on a regular basis - there will also be capacity to review the Strategy as and when required, particularly when a new issue arises or the impact of major policy or initiative becomes clearer.
- 11.2 The Financial Strategy will only be revised if there are changes to estimates, projections or policy which have a major financial impact.
- 11.3 The de minimus level for a major impact requiring immediate review is 50% of the planned General Fund reserves £2.1 million and for HRA this would be £0.500 million subject to the opinion of the Chief Financial Officer.
- 11.4 The financial management principles and expectations have been communicated and are understood by all Chief Officers and budget holders.
- 11.5 The Financial Strategy has been drawn up with the full involvement of the CMT and, will be communicated throughout the organisation.
- 11.6 It is envisaged that in future, where appropriate, wider consultation will take place regarding the Financial Strategy including with partner agencies.
- 11.7 The Council receives monthly budgetary control reports (capital and revenue for both General Services and HRA) from period 3 to 11, analysing variances over £0.025m. Service Committees also receive more detailed analysis on a bi-monthly basis for consideration.
- 11.8 Analysis of action taken on savings options and management adjustments within the 2010/11 budget were reported to the Strategic Finance Working Group during the year, allowing members to monitor the achievement of the savings. The Corporate Management Team has agreed a monthly detailed monitoring pro-forma for each savings option and management adjustment agreed for 2011/12. The pro forma highlights each individual service line affected by those savings, action taken and total saving achieved to date against the phased target. This will allow issues to be identified quickly and early intervention action to be taken, when and if necessary. This monitoring will be reported to both the CMT and the Strategic Finance Working Group throughout 2011/12.

12 Risk Management

- 12.1 The Council has developed Risk Registers. A review of the Registers has been undertaken to identify risks that relate to the Financial Strategy and delivery of the Financial Strategy. Detailed strategic risk factors that may be considered are identified on Appendix 1 and the Council also holds a consolidated operational financial risk register.
- 12.2 The Council has identified a number of strategic risk themes for 2011/12. Each risk theme will have sub-risks assigned to it. This is due to be reported to Council in August 2011. A note of the Strategic risk themes, with lead officer are noted below:

Table 8: Strategic Risk Themes

Ref	Description	CMT Lead
1	Leadership	Chief Executive
2	Finance	Executive Director of Corporate Services
3	Strategic Priorities	Executive Director of Housing, Environmental & Economic Development
4	External Scrutiny	Executive Director of Educational Services
5	Demographics	Executive Director, West Dunbartonshire Community Health & Care Partnership

Appendix 1 – Further Risk Factors

This list is not exhaustive

Risk	Action
<p>Projections about the Council’s level of income and expenditure are subject to change – e.g.</p> <ul style="list-style-type: none"> • government funding • pay and price increases • income levels • savings not achieved • Unforeseen expenditure • Unanticipated increase in fuel or energy costs • Procurement savings are not achieved. • Pension figures/costs may increase due to future reviews • Unforeseen financial issues following changes within the UK economic climate 	<ul style="list-style-type: none"> • Ensure Finance Circulars are reviewed and reconciled on a regular basis • Longer term financial projections and strategy monitored by the Council to allow timely action • Aim to meet the target of the Prudential Reserve • Use of contingency fund • Monitoring of the budget regularly by departments, the CMT and Members (through Council and/or Committee) • Introduction of the Strategic Finance Working Group • Use of the modernisation fund to reduce cost base through efficiencies in processes • Ongoing monitoring of savings targets built into the budget by the CMT
<p>Failing to achieve or maintain adequate reserves</p>	<ul style="list-style-type: none"> • Prudential Reserve target reported to Members on a regular basis. Working with Members to work towards achieving target. • Longer term financial projections and strategy monitored by the Council to allow identification of possible issues to allow early action to be taken where necessary
<p>Capital receipts do not materialize Expenditure on capital projects is higher than anticipated</p>	<ul style="list-style-type: none"> • Regular capital disposal working group updates feeding through to the capital budgetary control report (to both Council and CMT). • Capital Disposal Group with longer term vision to allow movement in the assets due sold and timing of those assets. • Three year capital programme reports to Council & CMT twice per annum • Early identification of possible issues to allow action to reduce spend or identify further surplus assets for possible disposal to minimize shortfall.

Risk	Action
<p>Treasury Management, e.g.:</p> <ul style="list-style-type: none"> • Loss on finances through reserves being invested in unsecure banking sector • Lower than expected investment returns due to economic climate 	<ul style="list-style-type: none"> • Ensure the Treasury Management Practices regarding investment counterparties are adhered to. • Regular (daily) updates regarding movement in the banking sector received with the counterparty listing adjusted when necessary. • Ensure prudence in estimating level of investments and interest rates.
<p>Money Laundering – failing to disclose to the National Criminal Intelligence Service suspicions through acquisition retention use or control of criminal property</p>	<ul style="list-style-type: none"> • Ensure the Treasury Management Practices are adhered to. • Work completed by Internal and External Audit, use of the whistle blowing phone line.
<p>Collapse in funding for PPP – if bank goes into liquidation</p>	<ul style="list-style-type: none"> • The Council has identified possible scenarios and what the effects would be. Information through Treasury Advisers and the PPP advisers would ensure the Council would be notified at an early stage
<p>Provision not adequate to cover possible equal pay compensation costs</p>	<ul style="list-style-type: none"> • Review provision on a regular basis, with updated information from the Pay modernisation team and appropriate legal advice. • Identify action required at an early stage to ensure provision adequate.
<p>Increase in the number of housing benefits claimants – higher risk of error, homelessness , subsidy level not achieved</p>	<ul style="list-style-type: none"> • Staffing profile monitored to ensure adequate staffing resources. • Ensure staff work to same high standards • Regular contact between appropriate services/departments of the Council • Monitoring of the budget regularly by departments, the CMT and Members (through Council and/or Committee)
<p>Current insurers of the Council become financially unviable – resulting in other providers monopolising the market, possible resulting in substantially increases in premiums</p>	<ul style="list-style-type: none"> • Action to ensure early indications of financial stability of company • Appropriate measures taken at tender stage to ensure financial stability of insurers. • Aim to meet the target of the Prudential Reserve • Use of contingency fund

Risk	Action
Breach of Health and Safety legislation resulting in substantial fine	<ul style="list-style-type: none"> • Ensure knowledge of H&S legislative issues are up to date. • CMT identifies funding to ensure no legislation is breached
Shared services opportunities do not go ahead.	<ul style="list-style-type: none"> • Ensure prudence in estimating savings due to achieve from (possible) projects
The Scottish Government reviews the structure of Scottish Local Government.	<ul style="list-style-type: none"> • Action plans discussed and updated at an early stage, if this is announced
Demographic projections are delivered making the Council unviable.	<ul style="list-style-type: none"> • Identification of possible shared services with others
HRA, e.g. <ul style="list-style-type: none"> • Unplanned costs arising from a possible Housing Stock Transfer • Not achieving the Scottish Housing Quality Standards by 2015 	<ul style="list-style-type: none"> • Regular monitoring of expected costs against budget to allow early intervention if necessary • Aim to retain the Prudential Reserve • Action plan in place to achieve standards • Regular monitoring of expected costs against budget to allow early intervention if necessary

The Finance and ICT Service has prepared an *operational* risk register which lists control measures and analysis of operational risks

Appendix 2

Short-Term Issues

These issues, which will need to be addressed in some way within the next 3 years, were identified by Directorates during consultation on the Financial Strategy and the impact can be one-off or recurring. Some shorter term issue will continue into the medium term and longer term. This list is not exhaustive.

Service	Issues Identified	Action Taken	Responsible Officer
Strategic Issues	Modern & Efficiency Programme	Efficient Government Workstream reporting back to the CMT	CMT
	Assurance and Improvement Programme	CMT actions to be agreed	CMT
	Unemployment levels within the area	Introduction of the employability task force	Head of Audit, Performance & Strategic Planning
	Reduction in Scottish Government Funding	Budgets forecasting funding gaps account for anticipated reduction	Head of Finance and Resources
	Financing of Council budgets / Review Income Targets	3 year detailed budget prepared Ongoing monitoring of target savings 2011/12 monthly by CMT Early preparation of 2012/13 detailed budgets	CMT Head of Finance and Resources
	ICT modernisation	Capital programme identified. Development of Agresso ongoing	Head of Finance and Resources
	Shared Services	Projects identified through Clyde Valley initiative Involvement of all projects, at operational and strategic levels	Executive Director of Corporate Services Head of Finance and Resources
	Capital income decline	Identification of movement through Capital Disposal Working Group – reported to CMT & Council through capital budgetary control; Draft Capital plans for future 2 years to Council in August each year	Head of Regeneration & Economic Development Head of Finance and Resources

Service	Issues Identified	Action Taken	Responsible Officer
Strategic Issues (cont.)	Asset Management Plan - Maintenance Backlog - Disability Discrimination Act - Health and Safety	Asset Management Group regular meetings Capital resources committed for disability access Risk Assessments where required	Head of Regeneration & Economic Development Head of Audit, Performance & Strategic Planning
	Work Force Planning	New ICT system being developed further. Integration with payroll now completed Restructuring throughout Council underway	Head of HROD
	Departmental restructures	Ongoing and monitored weekly by departmental management teams	CMT
	Income Securitisation	Ongoing regular meetings with funders/ auditors. Project advisers now appointed	Head of Regeneration & Economic Development
	Welfare Reform (current to 2017). This incorporates homelessness rents/ stock transfer issues	Briefing notes on possible affect produced Situation will be monitored, action taken as necessary	CMT Head of Finance and Resources
CHCP	Free Personal Care	Budget provided – any impact above this level would require monitored and action taken if necessary	Executive Director of CHCP
	Residential Schools	Budget provided – any impact above this level would require monitored and action taken if necessary	Executive Director of CHCP Executive Director of Education
	Looked after and accommodated children (fostering, adoption etc)	Budget provided – any impact above this level would require monitored and action taken if necessary	Executive Director of CHCP
	Placement Management lists (Care home and home care)	Budget provided – any impact above this level would require monitored and action taken if necessary	Executive Director of CHCP
	Occupational Therapy aids	Budget provided (capital and revenue)– any impact above this level would require monitored and action taken if necessary	Executive Director of CHCP

Service	Issues Identified	Action Taken	Responsible Officer
CHCP (cont)	Learning Disability – care packages for those users who would have previously been admitted to hospital	Budget provided – any impact above this level would require monitored and action taken if necessary. Work with NHS	Executive Director of CHCP
Housing Economic and Environmental Services	Increasing levels of waste - landfill tax impact	Increase recycling targets Budgetary impact within budget	Head of Land and Environment
	Recycling Initiatives to meet targets	Recent changes in service	Head of Land and Environment
	Planning Income & building warrant income decline	Budgetary impact within budget – finances to be monitored and action taken if necessary	Head of Regeneration & Economic Development
	Investment Property income decline due to economic climate	Budgetary impact within budget – finances to be monitored and action taken if necessary	Head of Regeneration & Economic Development
	Cost of vandalism and anti-social behaviour	Budget provided – any impact above this level would require monitored and action taken if necessary	Head of Housing and Community Safety
	Road Maintenance: - access to data - maintenance backlog and strategy for improvement - impact of recent weather	Budget provided (capital and revenue), projected require to be prioritised – any impact above this level would require monitored and action taken if necessary	Head of Neighbourhood Services
	New Council Housing	Working group meet weekly. Application for grant funding submitted on time (May 2011); reported to special HEED Committee for approval	Head of Housing and Community Safety
	Structural Funds: - ERDF - ESF Impact on RSA (money for businesses)	Requires to be monitored and action taken if necessary	Head of Regeneration & Economic Development
Education	PPP monitoring and funding – including use of sinking fund	Action plan to monitor savings to be achieved to fund unitary charge, monitoring of performance re BAM & internal facilities management	Executive Director of Education Head of Regeneration & Economic Development

Service	Issues Identified	Action Taken	Responsible Officer
Education (cont)	Schools estate regeneration (including Dumbarton Academy through Scottish Futures Trust)	Identification on Council priority enhancements and new builds, identification of funding, identification of acceptable specifications within funding available	Executive Director of Education Head of Regeneration & Economic Development
Chief Executive / Corporate Services	Corporate Governance - Freedom of Information - Data Protection	Actions identified and in place to ensure information provided is complete and no breaches of data protection	Head of Legal, Administration and Regulatory Services
	New Legislation (general)	Action to ensure available resources to support new legislation that will not leave the Council exposed	Head of Legal, Administration and Regulatory Services
	Licensing income decline Licensing Standards Officers- unsustainable income	Ensure phasing of income generation within budgets going forward is accurate	Head of Legal, Administration and Regulatory Services
	General Elections election cycle and funding	Action plan to ensure smooth running of election, with maximum update of voting. Ensure appropriate external financial support and internal budgetary provision for outgoing costs	Head of Legal, Administration and Regulatory Services

Medium-Term Issues

Some short term issues may merge into medium term issues. Some medium term issues may become issues in the longer term. This list is not exhaustive.

Service	Issues Identified	Action Taken	Responsible Officer
Strategic Issues	Modern & Efficiency Programme	Efficient Government Workstream reporting back to the CMT	Corporate Management Team
	Scottish Government Funding levels – capital and revenue	Longer term financial strategy to help appropriate officers to identify possible risks on budget gaps to take necessary action at an early stage	Executive Director of Corporate Services
	Welfare Reform – including changes in the staffing structure and the duties of the Council; the effect on homelessness budget of benefits thresholds	Briefing notes on possible affect produced Situation will be monitored, action taken as necessary	CMT Head of Finance and Resources
	Unemployment levels within the area	Introduction of the employability task force	Head of Audit, Performance & Strategic Planning
	Accommodation	Identification of staffing requirements and locations through Asset Strategy Group	Executive Director of HEED
	Asset Management Plan - other areas of development - Parks and open spaces - Asset replacement - Asset standards - Space standards	Asset Strategy Group	Executive Director of HEED
HEED	HRA: - stock transfer - Scottish Housing Quality Standards	Strategy to meet standards – identification of increase capital spend and funding thereof Strategy officer working towards possible transfer through action plan	Executive Director of HEED
CHCP	Provision of increasing levels of care for children, adults and older people from Social work and Health Services	Longer term commissioning strategies to be developed and options considered	Executive Director of CHCP

Service	Issues Identified	Action Taken	Responsible Officer
CHCP (cont)	Consideration of balance of care issues for service provision between residential care and care at home & balance between early intervention or prevention and reactive service provision	Longer term commissioning strategies to be developed and options considered	Executive Director of CHCP
Education	Schools Estate Strategy	Continuation of Schools Estates Team to help identify and move forward on funding and prioritization beyond Bonhill and Goldenhill Primaries and Dumbarton Academy	Executive Director of Education

Long-Term Issues – over 10 Years

Some short and medium term issues may become longer term issues. This list is not exhaustive.

Service	Issues Identified	Action Taken	Responsible Officer
Strategic Issues	Depopulation and Change of Demographics	Monitoring likely movement and action taken when appropriate	Head of Audit, Performance & Strategic Planning
	Unemployment levels within the area	Introduction of the employability task force	Head of Audit, Performance & Strategic Planning
CHCP	Demographic change in relation to expected significant increasing numbers of older people living longer & needing care and support	Implementation of BV Review outcome for older people's services to shift the balance of care by 2025 to 70% provided at home	Executive Director of CHCP
Education	Schools Estate Strategy	Continuation of Schools Estates Team to help identify and move forward on funding and prioritization beyond Dumbarton Academy	Executive Director of Education

RESERVES STRATEGY

1. INTRODUCTION

- 1.1. The Council requires to have a Reserves Strategy as an integral part of its overall financial strategy to enable it to clearly set out the role the Council wishes Reserves to play within its medium term financial plan.
- 1.2. Reserves act as a financial contingency for unexpected events and also assist the management of abnormal cash flow pressures.

2. BACKGROUND

- 2.1. The Council has two main Reserves, a General Fund Reserve and a Housing Reserve.
- 2.2. The Housing Reserve is created from surpluses generated by the Housing Revenue Account. The surplus can be used to help minimise the level of rent increase and can be transferred to the General Services, if agreed by Members. Council has agreed that the targeted minimum level of reserves held for HRA purposes should be 2% of net expenditure – currently agreed for 2011/12 as £0.653m.
- 2.3. The level of General Fund Reserves in the Council has fluctuated significantly in the period since 1996; one main contributing factor is the Pay Modernisation Project. However Council has agreed a targeted minimal level of usable General Fund Reserves of 2% of expenditure (net of requisitions) – currently agreed at £4.200m for 2011/12.

3. LEVEL OF RESERVES

- 3.1. There is no set rule for the level of reserves and no statutory guidance however the level of reserves will be determined by:
 - a) The net expenditure of the organisation.
 - b) The risks/uncertainties.
 - c) Known one-off projects/issues.

4. MAJOR ISSUES FACED BY THE COUNCIL

- 4.1. The Council is facing a number of risks and uncertainties at this point in time due to the significant transformation programme which is ongoing. The largest of these relates to the School Estate programme whilst the outstanding impact of equal pay forms another potentially large cost, however there is provision held by the Council for the anticipated cost of this (revised on an ongoing basis)
- 4.2. In addition to the above issues the Council will face ongoing calls for one-off expenditure in relation to the transformation of the organisation. Often these manifest themselves in the form of early retrials/voluntary severance costs but can also be the result of one-off feasibility/consultancy costs. The council has an earmarked modernisation fund of £3.806m as at 31 March 2011

5. EARMARKED RESERVES

- 5.1. Over and above the recommended reserve target, the Council has a few earmarked reserves. Earmarked reserves are sums of money set aside for specific purposes either by the Council or because of Government ring fencing. The recent three year funding announcement for Local Government has seen a significant reduction in the number of Government-linked earmarked reserves due to the reduction in the number of ring fenced sums allocated by the Government.
- 5.2. It should be noted however that the use of Earmarked Reserves will form an important part of any Financial Strategy as they provide a transparent method for the Council to demonstrate how it intends to fund specific priorities.

Free Reserves Projection

General Fund	<u>2010/11</u> <u>£m</u>	<u>2011/12</u> <u>£m</u>	<u>2012/13</u> <u>£m</u>	<u>2013/14</u> <u>£m</u>	<u>2014/15</u> <u>£m</u>
1. Starting Balance	3.376	4.500	4.500	4.500	4.500
2. Use of Reserves	0.000	0.000	0.000	0.000	0.000
3. Unearmarked reserves	0.000	0.000	0.000	0.000	0.000
4. Annual Surplus/(Deficit)	1.124	0.000	0.000	0.000	0.000
	<u>4.500</u>	<u>4.500</u>	<u>4.500</u>	<u>4.500</u>	<u>4.500</u>

* The Reserves Strategy confirmed a targeted minimum free reserve figure of £4.200m

HRA	<u>2010/11</u> <u>£m</u>	<u>2011/12</u> <u>£m</u>	<u>2012/13</u> <u>£m</u>	<u>2013/14</u> <u>£m</u>	<u>2014/15</u> <u>£m</u>
1. Starting Balance	2.642	0.725	0.725	0.725	0.725
2. Use of Reserves	(0.708)	0.000	0.000	0.000	0.000
3. Transferred to earmarked	(1.409)	0.000	0.000	0.000	0.000
4. Annual Surplus/(Deficit)	0.200	0.000	0.000	0.000	0.000
	<u>0.725</u>	<u>0.725</u>	<u>0.725</u>	<u>0.725</u>	<u>0.725</u>

* The Reserves Strategy confirmed a targeted minimum free reserve figure of £0.653m being 2% of gross expenditure.

Earmarked Reserves Projection**Projected Earmarked Reserve Position**

	<u>31.3.11</u>	<u>31.3.12</u>	<u>31.3.13</u>	<u>31.3.14</u>	<u>31.3.15</u>
	<u>£million</u>	<u>£million</u>	<u>£million</u>	<u>£million</u>	<u>£million</u>
Revenue					
General Services – specific	8.213	2.471	0.471	0.471	0.471
Housing (HRA) – aligned to Stock Transfer	1.409	0.382	0.000	0.000	0.000
Total Revenue Reserves	<u>9.622</u>	<u>2.853</u>	<u>0.471</u>	<u>0.471</u>	<u>0.471</u>
Capital					
Capital Items Replacement Fund	0.356	0.356	0.356	0.356	0.356
<u>Capital Receipts</u>					
General Services	2.810	0.000	0.000	0.000	0.000
Housing Revenue Account	0.000	0.000	0.000	0.000	0.000
Capital reserve: Schools	4.178	4.078	8.484	8.396	8.252
Total Capital Reserves	<u>7.344</u>	<u>4.434</u>	<u>8.840</u>	<u>8.752</u>	<u>8.608</u>

CONTINGENCY FUND POLICY

INTRODUCTION

- 1.1 Some Councils operate a central fund to accommodate externally led reductions which benefit departmental budgets. This fund is also called upon to address budget increases resulting from external factors.
- 1.2 it is felt that budgetary control reporting would be more transparent and accountable if the impact of variances outwith departmental influence was removed (or compensated) from within departmental budgets.

MAIN ISSUES

- 2.1 It would be the responsibility of the Head of Finance and Resources to maintain a record of all budget transfers in/out of the CCF. It would also be the responsibility of the Head of Finance and Resources, in discussion with the Chief Executive/Executive Directors, to determine appropriate budget movements to transfer in/out of the Council Contingency Fund (CCF).
- 2.2 An additional line would be introduced into consolidated Council Budgetary Control reports to ensure reconciliation back to the approved budget in the Revenue Estimates Book.
- 2.3 It is suggested that, for the purposes of the CCF, a level of materiality where the individual budget line movement is greater than £50,000 should be introduced.
- 2.4 The CCF will apply to all Revenue budgets of the Council, including the Housing Revenue Account and each Trading Organisation. Transfers in/out of the Housing Revenue Account will be subject to legislative constraints.
- 2.5 Similarly, the impact of significant unforeseen expenditure burdens on departmental budgets would be financed by additional budget resources allocated to departmental budgets from the CCF. Departments would be invited to make appropriate application to the Head of Finance and Resources.

ROLE AND REMIT (as agreed by Strategic Finance Working Group)

At the broadest level, the Working Group's remit should be to determine the Council's financial strategy over the short, medium and longer term in the context of the agreed corporate priorities of the Council. This could include considering the overall policy priorities in the context of the Single Outcome Agreement, the Corporate Plan and service plans in:

- Determining an overall revenue strategy
- Determining an overall capital strategy
- Determining an overall strategy for special funds
- Considering the policy and financial implications of key initiatives and developments identified in the Council's planning and budgeting processes.

Although not exhaustive, in fulfilling the remit above, the Working Group may also need to consider:

- Areas to be covered by the Working Group – i.e. revenue and/or capital; General Services and/or HRA;
- The policy priorities for budget setting purposes, having regard to the policy priorities as set out in key community, corporate and departmental plans that the Council and its partners are working towards;
- Long term projections of financial balances, cost pressures, burdens and risks
- Actions to close any known financial gaps
- How any necessary budget savings/ efficiency exercises should be taken forward – this may include option appraisals and best value reviews;
- Impacts of service developments on savings/ efficiency targets and other proposed initiatives;
- Monitoring of the achievement of agreed savings option targets;
- The use of the annual efficiency statement beyond a reporting mechanism;
- Treasury management, including debt and investment levels, economic forecasts and interest rates and debt rescheduling;
- Year end budgetary control positions and variance analysis for monitoring and projection purposes;
- Contingency funds transfers, as and when appropriate
- Prudential reserve levels and revision of calculations, as and when appropriate

The quorum of the Working Group will be three

Meeting to take place every two months

The Working Group may make recommendations to Council or Committees on any or all of the above

The Working Group does not have delegated powers and makes recommendations to Council or the appropriate Committees

Extract from West Dunbartonshire Council's letter of commitment to the Scottish Government

West Dunbartonshire Council at a full Council meeting held today, 21 December 2010, considered the terms of the settlement offer as outlined in your letter of 17 November, and agreed to confirm our agreement *in principle* to the delivery of the undernoted commitments.

- To remain committed to the delivery of the current Single Outcome Agreements, the 3 jointly agreed social strategies and the curriculum for excellence
- To a council tax freeze for 2011/12
- To Police Officers being maintained at 17,234 throughout 2011/12
- To maintain the pupil teacher ratio in p1-p3, the crucial early years of primary school
- To protect the number of teacher posts as far as possible in order to secure :
 - Places for all probationers who require a place under the induction scheme in August 2011
 - Sufficient teaching posts available for all probationers who achieve standard and full registration in summer 2011
 - A reduction in the total number of unemployed teachers
- To an independently chaired review of all aspects of the McCrone agreement, to report by June 2011, with the clear intention that its recommendations should be available for implementation before August 2012
- To continue to deliver the shared service Scottish Government/Cosla commitments on Free Personal Care, for which payments will be uprated in 2011/12.
- To continue to work with the Scottish Government towards implementation of the Carers and Young Carers strategy at local level, including the maintenance of an extra 10,000 weeks respite provision.

I however wish to make clear that our agreement *in principle* is made on the basis of the following conditions being met.

1. The Scottish Government has been successful in securing approval to the settlement for 2011/12 in the terms set out in your letter of 17 November, from the Scottish Parliament.
2. That changes to the conditions of employment for teachers outlined in your letter of 17 November are delivered by the end of January 2011.

3. That a successful resolution to the potential difficulty of the police service being offered a blanket reduction of 2.6% when many Councils have suffered a loss substantially greater than this and indeed West Dunbartonshire resources have been reduced by 4.53%.
4. That Councils will be notified what a reasonable, albeit local, contribution will be required from each Council in relation to meeting national commitments.
5. That an assurance is provided that individual Councils who accept the offer and who can demonstrate that they have made reasonable budgetary provision towards the delivery of a share of a national commitment will not be penalised in circumstances where that commitment is not delivered at the national level.
6. That resources in the Change Fund referred to in the Cabinet letter of 17 November are available for spend by 1 April 2011 and are overseen and controlled by a governance arrangement that is genuinely local.

Assumptions built into the 2012/2013 and 2013/2014 Indicative Revenue Estimates**General**

- a Excludes reduction in redeployment budget
- b Excludes provision for future trawl costs - SOF, added years, redundancy
- c Excludes any movement due caused by 2010/11 year end surplus/contingency fund and 2011/12 in year burdens. *This will be updated as issues are confirmed.*
- d Excludes assumption on any savings created by used of modernisation fund and income securitisation monies
- e Excludes cashflow benefits surrounding income securitisation monies held until spent
- f Excludes any cashflow issues surrounding housing benefit & DWP reform
- g Excludes any contingency monies for unforeseen circumstances
- h Excludes any burden due to bad debt provisions
- i Assumes same level of council tax as 2011/12 (no additional band D equivalents due to any house build programmes)
- j Assumes no changes caused by a positive ballot for housing stock transfer (e.g. risk of £2.3m burden re homelessness housing benefits)
- k Assumes no ongoing costs or savings for one stop shops
- l Assumes no further savings through restructuring
- m Assumes turnover at current levels (ie 3% on all staff except care & trading operation staff - 1%)
- n Assumes no further reduction in Scottish government Funding re supporting people
- o Assumes no further savings from procurement activity (assumes recurring, not increasing)
- p Assumes no further allocation of budget to the prudential reserve
- q Assumes no debt rescheduling
- r Assumes no recovery of administration costs from CHCP
- s Assumes no savings from Clyde Valley Shared services beyond saving already identified at 2012/13 point 6
- t Assumes no savings from changes in insurance contracts beyond 2011/12 savings target
- u Assumed no savings from the changes in terms & conditions for Teachers

2012/13

- 1 Learning disability - figures provided by CHCP
- 2 Mental Health - figures provided by CHCP
- 3a One off gain - HEED - credit in 11/12 of £113k from zero waste - not available in future years - funding held as an earmarked balance as at 31/3/11
- 3b One off gain - Education - credit in 11/12 of £974k from PPP earmarked funding no longer required - not available in future years - funding held as an earmarked balance as at 31/3/11
- 4 loan charge general - General service increase in principle (annuity/new debt) plus small element of interest
- 5 local election to be completed 2012/13 - one off cost. Assumed to be same costs as previous election
- 6 Clyde Valley shared services savings - only thoses related to procurement of services IRO social work/education assumed. Nil assumed from support services
- 7 HMTO surplus reduction - nil assumed pending Council report August 2011

- 8 Results from 2010/11 year end - no savings have been assumed as yet re favourable position - year end not yet completed
- 9 One stop shop efficiencies - nil assumed
- 10 Clydebank Rebuilt - support for organisation assumed to cease at end of current project contract
- 11 Further efficiencies identified through welfare rights have been assumed to be fully achievable within 2012/13
- 12 Further efficiencies identified through HROD restructuring have been assumed to be fully achievable within 2012/13
- 13 Assumed that Grand Central Savings will be agreed by Members and costs associated with iths will be treated as a burden
- 14 Dumbarton Academy loan charge - Assumption loan charges paid on average balance of 50% with remainder in following year
- 15 carbon emissions - £320k at £12 per tonne in 11/12 - indications are this will increase to £16 pt in 12/13
- 16 Land fill tax - assumption that this will increase by £8 pt
- 17 Income securitisation - burden assessed as £2.7m per annum, with 11/12 budget taking £700k burden
- 18 Elderly - figures provided by CHCP
- 19a Reduction on Joint boards of 3%
- 19b Funding from Scottish Govt in line with current for freezing Council Tax
- 19c Reduction in Scottish government funding of 3%
- 20 PPP indexation - assumption per original 30yr calculation on level of inflation paid on contract
- 21 CHCP further small burdens identified through the 3 year budgeting
- 22-26 General corporate services - due to HROD ongoing commitments (11/12 budget held within earmarked balance)
- 27 Leisure trust - report to HEED committee on 8/10/10 - saving generated through VAT/NDR
- 28 Management adjustments - as agreed by CMT during 2011/12 bgt process - equates to further savings ongoing - assumes these will be taken for 12/13, although not agreed as yet
- 29 As agreed by council 14/10/10 bgt process - equates to further savings ongoing
- 30 appeals single status - ongoing burden of appeals - 11/12 paid through provision, not budget held going forward
- 31 removal of detriment - end of 3 year preservation - red circling will be removed from 1/4/12 - figure from HROD
- 32 Sales Fees and Charges increase of 4% on controllable lines -from previous years calculations
- 33 Non GAE reduction of central support due to on going reduction in costs
- 34 Mortuary costs - in line with information from glasgow CC - £200k through SRC area allocated pro rata to police allocation
- 35 Inflation of individual costs per listing, available on request
- 36 Utility - assumed likely burden due to inflation rates of energy - allocated pro rata to bgt levels of energy
- 37 Members salaries are anticipated to increase per CEGC report 22/6/11
- 38 Superannuation - increases in employers rates per previous indicative 20.5% - TBC - employee rate now increasing thus may not happen

2013/14

- 39 PPP indexation - assumption per original 30yr calculation on level of inflation paid on contract
- 40 loan charge general - General service increase in principle (annuity/new debt) plus small element of interest
- 41 Election costs for 2011/12 one off removed
- 42 Dumbarton Academy loan charge - Assumption loan charges paid on average balance of 50% with remainder in following year
- 43 Utility - assumed likely burden due to inflation rates of energy - allocated pro rata to bgt levels of energy
- 44 carbon emissions - £320k at £12 per tonne in 11/12 - indications are this will increase to £16 pt in 12/13
- 45 Land fill tax - assumption that this will increase by £8 pt
- 46 Non GAE reduction of central support due to on going reduction in costs
- 47 Elderly - figures provided by CHCP
- 48 Learning disability - figures provided by CHCP
- 49 Mental Health - figures provided by CHCP
- 50 Sales Fees and Charges increase of 4% on controllable lines -from previous years calculations
- 51a Reduction on Joint boards of 3%
- 51b Reduction in Scottish government funding of 3%
- 51c Funding from Scottish Govt in line with current for freezing Council Tax
- 52 Superannuation - increases in employers rates per previous indicative 21.6% - TBC - employee rate now increasing thus may not happen
- 53 Inflation of individual costs per listing, available on request