



LONG TERM FINANCIAL STRATEGY

WEST DUNBARTONSHIRE COUNCIL

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1 Introduction

- 1.1 The purpose of the Financial Strategy is to allow Council to consider and plan for longer term financial issues by providing early sight of pressures arising from areas such as: Scottish Government grant funding reductions; service demand changes; demographic change; etc. The Financial Strategy demonstrates that the Council is clear that the outcomes it plans to achieve for our communities link directly to the financial plans for the future and that any financial challenges identified which threaten the achievement of these outcomes are managed and prioritised in an orderly manner.
- 1.2 Since the last update of the strategy, in November 2019, the Scottish Government provided a single year settlement for 2020/21. To date the Council has not been provided with any information from the Scottish Government on anticipated grant funding for 2021/22 and beyond and indeed this information is not anticipated to be available later in the current financial year, and is most likely to be a single year settlement for 2020/21 only. There have been no specific UK Government funding announcements and the Government has cancelled the planned Autumn 2020 budget. The UK Government continues to proceed through Comprehensive Spending Review which is likely to be able to provide Government departments with funding allocations for 2021/22 – so should then follow through to grant levels to Scotland.
- 1.3 It is clear that the impact of covid-19 has had very significant cost implications for the UK as a whole – with significant and ongoing costs being funded nationally – mainly by the UK Government with Barnett Consequentials following through to the Scottish Government. This huge additional spend has been funded in the main by significant levels of additional borrowing by the UK Government. How the UK Government decides to deal with the costs of dealing with the impact of covid-19 is not clear as yet and different approaches are possible:
1. Further austerity in order to recover the costs through reducing future years spend;
 2. Additional taxation to fund the costs incurred;
 3. Increased public spending to assist the economic recovery from covid-19 – capital, revenue or both, potentially focussed on services to support communities impacted by covid-19; and
 4. A combination of the above.
- One positive aspect of the Government's need to borrow to support the spending implemented linked to covid-19, is that the cost of borrowing is at historically low levels – so the Government will be borrowing at very low rates of interest and lower than budgeted, so the financial impact of the cost of borrowing is lower than might have been the case.
- 1.4 The ongoing impact and prevalence of covid-19 into the future and how it affects the World, UK and local economies is a key factor, but one that is impossible to predict at this stage. The Council has received significant financial supports and financial flexibilities from the Scottish Government to date in relation to managing the financial impacts of covid-19 and it is anticipated that should there be ongoing significant covid-19 impacts that such support or further flexibilities will require to be provided.
- 1.5 This clearly makes it difficult to predict the quantum of grant support on an ongoing basis, though it is expected that the trend of reducing funding to Councils will continue on an ongoing basis. In 2020/21 the settlement from the Government to the

Council was lower than the 2019/20 settlement, on a like for like cash basis. Recently political and economic commentators have been talking about the UK economy as being in a state of “perma-austerity”, this view being based on future predictions around the impact of Brexit and likely impact on the UK economy, though at UK level the UK Government seem to have implemented spend plans that reduces the impact of austerity. As stated above how covid-19 plays into this position is far from clear.

- 1.6 Population projections for the Council in relation to a growing population for the rest of Scotland is likely to generate continuing reductions in Government funding for the Council on top of the impact of any level of ongoing austerity. The level of government grant support to the Council is difficult to predict as it depends significantly on the state of the UK economy, whether the recent austerity measures continue and for how long and how deep they will impact on the grant to the Scottish Government from Westminster, and then how the Scottish Government decides to manage any such funding reductions across the range of public sector services that are funded. Over-riding these uncertainties is the uncertainty around Brexit and covid-19.
- 1.7 In general it is anticipated that the Council will face significant financial challenges over at least the next five years. It is therefore likely that difficult choices will continue to be required – this Strategy provides a practical framework within which choices will be identified, debated and approved.
- 1.8 To provide clear and consistent direction for the Council, 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 (HRA);
 - resources are allocated and deployed to facilitate delivery of the outcomes set out in the Strategic plan, and Local Outcome Improvement Plan. 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 an ongoing focus on securing efficiencies across the organisation;
 - there is a clear strategic financial planning linkage between Council decisions on capital planning and the revenue budgets for both the General Fund and the HRA; and
 - there is an increased level of understanding on behalf of the wider community with regard to the finances of the Council.
- 1.9 The primary financial challenges facing the Council over the period of this strategy will be delivering a balanced revenue budget year on year and the ongoing development of the capital programme, which maintains appropriate investment in our key infrastructure. In addition the HRA capital plan takes a longer-term approach to capital planning within the HRA.

- 1.10 To deliver a coherent, balanced revenue budget year on year, the Council will need to continuously 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 or reduce service provision.
- 1.11 There is no doubt that the information generated through this process will result in options that are likely to require hard choices – one of the main challenges for the Council over the next few years will be that, once chosen, these options will often require a lead-in period prior to implementation.
- 1.12 In order to ensure the link between the strategic future development of capital assets to the financial strategy, capital plans are considered alongside ongoing revenue planning. Capital plans for both General Services and HRA will continue to be approved at the same meeting of the Council that approves the subsequent revenue budgets, as both are intrinsically linked.
- 1.13 The level of ongoing government support for General Services capital expenditure is known for only the first year of this strategy, similar to the revenue funding position the longer term position is not known and may well come under further pressure depending on the UK policy direction. Similarly to the revenue position it is anticipated the funding for the period from 2021/22 onwards will not be known until mid-December 2020.
- 1.14 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.
- 1.15 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, as described in the Local Outcome Improvement Plan. The Financial Strategy and the other strategic plans will require to be evidenced in the development of the workforce plan.
- 1.16 The Financial Strategy undertakes some sensitivity analysis to provide a picture of best case, worst case and likely case in terms of financial projections. This allows Council to see the risk associated with the range of variables within the financial issues/pressures identified.
- 1.17 This strategy projects budgets 10 years into the future in order to provide longer term projections of future budget positions to allow Councils to consider making longer term decisions. It is clear that the further away from the current date that projections go the less certain the projections become, however they will allow Council to consider longer term views and options.

Councillor Jonathan McCoil
Leader of the Council

Joyce White
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 Strategic Plan and the Local Outcome Improvement Plan.
- 2.3 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 considering best practice from other local authorities.
- 2.4 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).
- 2.5 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.
- 2.6 The strategy will also provide information to a range of stakeholders:

Table 1 – Stakeholder Information

Stakeholder	Purpose of finance strategy
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 and support their roles in financial management arrangements
For residents	to show how the Council's Financial Strategy impacts upon service provision
For Council Tax and Rent 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

- 2.7 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.
- 2.8 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. This is particularly the case the longer into the future the projections are taken.
- 2.9 The inclusion of information in the Financial Strategy, for example on a specific project in 2020/21 onwards, does not infer approval and all financial projections and issues will be subject to approval through the budget process and any appropriate Committee approvals.

- 2.10 The associated Strategic Planning and Budgeting framework will ensure there is a clear linkage between the strategic planning and budgeting processes.
- 2.11 This will also allow services to plan ahead, taking into account the resources available over the next three years to provide Members, management and residents information as to measures needing to be taken in year 1, detailed indicative figures for years 2 and 3 of the strategy, and less certain longer term projections out to year 10.
- 2.12 A key element of the strategy’s development is to proactively identify opportunities to achieve efficiencies or secure alternative funding sources in assisting to fund the Council’s priorities and objectives.

3. Financial Summary

General Services Revenue Budget

- 3.1 The budget process for 2020/21 was progressed through the Council in the normal manner and in order to balance the 2020/21 budget a range of approaches were agreed by Council in March 2020.
- 3.2 The budget balanced the 2020/21 budget and left target efficiencies to be determined for 2021/22 of £6.051m and a further £7.018m for 2022/23.
- 3.3 The detailed analysis has now been rolled-forward to 2023/24 and the reconciliation between the 2020/21 position and the 2023/24 position is provided at Annex 1. A projection to year 10 of the strategy has also been developed and is also shown at Annex 1.
- 3.4 A sensitivity analysis has been undertaken on the main areas of financial pressure to 2030/31 and this provides the range of anticipated outcomes in terms of future budget gaps based on a best case, worst case and likely case outcomes and for the next three years are shown as follows:

Table 2 – Outcome of sensitivity analysis – General Fund Revenue projections

GENERAL SERVICES:			
GAP ANALYSIS UNDER DIFFERENT SCENARIOS			
	2021/22	2022/23	2023/24
	£000's	£000's	£000's
LIKELY PROJECTION	£4,036	£8,237	£10,211
BEST	£2,980	£8,159	£9,828
WORST	£9,488	£17,060	£19,914

The above illustrates that following the review of the financial position and under the “Likely” set of assumptions that the gaps for 2021/22 to 2023/24 has changed due to reviewed assumptions which are highlighted in Annex 2.

The expectation is that Council will plan on the likely case outcome above, however Members may consider a prudent approach and consider the worst case, or a position between these two projections.

Housing Revenue Account Budget

- 3.5 The HRA Budget for 2020/21 was agreed in March 2020 with a 1.9% increase in rent for 2020/21. Draft forecasts for future years continue to indicate budget pressures in many areas: effects of the DWP Welfare Reform; the ongoing provision of housing which meet the Scottish Housing Quality Standards; and compliance with Energy Efficiency Standards. In setting the budget the expectation is that the HRA income will meet projected costs and therefore shows no funding gaps for 2021/22 to 2023/24.
- 3.6 A sensitivity analysis has been carried out for the HRA revenue account and shows the following range:

Table 3 – Outcome of sensitivity analysis – HRA Revenue projections

HRA:			
GAP ANALYSIS UNDER DIFFERENT SCENARIOS			
SCENARIOS	2021/22 £000's	2022/23 £000's	2023/24 £000's
LIKELY PROJECTION	£0.093	£0.184	£0.334
BEST	-£0.036	-£0.074	-£0.024
WORST	£0.250	£0.500	£0.768

Capital Budgets

- 3.7 A refresh of the General Services 10 year Capital Plan for 2019/20 to 2028/29 was agreed by Council on 27 March 2019. At the Council meeting in March 2020, the three years from 2020/21 to 2022/23 were approved in detail with the remaining years being indicative at this stage. This long term capital plan takes into account revenue resource available to support capital investment into the future, however, as stated above a key element of the long term capital plan was to develop projects which generate funding (either capital receipts or revenue efficiencies) that can be used to fund the capital plan. Thus, the strategy considers any revenue implications to be funded to support the ongoing capital plan. The capital plan is due, based on approved policy, to be reviewed in full every three years, whilst in interim years updates will be undertaken to recognise changes in phasing, etc. the most recent of which being in March 2020.
- 3.8 The 5-year Housing Capital Plan for 2020/21 to 2024/25 was agreed at Council in March 2020.
- 3.9 Table 4 (below) provides a summary of the Council's projections for General Services and HRA Revenue and Capital for 2021/22 to 2023/24. At this point, Scottish Government Funding is unknown beyond 2019/20 and therefore assumptions have been made. Note these projections are based on the "likely" outcome from the sensitivity analysis identified at 3.4 and 3.6 above; together with a range of assumptions, as identified on Annexes 1 and 2.

Table 4 - Three Year Summary - Revenue and Capital

	2021/22 £000	2022/23 £000	2023/24 £000
General Services Revenue Budget	231,863	236,420	238,860
<u>Funded by:</u>			
Government Grant	(188,812)	(187,457)	(186,051)
Council Tax	(38,830)	(40,541)	(42,598)
Reserves	(185)	(185)	0
Cumulative Funding Gap	4,036	8,237	10,211
Housing Revenue Budget	44,780	45,747	47,216
Financing	(44,780)	(45,747)	(47,216)
Cumulative Funding Gap	0	0	0
General Services Capital Budget			
Anticipated Spend	70,681	51,978	32,745
<u>Funded by:</u>			
Prudential Borrowing	(45,968)	(38,576)	(14,905)
Capital Grant and Match Funding	(20,278)	(9,625)	(13,909)
Capital Receipts	(4,435)	(3,777)	(3,931)
Revenue Contributions	0	0	0
	(70,681)	(51,978)	(32,745)
Housing Capital Budget			
Anticipated Spend	43,147	41,059	35,071
<u>Funded by:</u>			
Prudential Borrowing	(28,483)	(27,188)	(24,816)
Capital Grant	(4,500)	(6,616)	(3,372)
Capital Receipts	0	0	0
Revenue Contributions	(10,164)	(7,255)	(6,884)
	(43,147)	(41,059)	(35,071)

4. National Context

The Financial Settlement

- 4.1 The Scottish Government has provided settlement figures for 2020/21 only at this stage. It is unclear at this stage whether the next settlement will cover only a single year – for 2021/22; or be a three year settlement – which is stated to be the hope of Ministers. Any three year settlement will likely need to be indicative due to unknown UK Government funding for future years.

The settlement for 2020/21 provided the Council with Revenue Grant/Non-Domestic Rates Income/Specific Grant of £190.157m.

- 4.2 When the Council's own projection of Council Tax Income based on a 97.5% collection rate is added (£36.890m) then the gross available resource for the Council in 2020/21 was budgeted at £227.047m.
- 4.3 For 2021/22 onwards there is no information available from the Scottish Government, however early indications from economic commentators suggest that for 2021/22 to 2023/24 and news from UK government point to a single year budget for 2021/22. Prior to covid-19 it was expected that the UK Government would be planning to provide additional funding to support a range of priority areas and start towards "levelling-up" in regional terms in England. Such approaches would have been likely to have positive impacts on Scottish Government funding due to Barnett consequential. The impact of covid-19 is, as yet, unknown on future settlements.

It is currently anticipated that this the overall settlement for 2021/22 onwards will be a 0.75% reduction. These projected reductions include the anticipated impacts of demographic change. As stated the impact of covid-19 on the UK public finances and how the UK Government decides to manage this impact may have a significant impact on this assumption.

In agreeing the Scottish Government budget for 2020/21 the Scottish Government provided Councils with additional funding. Due to the nature of this additional finding and how it arrived with councils this strategy expects that this funding continues as a permanent distribution.

A key factor in the settlement is the Floor Calculation and the floor has not yet been set by the Scottish Government for 2021/22 and there is a risk that funding pressures passed to the Scottish Government by the UK Government result in a change to this position. It should also be noted that not all Scottish Government funding is included in the Floor Calculation, so there is risk of variation of funding.

For 2020/21 to 2023/24 the anticipated Scottish Government funding is:

- 2020/21 £190.157m
- 2021/22 £188.812m;
- 2022/23 £187.457m; and
- 2023/24 £186.051m.

The level of funding from the Scottish Government anticipated in this strategy assumes Council will continue to meet the commitments required by the Scottish Government in future finance settlements.

Funding for Social Care

- 4.4 For the 2020/21 settlement new funding was provided through the Government to support Social Care. For 2021/22 onwards it is anticipated that this funding will continue to be provided by the Scottish Government. COSLA is pressing the Scottish Government to fully fund the ongoing implementation of the living wage and associated cost. Within this strategy it is assumed that there is further funding for living wage implementation from the Scottish Government.
- 4.5 The IJB manages the process to develop its budget taking account of the new funding from the Scottish Government alongside the funding from the Council and this strategy which, via the likely scenario, expects that the Council will reduce the funding to the IJB pro-rata to the gap in the projected position shown in Annex 1 to

this report. This position will be considered by Council as the budget-setting process for 2021/22.

Council Tax Reform

- 4.6 The Scottish Government in the last two financial years relaxed its position on Council Tax capping – from 3% to a position that reflected 3% plus inflation. For the 2020/21 budget process this therefore allowed Councils to increase Council Tax by up to 4.84% – which the Scottish Government described as being 3% which recognizes inflationary pressures and this increase was agreed by this Council. It is assumed that a similar position will be allowed by the Scottish Government for future years and this is reflected in the strategy.

Brexit

- 4.7 The ongoing Brexit negotiations between the UK Government and the European Union and the ongoing political discussion around Brexit within the UK present a risk to assumptions made on Scottish Government settlements. In the UK Budget announcements in September 2019 the Chancellor of the Exchequer was clear that a “no deal” Brexit would be likely to require the Government to revisit Budget assumptions. It is anticipated that this would impact on the settlement to the Scottish Government and likely onto Councils. The extent of the risk around this is not quantifiable.

The UK Government has provided assurance that projects that are currently funded by EU funding would be funded by UK Government to 2021, if the projects are approved by EU prior to Brexit date.

The outcome of Brexit negotiations remains an area of potential impact to the Council and its community, as well as for the whole of the UK and Scotland.

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 period of this strategy due to changes in legislation, policy and other national and local developments. 2020 has seen particular challenges due to the impact of the global pandemic and at this stage it is not clear how long this will continue to be a major issue and what financial implications are into the future.

The Planning Context

- 5.2 The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Budget Process which is issued annually to senior management as part of the budget preparation process. This framework links the budgetary development process to the Strategic Plan, and Service Plans, recognising the Local Outcome Improvement Plan (LOIP) between the Council and its Community Planning partners.

- 5.3 The Council's draft Strategic Plan for 2017-22 sets out a clear vision:

‘West Dunbartonshire Council will deliver high quality services, led by priorities identified by the communities of West Dunbartonshire, in an open and transparent way’

- 5.4 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.

- 5.5 Members have acknowledged the overall challenge for the Council remains the expectation of ongoing funding reductions, balanced with the need to deliver sustainable services, encourage economic growth and develop long term management of our assets. The Strategic Priorities to 2017/22, agreed at Council on 25 October 2017, are:
- A strong local economy and improved employment opportunities;
 - Supported individuals, families and carers living independently and with dignity;
 - Meaningful community engagement with active, empowered and informed citizens who feel safe and engaged;
 - Open, accountable and accessible local government; and
 - Efficient and effective frontline services that improve the everyday lives of residents.
- 5.6 The Financial Strategy underpins the delivery of the vision, priorities and objectives identified in the Strategic Plan.
- 5.7 Community Planning West Dunbartonshire, (CPWD) 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.
- 5.8 The Local Outcome Improvement Plan is a high level agreement between the CPWD and the Scottish Government. It identifies areas for improvement and sets out how the CPWD will deliver better outcomes for the people of West Dunbartonshire. This 10 year plan covers the period 2017-2027 and details the long term priorities for improving outcomes in West Dunbartonshire as agreed in September 2017.
- 5.9 The priorities agreed set the framework for the Council priorities as described in paragraph 5.5 above. The LOIP commits to reducing inequalities for our residents to deliver a West Dunbartonshire where:
- Our local economy is thriving;
 - Our communities are safe;
 - Our children and young people are nurtured;
 - Our older residents are supported to remain independent; and
 - Our residents are empowered.

Demographics

- 5.10 One of the most significant challenges facing West Dunbartonshire is depopulation and demographic change – this has been recognised as a priority by the Council.
- 5.11 The latest population statistics available (published May 2020) is the 2019 mid-year population which shows a population for West Dunbartonshire is 88,930; a small decrease of 0.76% from 89,610 in 2017 and a reduction of 200 since the 2018 mid-year census. This represents a total population loss since the 2011 census (90,720) of 1.97% of the population. This continues the trend in population loss which began in the 1990's. In contrast the population of Scotland has risen by 3.2% since 2011 (5,295,403) to its current figure of 5,463,300. The population of Scotland increased by 0.46% in between 2018 and 2019 mid-year estimates.
- 5.12 Based on the 2019 mid-year population estimates, 18% of the population are under the age of 16 (17% for Scotland), with 64% of the population working age (64% for

Scotland) and those of pensionable age and over making up the 18% of West Dunbartonshire's population (19% for Scotland). 8 Councils saw populations decrease over the year with 24 seeing an increase. In percentage terms, West Dunbartonshire's reduction was the fifth highest in Scotland, the highest being Argyll & Bute with a reduction of 0.5%.

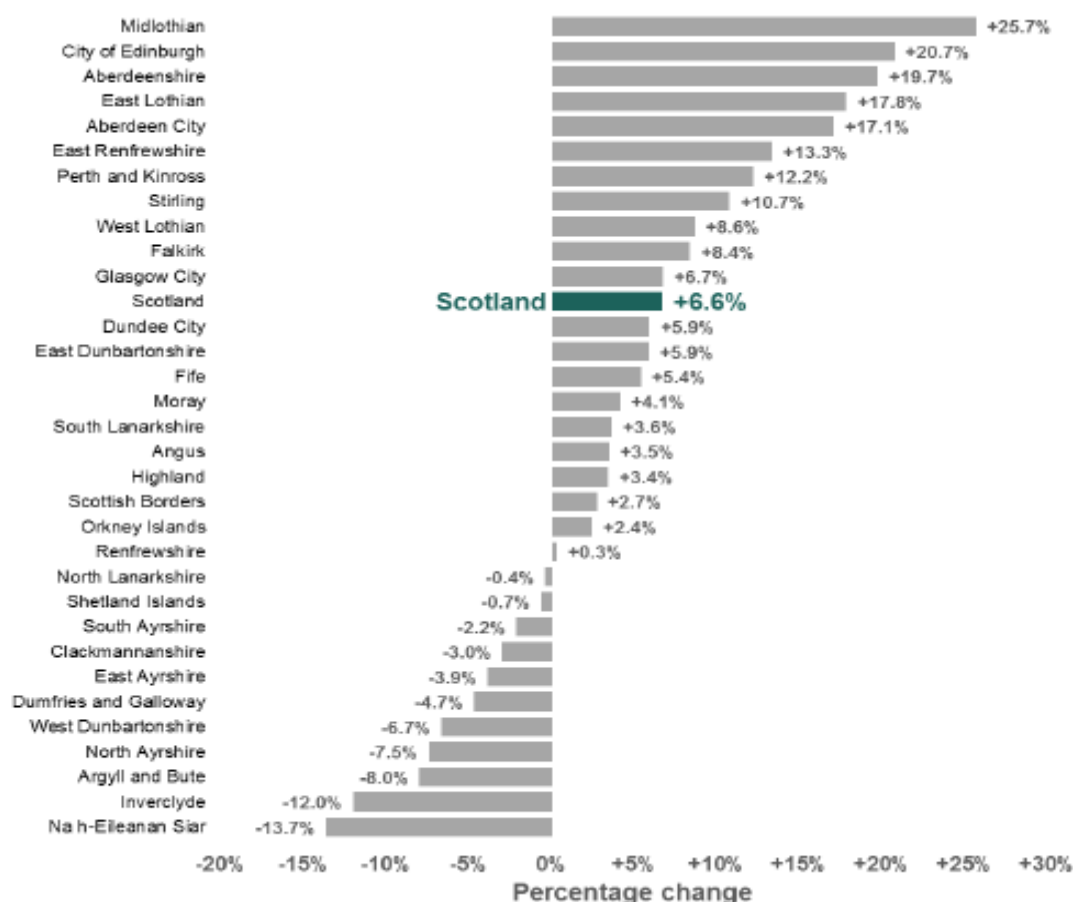
- 5.13 Even though the population has fallen slightly, the number of households is projected to grow. The structures of households and families will continue to be complex with a growing number of single adult households driven by the continuing high divorce rate, low rate of marriage, the rising numbers of children born to unmarried mothers and the ageing of the population.
- 5.14 The SIMD 2020 data shows that 40% (48) of West Dunbartonshire's 121 data zones are in the most deprived 20% of all data zones in Scotland. West Dunbartonshire is one of five local authorities with the largest proportion of data zones in the 20% most deprived category.
- 5.15 In terms of economic context the Council area has:
- 76% of population are economically active versus the Scottish average of 77%;
 - 25% of children in the area living in poverty versus the Scottish average of 22%; and
- 0.9% of the working age population (aged 16-64) in receipt of long term out of work benefits versus the Scottish rate of 0.3%.
- 5.16 Scottish Government funding to Councils is linked to a number of indicators of need, which are known as the Primary Indicators used to generate the Grant Aided Expenditure (GAE) for all Councils in Scotland. In the 2020/21 GAE of the Primary indicators, 28% are linked directly to school pupil indicators and 14% are linked directly with population. In effect this means that 42% of all indicators are linked directly to demographics. If the West Dunbartonshire population (including school pupil numbers) falls, relative to the average position for the rest of Scotland, this is will have a direct impact on funding received from Scottish Government.
- 5.17 Even with additional GAE allocations and Secondary Indicators which aim to take account of deprivation Scottish Government funding is likely to reduce if population decline in West Dunbartonshire continues in comparison with the rest of Scotland. Based on current population projections for West Dunbartonshire (in comparison to Scotland) and the primary indicators used in the generation of the GAE (pupil numbers and general population) it is anticipated that West Dunbartonshire's share of government support will continue to reduce.
- 5.18 Based on the most recent (2018) national population projections for the next 10 years (to 2028) showed Scotland expected to increase its population by 1.7%). The most recent Council level projections showed, in 2016, West Dunbartonshire being projected as a 0.7% reduction. This is likely to changes as national projections have reduced significantly. A number of years ago the future reduction in projected population to 2037 is illustrated in Table 5 which shows the Council and Scottish population projections and the proportional change expected for West Dunbartonshire. This is significant as in other population analysis the current projection to 2039 of the Scottish population shows the percentage of the Scottish population which resides in West Dunbartonshire is expected to reduce from 1.7% in 2014 to 1.46% in 2039. This is due to an expected ongoing decline in West Dunbartonshire while the total for Scotland is anticipated to increase.

Table 5 – Population projections 2012 to 2037

		West Dunbartonshire Council				
		Base Year	Projected Years			
Age Group	2012	2017	2022	2027	2032	2037
0-15	15,913	15,796	15,915	15,318	14,481	13,530
16-29	16,034	15,163	13,765	13,047	13,151	13,215
30-49	24,489	21,954	20,619	20,485	19,477	18,355
50-64	18,633	19,976	19,992	17,950	15,584	14,258
65-74	8,388	9,276	10,038	11,074	12,133	11,640
75+	6,883	7,160	8,031	9,187	10,459	12,063
Total	90,340	89,325	88,360	87,061	85,285	83,061
		Scotland				
		Base Year	Projected Years			
Age Group	2012	2017	2022	2027	2032	2037
0-15	914,700	919,300	954,500	965,600	973,200	965,000
16-29	975,800	967,300	910,100	895,300	909,300	938,600
30-49	1,450,700	1,387,600	1,389,000	1,436,600	1,441,400	1,424,500
50-64	1,046,600	1,109,300	1,141,800	1,077,200	1,006,500	979,100
65-74	507,300	563,900	589,500	634,700	693,400	694,400
75+	418,500	459,600	534,700	616,400	689,700	778,700
Total	5,313,600	5,407,000	5,519,600	5,625,800	5,713,500	5,780,300
		WDC as percentage of Scotland				
		Base Year	Projected Years			
Age Group	2012	2017	2022	2027	2032	2037
0-15	1.74%	1.72%	1.67%	1.59%	1.49%	1.40%
16-29	1.64%	1.57%	1.51%	1.46%	1.45%	1.41%
30-49	1.69%	1.58%	1.48%	1.43%	1.35%	1.29%
50-64	1.78%	1.80%	1.75%	1.67%	1.55%	1.46%
65-74	1.65%	1.64%	1.70%	1.74%	1.75%	1.68%
75+	1.64%	1.56%	1.50%	1.49%	1.52%	1.55%
Total	1.70%	1.65%	1.60%	1.55%	1.49%	1.44%

5.19 The chart below also indicates the forecast change in population for West Dunbartonshire Council in comparison to other council areas in Scotland between 2014 and 2039. It can be seen that this Council is projected to decline in population by 6.7% (fifth highest drop in Scotland), with the Scottish average to increase by 6.6%.

Chart 1: Projected percentage change in population, by Council area, 2014 - 2039



Source: National Records of Scotland

- 5.20 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.
- 5.21 As can be seen from the West Dunbartonshire projections the only age groups with projected growth to 2037 is for the two bands for those aged 60 and over. This has the potential to become a significant issue if population decline in younger aged population is not halted or, ideally, reversed over this period. The Council is aiming to increase total housing supply over the period to 2022 by 5,000 houses; this may mitigate this downward trend; however it will be noted that the Scottish Government is aiming to increase house numbers across Scotland.
- 5.22 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. There is evidence that poverty has been exacerbated by the implementation of austerity measures by the UK Government, particularly in relation to benefits payments.
- 5.23 The predicted demographic changes also have other implications. A decline in younger economically active people with a growth in the older, more vulnerable age group with fewer informal carers. This is likely to result in a higher dependency on services provided, such as Social Care.

6. Financial Management

Corporate Governance

- 6.1 The Council positively promotes the principles of sound corporate governance within all aspects of its activities.
- 6.2 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.
- 6.3 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.
- 6.4 The Council's Financial Regulations and any amendments are approved by Council and are an essential component of the corporate governance of the Council.
- 6.5 The Chief Financial Officer (CFO) or 'Section 95 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 of the responsibility of the Strategic Lead - Resources.
- 6.6 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.
- 6.7 Head Teachers must comply with the Financial Regulations, with the exception of virement which is defined for schools within the Council's scheme of Devolved Management of Resources Scheme (DMR).

Roles and Responsibilities

- 6.8 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.

Elected Members

- 6.9 Council Members, through the Full Council and 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.
- 6.10 The Audit and Performance Review Committee, with representation from Members as well as 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 are reported and monitored at this Committee, as well as to Council.

- 6.11 Throughout the year Council and Committees receive reports which allow progress against approved budgets to be scrutinised. All members are provided with the opportunity to attend appropriate training in the areas of Financial Strategy, Local Government Finance and key specialist areas such as Treasury and Risk Management. Members' personal development opportunities are provided through an ongoing annual programme of seminars which will include updates on financial aspects.

Corporate Management Team

- 6.12 The Chief Executive and Chief Officers form the Corporate Management Team (CMT), chaired by the Chief Executive. The CMT is 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.
- 6.13 As Budget Holders, members of the CMT are responsible for the budgets delegated to deliver the services within their respective Directorates 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.

Chief Financial Officer

- 6.14 The CFO has a statutory role to ensure that appropriate arrangements are in place for the proper administration of the financial affairs of the Council. The CFO 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 Strategic Lead - Resources, under the current structure.

Chief Officers

- 6.15 The Chief Officers are 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 Strategic Plan and within the budget agreed for each service area each year at Council.

Finance Business Partners

- 6.16 The main role of the service-linked Finance Business Partners is to advise the Strategic Directors and Strategic Leads 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
- 6.17 However responsibility for budgetary control lies with the Strategic Directors and Strategic Leads as delegated budget holders, together with their associated Service Managers.

Internal Audit

- 6.18 Internal Audit provides 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.

External Audit

- 6.19 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.
- 6.20 They provide assurance to 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.

Managing the Budget

- 6.21 The Council has an effective method of developing both the revenue budget and capital programme that has aims to align resources with the strategic outcomes the Council wants to achieve for the area.

Revenue Budget - Pressures and Savings

- 6.22 The current process for considering the development of the revenue budget is undertaken collectively between the CMT and individual political groups. The process is undertaken with due consideration of, and agreement on, current policy and financial parameters for the budget, corporate and political expenditure pressures and/or savings options.
- 6.23 The CMT collectively evaluates all expenditure pressures and savings options to ensure that they are sufficiently robust and deliverable.
- 6.24 All pressures and savings options generated are evaluated in the context of the current Strategic Plan, which informs consideration by both the CMT and individual political groups. In generating these options due regard is made to the Council's equalities and environmental sustainability policies.

Public Private Partnership

- 6.25 In 2008/09 the Council reached financial conclusion on a 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 (which Council agreed to reschedule on 27 March 2019). The Council's Facilities Management Service is involved in providing services to the Council (catering, grounds maintenance and cleaning services). BAM is the company contracted to provide the PPP buildings and managing the PPP project. Administration and monitoring of the project continues to be strictly managed. The new Our Lady & St.Patrick's High School is funded through the updated Scottish Government Non-Profit Distributing approach where the Scottish Government provides ongoing revenue support for the school's provision.
- 6.26 The Council's ongoing budget build-up takes into account the full value of the annual unitary charge for the provision of the schools together with the ongoing revenue support provided by the Scottish Government.

Capital Programme

- 6.27 The Council is committed to developing its strategic financial planning. As referred to above, a process was developed which allowed the Council to agree a 10 year General Services capital plan in conjunction with agreeing the revenue budget. The agreement of this plan has allowed the Council to more accurately project the effect of capital projects on the revenue budget, considering costs and efficiencies, as well as levels of prudential borrowing on spend to save initiatives. This also allows the Council to forward plan on funding aspects of the Council's strategic commitments. As stated elsewhere in this document the HRA investment plan has been reviewed

in setting the budget for 2019/20 onwards with a five year plan and a 30 year finance strategy.

Service Specific Funding (Ring-fenced funding)

- 6.28 With changes in Scottish Government Settlement due to the introduction of the Concordat, there remain some small areas of ring-fenced Government funding. In essence, the reduction of ring-fencing allows the Council to prioritise which services it aligns resources to, whilst recognising statutory duties, Strategic Plan priorities and our local outcome agreement. In recent years the levels of ring-fencing of new funds from the Scottish Government has increased. Recent new funding provided by the Scottish Government has tended to be ring-fenced reflecting the priorities of the Scottish Government.

Time Limited Funding

- 6.29 The following issues need to be considered when considering time limited funding:

- Clear monitoring that the funding is delivering and achieving the required impact, within the approved funding level;
- Such funding 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.

- 6.30 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.

Additional Income

- 6.31 There is a need to ensure that any additional income to the Council, for example from the Scottish Government or a partner organisation, should be considered through a structured process that would allow initial appraisal. 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.

- 6.32 The overall reduction in the level of ring-fencing by the Scottish Government may reduce the need for this type of approach but is important that it is part of the overall Financial Strategy.

Income Generation

- 6.33 The generation of income is an important aspect of the overall financial strategy and continues to be reviewed annually by the CMT and Council, through the budget process. An extensive and full review of all charges as part of the approach to commercialization was undertaken during the build-up to setting the 2019/20 budget and a revised set of charges was agreed. For the purpose of this strategy an assumption has been made that charges that are set by Council will be uplifted at 4% on an ongoing basis, except for those services where charges are either statutorily defined, or not permitted to exceed the cost of provision.

Contingency

- 6.34 Based on the Contingency Fund Policy if unplanned savings are identified by services, i.e. are outwith their control, these savings are removed through virement from service budgets to the Council's Contingency Fund. Services also have the right to apply for funding from the Contingency Fund during the year for costs arising outwith their control. A copy of the policy is appended as Annex 3 to this strategy.

Freedoms and Flexibilities

- 6.35 Virement between budgets is allowed, subject to the limitations and approval requirements identified in the Financial Regulations. All virements require to be authorised through the Virement Approval Form to provide a clear audit trail.

Council Tax

- 6.36 The council tax was frozen in line with the concordat agreement with the Scottish Government between 2008/09 and 2016/17. Funding was been made available through the financial settlement equivalent to a 3.14% increase in council tax each year. As stated above the freeze was removed for 2017/18 though a cap at a 3% increase was imposed through the funding settlement and in 2019/20 the Scottish Government allowed an increase of up to 4.79%, though the Council decided to increase at 3% for 2019/20. The Scottish Government again allowed an inflation-linked increase for financial year 2020/21 at 4.84%. As a result of this it is anticipated within this strategy that the council tax will again be able to be increased in future years at an inflating-linked value linked to the original 3% cap. Current Band D is equivalent to £1,294 in comparison to the Scottish average of £1,308.
- 6.37 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 in-year collection rate by 5.78% since 2005/06 to 95.15% in 2019/20. In recognition of this steady improvement in performance full collection rates anticipated for the purposes of this strategy have been revised upwards to 97.5%, from 97.25%. Due to the current financial climate (including the, as yet, unknown local economic impact of ongoing welfare reform and austerity), the levels of debt written off by the Council due to sequestrations and trust deeds, the levels of bad debt provision will be subject to annual review during the budget setting process. There is a risk in relation to Council Tax collection arising from the ongoing covid-19 pandemic and this will be reviewed as the 2020/21 financial year progresses.
- 6.38 Analysis has been undertaken of the number of houses within the Council area in order to accurately predict Council Tax yields going forward. As a result of this an additional £0.250m per annum is expected in 2021/22 and 2022/23 and a further £0.150m per year thereafter.

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). Annexes 4, 5 and 6 provide an analysis of issues in the short, medium and longer term, and some of these are discussed further in this section.
- 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 is expected to receive Scottish Government Funding of £188.812m in 2021/22.
- 7.4 When the Council's own projection of Council Tax Income based on 97.5% collection rate of £38.830m is added then the budgeted gross income for the Council in 2021/22 is £227.642m.
- 7.5 This Financial Strategy provides detailed revenue forecasts covering the next 3 financial years, 2021/22 to 2023/24. The forecasts for the first year being more accurate as expected levels of demand and cost for Council services are more likely to be accurate in 2021/22 than in future years. The level of Scottish Government funding for 2021/22 onwards is not yet known and will be announced in mid-December 2020. The strategy at this stage is prepared on the basis of not knowing the outcome of the Spending Review undertaken at UK Government level, how that deals with covid-19 and the costs of that, and what this means for the Scottish Government funding levels going forward. Therefore these figures are subject to potentially significant variation.
- 7.6 The level of resources available to the Council to fund its revenue expenditure is also dependent on Council Tax. The Financial Strategy currently assumes an increase for 4.8% for each year from 2021/22 to 2023/24.
- 7.7 As part of the budget process for 2020/21 the Council agreed a Reserve Strategy which identifies an optimum target for an unallocated Prudential Reserve of £4.305m for General Services and £0.883m for the HRA.

The approach to the calculation of the Prudential Reserve for the General Fund has been revised for 2021/22 to take cognisance that the HSCP – which forms part of the Council overall revenue budget - also holds a Prudential Reserve at 2% of its net revenue budget. For this reason the value of the HSCP net revenue budget has now been excluded from the calculation of the Council's Prudential Target. Based on current projections this means that the Council's Prudential Reserve for 2021/22 is £2.970m.

- 7.8 During 2020/21 the planned treatment of the outcome of the Loans Fund Review required to be changed resulting in expected use of £1.893m in 2020/21 to help close the funding gap that year could no longer be used. As a result of this in 2020/21 unearmarked revenue reserves reduced to below the level of the prudential target to £2.752m.
- 7.9 In the annual report from the Council's external auditors the value of the Council's usable reserves was highlighted as a risk. It was highlighted that, whilst generally operating within budgets each year, the level of usable reserve is low in comparison to other Councils in Scotland.

This reserves position needs to be considered in light of the ongoing financial challenges faced by the Council, and the overall position of the Reserves was considered as part of the budget process for 2020/21 and will continue to be reviewed on an annual basis, see Section 10. The position and use of reserves linked to the covid-19 pandemic and the financial impact of covid-19 will require to be considered as costs and funding sources and financial flexibilities from Scottish Government continue to develop. As the net cost of covid-19 is finalised members will require to consider whether and to what extent it is appropriate that the prudential reserve is used to partially assist in meeting such net cost.

- 7.10 In their annual report in September 2017, the Council's external auditors recommended that the Council develop a longer term approach to financial planning. To this end, for the first time the long term finance strategy reported to Council in October 2017 included projections for a 10 year period. This continues as standard practice and Annex 1 to this document projects the Council's finances for a 10 year period – to 2030/31. Clearly the longer into the future that projections are made, the less accurate the projections will be, however it is anticipated that the longer term approach will allow the Council to consider longer term approaches to financial planning.

Short to Medium Term Revenue Issues

Leisure Trust

- 7.11 The West Dunbartonshire Leisure Trust, commenced on 5 April 2012 and the Strategy reflects both costs and benefits going forward. Since the start of the Trust up until now the Trust has not resulted in any additional financial pressures. In February 2015 Council approved the transfer of Outdoor Recreation services to the Leisure Trust. The Trust has been significantly impacted by covid-19 as being required to cease operations for significant periods of time due to government decisions in relation to health and safety and to minimize the spread of the infection. The Leisure Trust plans to revise the position for 2021/22 by reviewing the services it delivers in line with the levels of funding available from the Council, and levels of demand from the public.

DWP Welfare Reform

- 7.12 The UK Government's emergency budget (22 June 2010), the Comprehensive Spending Review proposals (20 October 2010) and the Welfare Reform Bill (February 2011) have confirmed a number of changes to Housing Benefit and Council Tax Benefit currently administered by the Council on behalf of the Department of Works and Pensions (DWP), as well as other Welfare Benefit changes.

Following the "emergency" UK budget of 8 July 2015 it is clear that further UK-wide steps to reduce the DWP budget will introduce further challenges for residents of West Dunbartonshire. The main impacts are likely to be in the ongoing controls being placed around benefits payments, as follows:

- No automatic housing benefit for 18- to 21-year-olds;
- Free 30 hours of childcare for three- and four-year-olds;
- Freeze working age benefits for four years;
- Rents in social housing cut by 1%;
- Child tax credits restricted to two children by 2017;
- Benefits capping; and
- Cuts to employment and support allowance payments for new claimants deemed capable of "work-related activity".

This not only has potentially significant impact on the Council financially (both in HRA and General Services budgets) but also strategically. These changes will further reduce the general spending power of the residents of the area and are likely to lead to increased elective demand for Council services, or result in further reactive spend by the Council.

- 7.13 The financial effects to the Council (and its residents) of Welfare Reform commenced in 2013/14 and continues. Limited information is known on the overall impact to the Council and its residents.

Assumptions have been made on the information available and this has been worked through this Financial Strategy, but will require to be reviewed on an ongoing basis as more information becomes available. Further action is being taken on non-financial strategic areas to best minimise the impact of the reform to residents within the Council area.

- 7.14 Universal Credit started to roll-out in West Dunbartonshire in February 2015 on a limited approach which will build over time and full implementation commenced in June 2018. Welfare Reform roll-out to the wider community continues to happen though in a delayed manner in relation to Universal Credit and therefore the financial impacts on residents and therefore – potentially – on the Council continue to be unclear. This may impact ability of residents to continue to pay for services and use services where there are charges.

- 7.15 At this time, the full impact to the Council of the changes already made by the Department of Works and Pensions are available, as many of the changes have been in place at least since 1 April 2013. The strategy has been updated to reflect the better intelligence following these implemented changes. The main financial issues arising from Welfare Reform are as follows:

- **Introduction of a benefit “cap” was introduced from July 2013.**
This affects a number of residents and has a financial impact on the Homelessness budget where the Council is in receipt of Housing Benefit to cover the rental and service charge payment for people who use this service. The impact of the cap has been slower than anticipated and assumptions around the ongoing impact have been revised due to experience since July 2013. The value of the cap was reduced from November 2016 to £20,000 for a couple or person with children and £13,400 for a single person.
- **Transition from Housing Benefit to Universal Credit**
Universal Credit started to roll-out on a limited approach in West Dunbartonshire in February 2015. However, a review by Department for Work and Pensions, Universal Credit ended in West Dunbartonshire and other non-full service areas from 31st December 2017 and legacy benefits were reinstated.

Full service Universal Credit is due to commence in November 2018 in West Dunbartonshire which has potentially significant impact on the Council financially (both in HRA and General Services budgets). Full service will further reduce the general spending power of the residents of the area and is likely to lead to increased elective demand for Council services, or result in further reactive spend by the Council.

New Social Security powers allowed the Scottish Government to introduce The Scottish Universal Credit Choices which is available for applicants in full service areas.

- 7.16 The Scottish flexibilities allow citizens to:

- have the option of being paid Universal Credit twice a month rather than monthly; and

- have the option of any Universal Credit Housing Element being paid directly to landlords.

Following the roll-out of full service Universal Credit, a planned migration of existing cases will be complete by 2023. Discussions have been ongoing between COSLA and Department for Work and Pensions in relation to the migration of cases, with COSLA seeking information on the planning due to the scale and complexity of what is involved with 19 different combinations of legacy benefits under payment. There are major funding issues for local authorities, since funding will further decline as the working age Housing Benefit caseloads reduce.

As part of the roll-out process the UK Government have reacted to some feedback provided from Councils and organisations such as COSLA as to the impacts on society and on local authorities and two recently announced changes are:

- Housing Benefit 2- week transition payment introduced from April 2018; and
- Temporary Accommodation housing costs are now paid from Housing Benefit for new claims from April 2018.

Employee Pay Awards

- 7.17 Future employee pay awards have been agreed up to the end of 2020/21 and reflected in this updated strategy. However, for the purpose of the Finance Strategy 2% has been assumed from 2021/22 onwards, as the government position on capping public sector pay awards has been removed. Part of the current pay award included agreement that Councils would implement revised pay structures in order to manage the effect of minimum wage going forward. We have consolidated the Scottish Local Government Living Wage into our pay structures and agreed the approach, in accordance with the national pay agreement, with our local trades unions.

Demographic Change

- 7.18 As identified from section 5.11 above, the population change projected in 2018 is expected to have an adverse effect on the Council's funding settlement from the Scottish Government and this has been built into the strategy, as described above.

Holiday Entitlement for overtime worked

- 7.19 Recent case law developments identify an issue regarding the appropriate payment or provision of annual leave for time worked outwith normal contractual time. This issue has the potential to result in claims for pay for holidays not provided and additional costs have been built into the projections from 2014/15. The cost of this is already built into budgets and the Council has a contingent liability noted within the annual accounts for 2019/20.

Long-Term Revenue Issues

- 7.20 Looking beyond 2021/22 is difficult with significant uncertainty around how local authorities will be funded let alone the level of funding likely to be available.

Depopulation and Population Change

- 7.21 As stated above, the most significant longer-term 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 Strategic Plan.

- 7.22 The fundamental issue for the Council is that if the decline in population continues then Council funding and service provision will come under ongoing increasing pressure. Population change will affect both General Fund and the HRA.
- 7.23 The population of West Dunbartonshire is projected to decrease to 83,061 by 2037, a drop of 6.8% from the current population.
- 7.24 In addition to population decline, the numbers of older people living within the Council area is expected to increase significantly with the pensionable age population to increase by 55% (75% in the group 75+) between 2012 and 2037. 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 further funding in the shorter term to support this, however the longer-term approach of the Scottish Government is not known at this stage.

Government Funding

- 7.25 Future levels of local government funding are difficult to predict with political views generally being expressed that austerity is currently ended and there will be more public sector spending in the next few years. However the impact of Brexit is not yet known. In addition Covid-19 and the ongoing impact of this is an unknown into the future, which may vary costs of delivering services without certainty of funding. This strategy assumes a 0.75% underlying decrease in funding for 2021/22. At this time, a further reduction of 0.75% has been assumed for 2022/23 to 2023/24. Longer term projections of funding over a 10 year period have been made at an average reduction in funding of 0.75%, though there is no certainty as to such assumptions.

Other Variables

- 7.26 Costs associated with sustainability including waste disposal and recycling, carbon management, energy and fuel costs and general procurement are not easy to predict due to policy change recently on waste disposal. The Council requires to revise the methodology for waste disposal and this is likely to require a capital investment. A report on the Council's approach to Climate Change will be reported to Council in November 2020 as the beginning of the development of a strategy to manage requirements for the Council here, this is likely to have cost implications in terms of investment likely to be required, though also has potential for cost reductions as we become more energy efficient, etc.
- 7.27 Interest rates on borrowing from the Public Works Loan Board (PWLB) have been at historically low levels for a number of years. However, in October 2019 the Government increased rates by 1%. This is likely to have been mainly as a result of significant speculative borrowing by a number of Councils in England; and to allow some leeway for possible reductions following Brexit. Even with the increase in the rate the cost of borrowing remains low and there are also a number of other options available which officers will review and consider as and when borrowing is required. During 2020 the UK Government undertook a consultation on the future of the PWLB and identified options around a future lending regime that would limit risk of "speculative" borrowing by Councils. It is anticipated that this will provide the opportunity to reduce the additional 1% which remains in place. In the past year the Bank of England has reduced its Base Rate to 0.1% and the cost of borrowing has subsequently reduced and funding sources outwith the PWLB have become more attractive and have been used by the Council as part of implementing its Treasury Management Strategy.

- 7.28 Future iterations of this strategy will continue to review the effects of the above key issues.

Capital Projections

General Fund

- 7.29 The Council agreed its first Capital Strategy at Council on 27 March 2019, in line with updated best practice. This strategy links asset management plans to the Council's approach to capital investment and to the Capital Plans. The Strategy was updated and reported to Council on 4 March 2020.
- 7.30 An update to the General Services 10 year Capital Plan for 2019/20 to 2028/29 was agreed by Council on 27 March 2019, with an update reported to and approved by Council on 4 March 2020. This long term capital plan takes into account revenue resource available to support capital investment into the future. The capital plan has been reviewed to reflect new expected dates of delivery of projects as part of this strategy as part of the loan charges update. The next full review of the capital plan will take place in 2021/22.
- 7.31 It is recognised that significant investment has been required to improve the Council's asset base (as is described in the Council's Asset Management Strategy). As stated above the 10 year capital planning approach requires funding to be identified for future levels of capital investment and elements of this funding will require additional borrowing. The capital plan has been agreed in detail for 2020/21 to 2022/23 and in outline for 2023/24 onwards, thus revenue implications are now included in the gap analysis.
- 7.32 Historically the Council has agreed an accounting policy which allows annual debt repayments for capital spend to be paid by an annuity method. As previously advised within the Treasury Management Strategy of the Council, following a change in legislation, for loans fund advances made after 1 April 2021 the policy for the repayment of capital spend by annuity method will be limited as the Council requires to apply the most suitable method for each individual advance. Through its Treasury Management Strategy, the Council has agreed that future advances are likely to be repaid by either:
- **Asset life method** – loans fund advances will be repaid with reference to the life of an asset and the annual benefit to the community - using either the equal instalment or annuity method. It is likely that the equal instalment method will be used; or
 - **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream, where appropriate.
- 7.33 The likelihood is that, from 1 April 2021, a significant amount of capital debt will be repaid by equal installment which increases initial financial costs of the investment. For illustrative purposes, based on expected interest rates a £10m investment to be repaid over 10 years will require revenue support (if funded through prudential borrowing) estimated to be as follows:

EQUAL INSTALLMENT			ANNUITY		
Advance Repayment	Interest Due	Total Loan Charges	Advance Repayment	Interest Due	Total Loan Charges
£000	£000	£000	£000	£000	£000
1,000	200	1,200	658	200	858
1,000	180	1,180	717	187	904
1,000	160	1,160	782	172	954
1,000	140	1,140	852	157	1,009
1,000	120	1,120	929	140	1,069
1,000	100	1,100	1,013	121	1,134
1,000	80	1,080	1,104	101	1,205
1,000	60	1,060	1,203	79	1,282
1,000	40	1,040	1,312	55	1,366
1,000	20	1,020	1,430	29	1,458
Average Annual Repayment		1,110	Average Annual Repayment		1,124

- 7.32 Close management controls and monitoring arrangements require to be in place to ensure that the funding anticipated arising from efficiencies are actually generated and that other sources of funding are achieved to support the capital investment. If there is a shortfall in these areas then the burden will fall back on the revenue budget requiring additional savings to be made.

City Deal

- 7.33 The Council has a project within the capital regeneration spend of the City Deal – Exxon site. The anticipated financial impact of this project has been built into the capital plan. The final financial impact will be considered by Council as part of the business case approval process.

Housing Revenue Account

- 7.34 The Council's housing stock required much investment to meet Scottish standards by 2015. This target was met in 2015 however ongoing works are required to maintain at this level and to implement improvements in relation to energy efficiency standards. This has been built into the updated 5 year capital plan for the HRA approved on 4 March 2020.
- 7.35 The Council has secured Scottish Government Grant funding towards the construction of new council houses. The Council is committed to the delivery of new Council homes for rent and plans for future investment have been agreed and have been subject to ongoing reports to the Housing and Communities Committee. The capital plan approved on 4 March 2020 included significant investment plans for new council housing, recognizing ongoing expected increase in demand for social housing.

8. Key Organisational Issues

A focus on strategic leadership

- 8.1 The Strategic Leadership Group (SLG) oversees and coordinates progress on the key issue of improving leadership. Its prime aims are:
- to develop a synergistic approach to influencing relations with Members;
 - to drive the strategic priorities and Member involvement;

- to ensure a corporate approach to key initiatives, 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 Council's self-evaluation model; and
- to ensure appropriate focus is placed on the accountability of lead officers and members and appropriate governance arrangements are maintained.

The SLG meets regularly as the Performance Review Management Group (PRMG) and the Recovery and Renew Board to provide strategic leadership on current and future corporate band strategic issues and developments.

Strategic Asset Management Group

- 8.2 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

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 and briefings 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;
- Quarterly Treasury Management Monitoring briefing notes 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; and
- Each financial year a mid-year strategy review is also been prepared and remitted to Council.

- 9.5 The table below shows the Council's debt and investments position as at 31/03/20:

Table 6 – Council’s Debt and Investment Position – 31/03/20

Treasury position	31-Mar-20	
	Principal	Average Rate
Fixed Interest Rate Debt	£509.678m	2.25%
Variable Interest Rate Debt	£0.000m	0.00%
Total Debt	£509.678m	2.25%
Total Investments	£21.246m	0.74%
Net borrowing position	£488.432m	

- 9.6 During 2015 Audit Scotland produced a national report “Borrowing and Treasury Management in Councils”. This report provided a range of recommendations for improved practice. Two of the main issues were:
- Providing longer term understanding of the revenue impact of capital investment decisions; and
 - Providing a sensitivity analysis for future projections to show what impact changes in cost factors may have on the revenue position. For capital issues the main variable is the cost of borrowing.
- 9.7 The Council’s revised 10 year capital plan, agreed March 2020, provides Members with information as to how the recommended projects are planned to be funded. This includes a mixture of grant funding, capital receipts, match funding from other bodies, revenue savings arising from the improvements and prudential borrowing for the balance of financing not covered from these other funding sources.
- 9.8 The plan also advised Members as to the anticipated additional revenue impact of the element of planned investment that was not covered by specifically identified funding sources. This projected the additional revenue impact to year 10 of the capital plan and considered the affordability of the potential 10 year plan into the future, with benchmarks with other Councils provided.
- 9.9 In 2018/19 the Council undertook a review of the Loans Fund and agreed to realign debt repayments to meet the expected asset life of the assets for which borrowing has been done. This exercise had a net zero impact on the cost of borrowing, though creates a short to medium term cash flow financial benefit to the Council. A further change was agreed by Council in 2019/20.
- 9.10 In terms of a sensitivity analysis there are two main areas of risk:
- that anticipated funding does not materialise e.g. capital receipts; match funding not achieved; and/or revenue savings planned from capital investment not achieved; and
 - significant upwards variation in the cost of borrowing.
- 9.11 In relation to the first area of risk – this is monitored on a regular basis in budgetary control reports to Council, Committees and to Management.
- 9.12 In relation to the second area of risk – the Council budgets the revenue implications of the capital plan as loan charges to the revenue accounts. The budgeted cost of loan charges is based on expected cost of borrowing at present and into the future, based on advice from the Council’s independent treasury advisors. The Council

operates a loans fund which pools all borrowing to generate an average loans fund cost of borrowing – this has the effect of dampening the impact of any increases or decreases to the cost of borrowing, as in general any short term reductions or increases in borrowing will only affect new borrowing which will generally not have a significant impact on the average pooled interest rate (cost).

9.13 In order to provide overall governance and control mechanism on the impact of the capital plan, the plan is refreshed on an annual basis and renewed every three years. This will allow a regular consideration of the risks associated with the capital investment plans and where appropriate plans can be varied to mitigate against financial risk implications. The mid year Treasury Strategy update provides Members with analysis of the above issues.

10. Reserves

10.1 A key aspect of the consideration of the Council's Revenue Budget and Capital Programme Budgets is the position of the relevant Reserves.

10.2 The Reserves Policy (Annex 7) states that the core "Prudential" Reserve be maintained at a level of 2% of net expenditure (excluding requisitions) with the General Fund Reserve for 2020/21 at £4.305m and the HRA Reserve for 2020/21 at £0.883m. As stated above this policy has been updated for 2021/22 to include the HSCP funding provided by the Council for social care services as a requisition due to the HSCP holding a prudential target and reserve independently of the Council.

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; and
- 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; and
- A process and timescale for review of the reserve.

10.5 As is advised above the calculation of the Prudential Reserve target has been re-set for 2020/21 and the impact of the change in planned use of the outcome of the Loans Fund Review has altered the available reserves during 2020/21. As the level of prudential reserve is below the target the strategy is that this position should be recovered within the next financial year (2021/22) through the budget-setting process.

10.6 The Council's estimated reserves to 2022/23 are summarised below:

Table 7 – Reserves Projection

	31/03/2020	31/03/2021	31/03/2022	31/03/2023
	£000s	£000s	£000s	£000s
Revenue				
General Service Free Reserve	2,752	2,970	2,952	2,962
General Service Earmarked Reserve	6,643	2,579	1,250	565
HRA Free Reserve	883	896	915	944
HRA Earmarked Reserve	3,041	0	0	0
	13,319	6,445	5,117	4,471
Capital				
Capital Item Replacement Fund	214	214	214	214
Capital Grants Unapplied	132	0	0	0
Capital Reserve: Schools Regeneration	2,169	1,446	723	0
	2,515	1,660	937	214
Overall total	15,834	8,105	6,054	4,685

11. Monitoring and Reporting Arrangements

- 11.1 The Financial Strategy will be monitored by CMT 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 has a major financial impact and which, in the judgement of the Chief Financial Officer, requires an urgent update.
- 11.3 The financial management principles and expectations have been communicated and are understood by all Chief Officers and budget holders.
- 11.4 The Financial Strategy has been drawn up with the full involvement of the CMT and, will be communicated throughout the organisation.
- 11.5 During the years covered in the strategy, the Council and Service Committees will receive budgetary control reports from period 3 onwards, analysing variances over £0.050m. The CMT receive this information monthly from period 3 onwards.
- 11.6 As in previous years, the Council, Service Committees and CMT will also receive updates at the same time as the budget monitoring reports which monitor each individual agreed management adjustment and saving to ensure these are on target. This will allow issues to be identified quickly and early intervention action to be taken, when and if necessary.
- 11.7 The following key performance indicators around the performance of the Council's finances have been identified as follows:

General Services

- The amount of free reserves as a percentage of the prudential reserve target – target a minimum of 100% of the prudential reserve;
- The revenue budget compared to actual outturn – target to be a maximum of 100% of budget;
- The ratio of financing costs to net revenue stream – targets will be defined on an ongoing basis via the Treasury Strategy; and

- The rate of in-year Council Tax collection – targets, as follows, though clearly this may be impacted upon by Covid-19:

2020/21	95.65%
2021/22	95.70%
2022/23	96.75%
2023/24	96.80%
2024/25	96.85%

Housing Revenue Account

- The amount of free reserves as a percentage of the prudential reserve target – target a minimum of 100% of the prudential reserve;
- The revenue budget compared to actual outturn - target to be a maximum of 100% of budget;
- The ratio of financing costs to net revenue stream – targets will be defined on an ongoing basis via the Treasury Strategy; and
- Improve in-year collection rates on rent charges.

12. Risk Management

- 12.1 The Council’s strategic priorities for the next five years are the focus of the Strategic Plan together with enabling factors that contribute to the successful achievement of the strategic priorities. The strategic risks flow from this process, service risks and operational risks, including risks relating to the Financial Strategy and delivery of the Financial Strategy continue to be assessed, reviewed, and managed in line with the strategic priorities. Annex 8 identifies the range of risks which may influence future financial performance and stability of the Council.

13. Approach to Generating Future Budgets

- 13.1 Currently revenue budgets are generated through the traditional process known as “Cost of Current Level of Service” with “incremental budgeting”. So, in general, budgets follow the current cost of delivery of Council policies allowing for known cost increases/reductions to be built-in and for unavoidable burdens/ reductions to also be recognised as part of the cost of providing a service reflecting current Council policies. In general this process should, in theory, generate a budget which reflects Council priorities on the basis that services are set up to deliver those priorities. In essence, the base position is taken from the previous year’s budget and this is adjusted for known movements.

14. Financial Strategy

- 14.1 In order for the Council to continue to plan for the longer term future it is necessary to consider options and approaches which will assist the Council to meet the financial challenges whilst continuing to provide services in line with its Strategic Objectives. This is not a simple task when operating partially in the dark as a result of Scottish Government single year settlements rather than multi-year settlements – which would allow the Council to have more certainty as to what the challenges are.
- 14.2 However, given that this document does provide predictions, with scenarios, for the Council over the next 10 years, it is incumbent on the Council to identify appropriate approaches to manage these potential financial outcomes.

- 14.3 As a result the Corporate Management Team have developed an outline plan which aims to develop approaches to mitigate the financial risks over the next 10 years. This plan links directly with the Council's Strategic Plan, as follows:

Strategic Priority 1: A strong local economy and improved employment opportunities.

Grow the economy which sees continued long-term investment in local regeneration which takes account of the environment and sustainability. In turn it is anticipated that this will facilitate a financial benefit to the Council.

Strategic Priority 2: Supporting individuals, families and carers living independently and with dignity.

Increase the mixed economy of housing to create attractive places, with future housing developments sustainable, accessible and adaptable to meet the changing needs of our population, together with increased investment in our housing stock to create sustainable opportunities and flexibility for residents

These two strategic priorities are linked and are hoped to generate a financial benefit to the Council by:

- Resulting in an increase in the WDC population as percentage of Scottish population;
- An increase in Council Tax base; and
- Increase the Council Tax Collection rate.

Strategic Priority 3: Meaningful community engagement with active empowered and informed citizens who feel safe and engaged.

Introduce a dedicated Community Empowerment Service helping the community to help themselves and support increased capacity in local areas, with more Council resource directed by Communities. This will deliver:

- Maximised opportunities and asset transfer to enabled Communities;
- Implement Participatory Budgeting approach; and
- Reduced asset management costs.

Strategic Priority 4: Open, accountable and accessible local government

Ensure best use of technology and resources to support service delivery and maximise self-service through digitization of service delivery, ensuring all processes are as lean as possible. This will support:

- The prioritization of service delivery in line with Strategic Priorities and Outcomes, this will align with the need to reduce total council spend over the period of the financial plan in a structured manner; and
- All citizens accessing appropriate levels of service, linked to a digitization strategy, streamlined and efficient service delivery.

Strategic Priority 5: Efficient and effective frontline services that improve the everyday lives of residents.

Implementing a range of approaches which will:

- Identify commercial opportunities to protect public services and generate new income streams;
- Share services and systems where possible and where a partner organization is available;

- Delivery of a digitization strategy; and
- Implementing a LEAN approach to minimizing process costs and efficient service delivery;
- Implement a spend to save approach to automate back office processes;
- Ensure service management and establishment structures are efficient and effective;
- Review service delivery models and commissioning approaches in relation to social care services to provide a service which meets need whilst recognizing changes in demand;
- Review service delivery between social care and education in relation to providing the most appropriate model of service delivery which avoids cost and care escalation; and
- Deliver an efficient use of Council assets – in line with relevant Asset Management Strategies, including operational estate; non-operational estate; transport fleet; and ICT assets.

Supporting the above priorities is the Council's approach to attaining Best Value and the following cross-cutting approaches will support the delivery of the strategic plan and longer term financial plan:

- Undertake commissioning approach for each service area;
- Develop and implement a Capital Investment Strategy and supporting capital plan which ensures investments are affordable and sustainable in the longer term;
- Undertake appropriate benchmarking activity for each service area at least every 5 years to identify the most appropriate and cost-effective means of service provision; and
- Ensure the charging regime is reviewed at least every 3 years.

WEST DUNBARTONSHIRE COUNCIL**BUDGET GAP ANALYSIS - GENERAL SERVICES****SCENARIO 1 - LIKELY**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Position per Budget Report 4 March 2020		6,051	13,069								
Variables in Assumptions Considered in Sensitivity Analysis											
Budget Book 2020/21 - SG Funding	190,157	188,812	187,457	187,457	186,051	184,656	183,260	181,865	180,470	179,074	177,679
Teachers Pensions - SG funding		0	0		0	0	0	0	0	0	0
Teachers Pay Award		0	0		0	0	0	0	0	0	0
Gross SG Funding after adjustments	190,157	188,812	187,457	187,457	186,051	184,656	183,260	181,865	180,470	179,074	177,679
Underlying assumed SG settlement reduction (%)		0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
SG Funding reduced by 0.75%				1,406	1,395	1,395	1,395	1,395	1,395	1,395	1,395
Assume 4.8% Council Tax increase		-664	-1,355	-1,907	-1,999	-2,095	-2,195	-2,301	-2,411	-2,527	-2,648
Council Tax collection rate decrease - covid related		200	400								
Council tax base increase – additional houses				-150	-150	-150	-150	-150	-150	-150	-150
Recurring variances exercise from previous year end				-400	-400	-400	-400	-400	-400	-400	-400
Pay award 2% for next 2 years and return to 3% thereafter - inflation low		-1,580	-3,160	3,160	3,255	3,352	3,453	3,557	3,663	3,773	3,886
Sales, fees and charges at 4% uplift				-300	-300	-300	-300	-300	-300	-300	-300
Ongoing cost pressures				500	1,000	1,500	2,000	2,500	3,000	3,500	4,000
Loans Fund Review Change in use		2,034	2,034								
Submission Movements		191	1,176								
Historic Child Abuse Funding		150	300	150	150	150	150	150	150	150	150
HSCP Net Funding Reduction		-2,346	-4,227	-485	-485	-485	-485	-485	-485	-485	-485
Gap from previous financial year				8,237	10,211	12,677	15,645	19,113	23,079	27,542	32,498
Revised (Surplus)/ Gap	190,157	4,036	8,237	10,211	12,677	15,645	19,113	23,079	27,542	32,498	37,947

Assumptions built into the 2021/22, 2022/23 and 2023/24 Indicative Revenue Estimates

Government related Assumptions
The funding settlement for 2021/22 onwards is based on officer's projections of the impact of austerity measures and demographic change (actual settlement for 2021/22 expected to be received in mid-December 2020). Assumed ongoing SG underlying funding reduction of 0.75% per year.
Council Tax for 2020/21 onwards will be at 3% plus inflation – as has been allowed by Scottish Government for 3019/20 and 2020/21, for the purposes of this strategy 4.8% has been assumed for the next 3 financial years.
That the Council's share of the various elements of additional Scottish Government funding to support social care continues into the future.
That the Scottish Government additional funding from 2020/21 Scottish Parliament budget continues.
New parliamentary bills will have no financial impact on the Council (i.e. it is assumed that funding covers the costs associated with the initiative)
Demographic Assumptions
Burden figures provided by HSCP for the budget projections remain valid - including: <ul style="list-style-type: none"> • The number of clients with physical disabilities will increase each year; • The number of clients with learning disabilities will increase; • The demand for older people residential beds will increase each year; and • The demand for other services will remain similar to current levels.
Workforce Assumptions
Pay award assumed at 2% for 2021/22 onwards
Superannuation rates to remain as at present with no actuarial advice at this point to the contrary
Equal pay provision as at 31/3/20 is adequate
Turnover at current levels on appropriate staffing types (4%)
No changes to workforce terms & conditions
Operational Assumptions
That the Council's prudential target remains at 2% of defined net expenditure as defined in the Reserves Policy
Income increases within Council control assumed at 4% each year (sales, fees and charges) where sustainable
Council tax base increases from 2021/22 onwards based on information from Valuation Joint Board for years 1 and 2 and 150 additional chargeable properties per year thereafter
Loan charges and efficiency savings link directly to 10 year capital plan
The bad debt provision on council tax (2.75% per annum) has been adjusted to account for anticipated additional lost collection by £200,000 for the next two financial years.

CONTINGENCY FUND POLICY

INTRODUCTION

- 1.1 The Council operates central revenue and capital contingency funds (CCF) to accommodate externally led reductions which benefit departmental budgets. These funds are also called upon to address budget increases resulting from external factors.
- 1.2 Budgetary control reporting is more transparent and accountable if the impact of variances outwith departmental influence was removed (or compensated) from departmental budgets.

MAIN ISSUES

- 2.1 It is the responsibility of the Strategic Lead - Resources to maintain a record of all budget transfers in/out of the revenue and capital CCF. It is also be the responsibility of the Strategic Lead - Resources, in discussion with the Chief Executive/Strategic Directors, to determine appropriate budget movements to transfer in/out of the CCF.
- 2.2 An additional line has been introduced into consolidated Council Budgetary Control reports to ensure reconciliation back to the approved budgets.
- 2.3 The CCF will apply to all revenue and capital 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.
- 2.4 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 Strategic Lead - Resources.

Short-Term Issues

These issues, which will need to be addressed in some way within the next 3 years, were identified by senior management 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.

Risk Area	Issues Identified	Action Taken	Responsible Officer
Strategic Issues	Unemployment levels within the area, particularly liked to the impact of covid-19	Improve employability of residents through supporting training, apprenticeships, new jobs; encouraging economic regeneration by providing support to businesses; using procurement to encourage new training and job opportunities for local people; launch of Working4Business; implementation of Queen's Quay Regeneration project; and involvement in City Deal to create more employment opportunities.	Strategic Lead – Housing and Employability; Strategic Lead - Regeneration; and Strategic Lead - Resources
	The impact of Covid-19 in the current and foreseeable short-term	Manage services as efficiently and effectively as possible whilst understanding the covid-19 related risks. There is a potential ongoing financial impact. So far the UK Government and, through Barnett consequential, the Scottish Government has provided additional revenue and financial flexibilities which are expected to allow Councils to manage the financial impact in 2020/21. Should covid-19 continue to impact on finances going into 2021/22 then it is expected that further funding, etc. will be available to assist. Should this not be the case then Council will require to consider alternative approaches	CMT Strategic Lead - Resources
	Impact of major capital investment on service delivery during implementation (e.g. ICT upgrades)	Project leaders allocated to each major project with project implementation documents, risk minimisation/ mitigation action plan	All Strategic Directors and Leads
	Financing of Council budgets / Review Income Targets	3 year detailed budget prepared; Ongoing monitoring of target savings done regularly by CMT and Council/Committees	CMT Strategic Lead - Resources
	ICT Modernisation	Major capital programme identified 2012/13 & continued on ongoing basis in capital plan	Strategic Lead – People and Technology

Risk Area	Issues Identified	Action Taken	Responsible Officer
Strategic Issues (cont.)	Work Force Planning	Workforce Management functionality system being developed further; Restructuring opportunities considered when appropriate; Implementation of Corporate Workforce Plan	Strategic Lead – People and Technology
	Capital income not achieved at planned levels	Identification of movement through Strategic Asset Management Group – reported to CMT & Council through capital budgetary control; capital plan monitoring; Asset Disposal Strategy implementation	Strategic Lead - Regeneration Strategic Lead - Resources
	Work Force Planning	Workforce Management functionality system being developed further; Restructuring opportunities considered when appropriate; Implementation of Corporate Workforce Plan	Strategic Lead – People and Technology
	Asset Management Plan - Maintenance Backlog - Disability Discrimination Act - Health and Safety	Strategic Asset Management Group regular meetings; Capital resources committed for disability access; Risk Assessments where required; 10 year capital plan monitoring & development	Strategic Lead - Regeneration Strategic Lead - Resources
	Organisational structures	Ongoing and monitored regularly by management teams	CMT
	Welfare Reform (ongoing). This incorporates homelessness rent capping, HRA rent capping, council tax benefit replacement, Social Fund replacement, and bad debt levels	Briefing notes on possible affect produced; Situation monitored, action taken as necessary, costs budgeted, Members briefing days & officer working groups; Regular updates to CMT	CMT Strategic Lead - Resources Strategic Lead – Housing and Employability
Service Issues	Increasing levels of waste - landfill tax impact	Increase recycling targets; Budgetary impact within budget	Strategic Lead – Environment & Neighbourhood
	Recycling Initiatives to meet targets	Ongoing initiatives to encourage recycling	Strategic Lead – Environment & Neighbourhood
	Planning Income & building warrant income decline	Budgetary impact within budget – finances to be monitored and action taken if necessary	Strategic Lead – Regulatory

Risk Area	Issues Identified	Action Taken	Responsible Officer
Service Issues (cont'd)	Investment Property income decline due to economic climate	Budgetary impact within budget – finances to be monitored and action taken if necessary	Strategic Lead - Regeneration
	Increasing levels of waste - landfill tax impact	Increase recycling targets; Budgetary impact within budget	Strategic Lead – Environment & Neighbourhood
	Road Maintenance: - access to data - maintenance backlog and strategy for improvement - impact of recent weather	Additional budget provided (capital and revenue), projected require to be prioritised – any impact above this level would require monitored and action taken if necessary	Strategic Lead – Environment & Neighbourhood
	New Council Housing, Private and RSL Housing	Working group meet regularly. Grant funding approved & underway	Strategic Lead – Housing & Employability
Organisational Issues	Impact of EU EXIT	Monitor ongoing EU EXIT discussions and potential impact on the Council's finances, the wider implications for Scottish Economy, etc. Review impact of EU EXIT on European funding	All Strategic Directors and Leads
	Brexit impact - Structural Funds: - ERDF - ESF Impact on RSA (money for businesses)	Requires to be monitored and action taken if necessary	Strategic Lead – Regeneration Strategic Lead - Resources
Education	Schools Estate Regeneration	Identification on Council priority enhancements and new builds, identification of funding, identification of acceptable specifications within funding available	Strategic Lead – Education, Learning and Attainment Strategic Lead - Regeneration
WDC Integration Joint Board	Financial sustainability	Appropriate burdens and anticipated cost increases have been built into IJB cost projections and IJB identify appropriate efficiencies to manage WDC budget allocation	Chief Officer – HSCP; S95 Officer - HSCP
Organisational Issues	Corporate Governance - Freedom of Information - Data Protection	Actions identified and in place to ensure information provided is complete and no breaches of data protection	Strategic Lead - Regulatory Services
	New Legislation (general)	Action to ensure available resources to support new legislation that will not leave the Council exposed	CMT

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.

Risk Area	Issues Identified	Action Taken	Responsible Officer
Strategic Issues	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	Strategic Lead - Resources
	Welfare Reform – including changes in the staffing structure and the duties of the Council; the effect on HRA & GS budgets of benefits thresholds	Briefing notes on possible affect produced; Situation monitored, action taken as necessary, costs budgeted, Members briefing days & officer working groups Regular reports to CMT	CMT Strategic Lead - Resources
	Unemployment levels within the area , including following the covid-19 pandemic	Improve employability of residents through supporting training, apprenticeships, new jobs; encouraging economic regeneration by providing support to businesses; using procurement to encourage new training and job opportunities for local people; opening of the West Employability Hub in Dumbarton; launch of Working4Business; approval of Queen’s Quay Regeneration project; and involvement in City Deal to create more employment opportunities.	Strategic Lead – Housing & Employability
	Asset management	Ongoing management of operational assets to maximize efficiency	Strategic Director - Regeneration, Environment & Growth
	Asset Management Plan - Other areas of development - Parks and open spaces - Asset replacement - Asset standards - Space standards	Asset Strategy Group Ongoing development and review of 10 year capital plan	Strategic Director - Regeneration, Environment & Growth Strategic Asset Management Group

Risk Area	Issues Identified	Action Taken	Responsible Officer
	WD Integration Joint Board - Financial sustainability	Appropriate burdens and anticipated cost increases have been built into IJB cost projections and IJB identify appropriate efficiencies to manage budget allocation from WDC IJB reserves maintained to manage unforeseen spending variations	Chief Officer – HSCP; S95 Officer - HSCP
Housing	HRA: Scottish Housing Quality Standards and Energy Efficiency Standards	Strategy to meet standards on ongoing basis – identification of capital spend and funding thereof Strategy to meet energy efficiency legislative requirements – identification of capital spend required	Strategic Lead – Housing & Employability
Education	Schools Estate Strategy	Continuation of Schools Estates Team to help identify and move forward on funding and prioritisation	Strategic Lead – Education, Learning and Attainment
	Maintaining of Teachers numbers – failure to do so leading to financial penalties	Budgetary impact within budget – finances to be monitored and action taken if necessary	Strategic Lead – Education, Learning and Attainment
Organisational Issues	Impact of BREXIT	Potential wider economic impacts of BREXIT – monitor economic forecasts and potential impact on UK and Scottish Government finances	Strategic Lead - Resources

Long-Term Issues – over 10 Years

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

Risk Area	Issues Identified	Action Taken	Responsible Officer
Strategic Issues	Depopulation and Change of Demographics	Monitoring likely movement and potential impacts on Council, including funding	CMT Strategic Lead – Regeneration Strategic Lead – Resources
	WD Integration Joint Board - Financial sustainability	Appropriate burdens and anticipated cost increases have been built into IJB cost projections and IJB identify appropriate efficiencies to manage budget allocation from WDC IJB reserves maintained to manage unforeseen spending variations	Chief Officer – HSCP; S95 Officer - HSCP
	Unemployment levels within the area	Improve employability of residents through supporting training, apprenticeships, new jobs, encouraging economic regeneration by providing support to businesses; using procurement to encourage new training and job opportunities for local people; implementation of Queen’s Quay Regeneration project; and implementation of City Deal projects to create more employment opportunities.	Strategic Lead – Housing & Employability Strategic Lead - Regeneration; Strategic Lead - Resources
Education	Educational ICT infrastructure refresh	Programme being implemented Impact on 10 year capital plan and current ICT Modernisation	Strategic Lead – Education, Learning and Attainment
Organisational Issues	Impact of BREXIT	Potential wider economic impacts of BREXIT – monitor economic forecasts and potential impact on UK and Scottish Government finances	Strategic Lead - Resources

POLICY ON BALANCES AND RESERVES

Introduction

A key component to sound financial and risk management is that the Council maintains adequate reserves and balances to meet either known future commitments or expenditure arising from unforeseen, unexpected or emergency situations. Where appropriate, this policy adopts:

- Local Authority Reserves and Balances (LAAP Bulletin 99, July 2014);
- The Statutory Basis for Accounting and Disclosing Reserves in Local Authorities in Scotland (LASAAC, October 2005); and
- CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (revised annually).

The purpose of this policy is to:

- Outline the legislative and regulatory framework underpinning the creation, use or assessment of the adequacy of reserves;
- Identify the principles to be employed by the Council in assessing the adequacy of the Council's balance and reserves;
- Indicate how frequently the adequacy of the Council's balances and reserves will be reviewed, and
- Set out arrangements relating to the creation, amendment and use of reserves and balances.

In common with most local authorities in Scotland, the Council has a range of reserves and balances. These fall into two categories:

- Usable Reserves; and
- Unusable Reserves.

Usable Reserves

As the name indicates, these are reserves, available for use by the Council. They are held on the Council's Balance Sheet for use, as appropriate, through this Reserves Policy.

Usable 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 the impact of unexpected events or emergencies; and
- A means of building up funds to meet unknown or predicted liabilities.

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; and
- A process and timescale for review of the reserve to ensure ongoing relevance and adequacy.

The Usable Reserves held by the Council are:

(a) General Fund Revenue Reserve

The General Fund is held for all services provided by the Council through Revenue Support Grant (RSG) provided by the Scottish Government and Council Tax paid by residents within the Council area. It excludes the Housing Revenue Account (HRA), which is funded from tenant rents.

(b) HRA Revenue Reserve

The Council is required by the Local Government and Housing Act (Scotland) 1987 to keep a HRA which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account.

For both the General Fund and the HRA Reserves the level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Section 95 Officer (Chief Financial Officer). Where the Section 95 Officer's advice is not accepted, this should be recorded formally in the minutes of the appropriate Council meeting.

The balance of these Reserves normally comprises of three elements:

- Funds that are earmarked or set aside for specific purposes (in Scotland, Council cannot have a separate Earmarked Reserve within the Balance Sheet, but can highlight elements of the General Fund Reserve balance required for specific purposes). The identification of such funds can be highlighted from a number of sources:
 - Future use of funds for a specific purpose, as agreed by Council or Committee; or
 - Commitments made under delegated authority by the Council's Corporate Management Team, which cannot be accrued at specific times (e.g. year-end) due to not being in receipt of the service or goods;
- Funds which are not earmarked for specific purposes, but are set aside to deal with unexpected events or emergencies. Currently using a risk based assessment, the Council has a specific policy agreed each year and at present this 'prudential target' is set at 2% of net expenditure (excluding requisitions, including the payment made by the Council to the WDC HSCP for delivery of social care); and
- Funds held in excess of the prudential target and the identified earmarked sums. Reserves of this nature can be spent or earmarked at the discretion of Members.

During the Budget Process for both the General Fund and the HRA the budget report should give Council an update on:

- The estimated opening fund reserve balance for the year ahead, the addition to/withdrawal from balances and the estimated year-end balance;
- The adequacy of the reserves and the Provisions* in respect of the forthcoming year and the Council's medium term Financial Strategy; and
- The earmarked funds held within the Reserves.

Principles to assess the adequacy of the reserves

In order to assess the adequacy of unallocated reserves, the S95 officer should take account of strategic, operational and financial risks facing the Council. The assessment should include external risks (e.g. environmental or economic factors) as well as internal risks (e.g. the ability to deliver planned efficiency savings).

Use of unallocated reserves

Balancing the annual budget by drawing on unallocated reserves may be a legitimate short term option. However, CIPFA has commented that councils should be wary about the one-off use of reserves to deal with shortfalls in current funding or for recurring expenditure. However, where such action is taken, an explanation as to how expenditure will be funded in future years should be given.

(c) Capital Receipts Reserve

Under Schedule 3, paragraph 22 of the Local Government (Scotland) Act 1975, capital receipts on the sale of non-current assets received by the Council are retained within this Reserve until capital expenditure dictates the required use for the funds. Receipts for both General Fund and HRA are held separately, as specified above. Any receipts unused at 31 March will be held on the Balance Sheet as at that date.

(d) Capital Grant and Receipts Unapplied Reserve

Grants and other contributions given to the Council are retained within this Reserve until all conditions agreed by the grant provider are satisfied. The use of this fund is specified within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, as revised each year. Any grants unapplied at 31 March will be held on the Balance Sheet as at that date. This reserve is also used to fund transformational projects from capital receipts, under the Scottish Government flexibility that has been allowed for this purpose until 31 March 2022.

(e) Capital Items Replacement Fund (Other Reserve)

Scottish Councils have explicit statutory powers under schedule 3 of the Local Government (Scotland) Act 1975 to establish Renewal and Repairs Funds. This reserve is used for the purpose of defraying expenditure to be incurred from time to time in repairing, maintaining and renewing any buildings, works, plant, equipment or articles belonging to the authority. At present the Council only holds one such fund, which is held within the Education Service. Separate and specific guidance is available for the use of this Fund. Funds are used for the renewal or repair of school non-current assets, with funds being linked specifically to the individual schools committing their budget for the purpose of repairs and renewals at a future date.

(f) Capital Reserve

This reserve is *used to defray any expenditure of the Council to which capital is properly applicable, or in providing money for repayment of the principal of loans*. It holds income (either specific capital receipts income or agreed contributions from revenue) which has been earmarked by Council for the funding of the Public Private Partnership (PPP) unitary charge on a specific annual phased amount. The PPP unitary charge liability can be split into revenue and capital related charges and this Reserve is used specifically to help fund the capital related charges. The Funds can be added to this Fund as agreed by Council (e.g. the sale of specific Education non-current assets) or at the discretion of the Section 95 Officer (i.e. in the event of a review identifying a risk of shortfall in the funding structure over the life of the project). This Reserve should be reviewed on a regular basis by the Section 95 Officer.

Unusable Reserves

As the name indicates, these are not available for use by the Council. They arise from the reconciliation of accounting requirements driven by reporting standards and statutory requirements. They are not resource-backed and are held on the Council's Balance Sheet for use as appropriate through the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The Unusable Reserves held by the Council are:

(a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. The account contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

(b) Revaluation Reserve

The Revaluation Reserve contains the unrealised gains arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

(c) Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements requires benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

(d) Statutory Mitigation Account

The Statutory Mitigation Account absorbs the differences that would otherwise arise on the general fund/ HRA balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from this account.

(e) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax.

Accounting and Disclosure

Expenditure should not be charged direct to any reserve. Any movement within Revenue Reserves is accounted for as an appropriation and is transparent. Entries within a reserve are specifically restricted to '*contributions to and from the consolidated Income and Expenditure Account*' with expenditure charged to the service revenue account. The appropriation is made from the reserve to the Movement in Reserves to neutralise the impact on the Council Tax or the Housing Rents.

Any revision to this Policy (including creation or amendment to any reserve or use of any reserve) requires to be reported, considered and approved by Council.

*Provisions – Funds held on the Balance Sheet for a liability of costs with uncertain timing or amounts

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 • Planned savings not achieved • Unforeseen expenditure • Unanticipated increase in fuel or energy costs • 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 • Budget Monitoring regularly by services, the CMT and Members (through Council and Committees) • Ongoing monitoring of savings targets built into the budget by the CMT and Members
<p>Covid-19 - General Services/HRA – the risk of ongoing financial impact on General Fund and HRA arising from the pandemic</p>	<p>Consider ongoing impacts on costs and income and anticipated levels of Government financial support and/or financial flexibilities</p>
<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 and maintaining target level. • 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 • Budget-setting process will consider reserve levels linked to risk
<p>Capital receipts do not materialise and/or Expenditure on capital projects is higher than anticipated</p>	<ul style="list-style-type: none"> • Longer term vision on capital programme for both income and expenditure levels • Regular Strategic Asset Management Group updates feeding through to the capital budgetary control report (to both Council and CMT) • Capital Disposal Strategy with longer term vision to allow movement in the assets due sold and timing of those assets. • Capital programme being monitored by CMT, Council and Committees on a regular basis • Early identification of possible issues to allow action to reduce spend or identify further surplus assets for possible disposal to minimise 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 • Interest rates on debt increase significantly, increasing the cost to borrow for capital expenditure 	<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. • Implement Money Laundering Policy
<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 HROD and appropriate legal advice. • Identify action required at an early stage to ensure 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
<p>Breach of legislation resulting in substantial fine, e.g. Health and Safety; Disability Discrimination; Equalities.</p>	<ul style="list-style-type: none"> • Ensure knowledge of relevant legislative issues is up to date • CMT ensures appropriate systems are in place to seek to ensure no legislation is breached
<p>The Scottish Government reviews the structure of Scottish Local Government.</p>	<ul style="list-style-type: none"> • Action plans discussed and updated at an early stage, if this is announced

Risk	Action
The Council's demographic projections continue to be adverse in comparison to national statistics, resulting in further funding reductions	Forward demographic projections for the Council, in comparison to national totals completed regularly and the affected on external funding levels will be included in within forward financial projections to members to allow timeous action by Members.
Implications of EU Exit	<ul style="list-style-type: none"> • Once the EU exit position is clarified implications will be clearer - action plans discussed and updated at an early stage • Review potential financial impact and plan accordingly
DWP reform – building in adequate costs to cover changes, e.g.: <ul style="list-style-type: none"> • General Services – effect of capping of rents for homelessness; • General Services – effect on Council tax benefit administrative grant • General Services/ HRA – effect on lower incomes of individuals on all debt of the council – council tax, debtors, rent, etc. • HRA – housing benefit levels for individuals in homes with rent greater than capped levels 	<ul style="list-style-type: none"> • Building into the financial projections the anticipated impact of welfare reform changes to allow Council to adequately plan • Regular monitoring of expected costs against budget to allow early intervention if necessary • Aim to retain the Prudential Reserves • Monitor ongoing income levels and bad debt expectations

The Council operates a Strategic Risk Register covering strategic financial risks to the Council. In addition the Resources Service has prepared an operational risk register which lists control measures and analysis of operational risk.

