WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Council : 29 June 2011

Subject : Draft Financial Strategy 2011/12 to 2020/21

1. Purpose

1.1 The purpose of this report is to seek Members' approval of the Council's draft Financial Strategy 2011/12 to 2020/21.

2. Background

2.1 The 2011/12 to 2020/21 draft Financial Strategy was presented to Members of the Strategic Finance Working Group on 10 June 2011. This was an update to the 2010/11 to 2019/20 Financial Strategy.

3. Main Issues

3.1 The 2010/11 to 2019/20 Financial Strategy has now been updated for known changes and the draft Financial Strategy (2011/12 to 2020/21) provides information to Members of this revised position.

3.2 The draft Strategy (Appendix 1) provides information - in a local and national context – on financial issues affecting both funding for the Council and its anticipated spend. It provides information on estimated revenue and capital balances (both for General Services and HRA) to 2013/14.

3.3 The figures have been revised for updated assumptions on external funding, pay and non pay inflation, superannuation and national insurance increases, as well as general burdens and pressures.

3.4 A comparison of the general service revenue cumulative budget gaps from those last reported to now is noted below. Appendix 2 highlights the changes in assumptions between the gap identified in December 2010 and the gap identified in June 2011.

	2012/13 £m	**2013/14 £m**
Initial budget gap (Dec 2010)	7.971	15.851
Strategy (Jun 2011)	**7.156**	**12.618**
Change in identified gap	0.815	3.234

3.5 The HRA revenue cumulative budget gaps are noted below (the HRA revenue gap was not reported to Council in December 2010):

	2012/13 £m	**2013/14 £m**
Strategy (Jun 2011)	**0.531**	**1.197**

3.6 The general services anticipated reserves position is noted below. The prudential reserve target for 2011/12 is £4.200m.

	31/3/11 £m	31/3/12 £m	31/3/13 £m
Free Reserves	**4.500**	**4.500**	**4.500**
Earmarked Reserves	**8.213**	**2.471**	**0.471**
TOTAL	**12.713**	**6.971**	**4.971**

3.7 The HRA anticipated reserves position is noted below. The prudential reserve target for 2011/12 is £0.653m

	31/3/11 £m	31/3/12 £m	31/3/13 £m
Free Reserves	**0.725**	**0.725**	**0.725**
Earmarked Reserves	**1.409**	**0.382**	**0.000**
TOTAL	**2.134**	**1.107**	**0.725**

3.8 The capital balances noted within the report are those agreed by Members within the prudential indicators report to Council in March 2011.

3.9 The draft Strategy also provides information in relation to treasury management, covering levels of debt and investments, together with average interest rates thereon. This should be considered in addition to the annual treasury strategy reported to Council prior to the start of each financial year.

3.10 The draft Strategy also notes policies and specific strategies adhered to by the Council to ensure adequate financial controls are in place.

3.11 Appendices 2, 3 and 4 of the draft Strategy identifies short, medium and longer term issues with planned actions to minimise financial risks from these issues.

4. People Implications

4.1 The strategy does not have any direct implications on staffing. However, there may be future implications, depending on how the Council later decides to meet the funding gaps.

5. Financial Implications

5.1 The strategy does not have any direct financial implications. However, it does identify in future years the Council is facing budget gaps which will require Council decisions to mitigate.

6. Risk Analysis

6.1 There are a number of assumptions within the draft Financial Strategy, these assumptions lead to the identified budget gaps. The gaps could vary from that indicated if the Council identifies further burdens, or mitigates some.

7. Equalities, Health & Human Rights Impact Assessment (EIA)

7.1 No issues were identified in a screening for potential equality impact of this report.

8. Conclusions and Recommendations

8.1 The draft Financial Strategy 2011/12 to 2020/21 was reported to the Strategic Finance Working Group on 10 June 2011.

8.2 Based upon the current set of assumptions, there is an expected funding gap in General Services revenue of £7.156m in 2012/13, growing to £12.618m in 2013/14. The HRA revenue funding gap is estimated as £0.531m for 2012/13, growing to £1.197m in 2013/14.

8.3 Reserves are at present expected to be as described in sections 3.6 and 3.7, at levels slightly higher than the Prudential Reserve.

8.4 Members should note that burdens, pressures and general changes in the forecast assumptions are updated regularly and, as such, changes will be made as they happen, with information on such changes reported to future Council meetings.

8.5 The draft financial strategy 2011/12 to 2020/21 is submitted for approval.

……

Joyce White
Executive Director of Corporate Services

Date: 15 June 2011

Person to Contact: Stephen West, Head of Finance & Resources
Council Offices, Garshake Road
Telephone: (01389) 737191
E-mail: stephen.west@west-dunbarton.gov.uk

Appendix: 1: Financial Strategy 2011/12 to 2020/21
2: Reconciliation of 3 year indicative budget 2012/13 and 2013/14

Background Papers: Briefing note – monthly unemployment figures 14/4/11
Report to Council 30/3/11: prudential indicators & treasury management strategy 2011/12
Budget book 2011/12
Financial Strategy 2010/11 to 2019/20

Wards Affected: All