



**WEST  
DUNBARTONSHIRE  
COUNCIL**

## **FINANCIAL STRATEGY**

**2009/10 – 2018/19**

# WEST DUNBARTONSHIRE COUNCIL

## DRAFT FINANCIAL STRATEGY 2009/10 TO 2018/19

	Page No.
1. Introduction	1
2. What is the point of a Financial Strategy?	3
3. Financial Summary	5
4. National Context	7
5. Local Context	9
6. Financial Management	14
7. Financial Outlook	19
Short to Medium Term - Revenue	20
Other Short to Medium Term Revenue Issues	23
Long-Term Revenue Issues	23
Capital Projections	24
HRA Standard Delivery Plan	24
8. Key Organisational Issues	27
9. Treasury Management	29
10. Reserves	31
11. Monitoring and Reporting Arrangements	33
12. Risk Management	34
<b>Appendices</b>	
Appendix 1 – Further Risk Factors	35
Appendix 2 - Short-Term Issues	38
Appendix 3 - Medium-Term Issues	44
Appendix 4 - Long-Term Issues – over 10 Years	46
Appendix 5 - Reserves Strategy	47
Appendix 6 - General Fund and HRA Reserves Projection	49
Appendix 7 - Earmarked Reserves Projection	50
Appendix 8 - Contingency Fund Policy	51
Appendix 9 - Aspirational Targets Action plan 2008/09	52
Appendix 10- Aspirational Targets Set 2009/10	58
Appendix 11- Treasury Strategy documentation 2009/10 – 11/12	63
Appendix 12 – Strategic Finance Working Group remit	68
Appendix 13 – Finance Operational Risk Register	71

## Tables

Table 1 - Stakeholder Information	3
Table 2 - Three Year Summary – Revenue and Capital	6
Table 3 – Council Tax Band D levels 2005/06 to 2009/10	18
Table 4 - Projected Revenue Budget Position (Short/Medium Term) – General Services	20
Table 5 - Projected Revenue Budget Position (Short/Medium Term) – HRA	22
Table 6 - Capital Programme Available Funding 2009/14	26
Table 7 - Council’s Debt and Investment Position – 31/12/08	30

# 1 Introduction

1.1 Welcome to West Dunbartonshire Council's first Financial Strategy.

1.2 The development of this Financial Strategy represents a significant step forward for the Council – it shows we are clear both about the outcomes we want to achieve for our communities and the financial challenges that we will have to address if we are to successfully deliver on these outcomes.

1.3 The Council faces significant financial challenges over at least the first five years of the strategy (thereafter assumptions become less clear and perhaps more speculative). Difficult choices will have to be made – this Strategy provides the practical framework within which choices will be identified, debated and approved.

1.4 To provide clear and consistent direction for the organisation, the following objectives have been identified for the Financial Strategy – it will ensure that:

- the Council has a comprehensive, coherent balanced budget for both General Services and the Housing Revenue Account;
- the Council reviews the level of Council Tax annually, given the commitment by the Scottish Government to seek a freeze in the level of Council Tax in 2009/10 and 2010/11, in the context of available funding and the Financial Strategy, to establish whether a freeze is in the best interests of West Dunbartonshire;
- with additional funding available from the Scottish Government of £1.208m in each of the three years 2008/9, 2009/10 and 2010/11, if the Council agrees to freeze council tax, an increase in the level of Council Tax in 2010/11 would require to be above 3.14% to ensure the Council is not worse off financially;
- resources are allocated and deployed to facilitate delivery of the outcomes set out in the Corporate Plan, Community Plan and Single Outcome Agreement. This takes account of the functions and services provided by the Council which are of a statutory nature as well as those services provided due to local need;
- all key strategic decisions on the allocation and deployment of resources are made within the appropriate financial context, with due regard to levels of risk;
- members are able to take full account of the impact of decisions on the overall financial resources of the Council in the short, medium and long term;
- the Council has flexibility to address new policy requirements, or significant changes to existing policies, within overall available financial resources;
- resources are invested effectively, efficiently and on sustainable basis;
- there is a significant improvement in the delivery of major projects;
- there is an ongoing focus on securing efficiencies across the organisation;

- a significant proportion of efficiencies secured are invested in improving service quality, delivering new infrastructure or upgrading existing assets; and
  - there is an increased level of understanding on behalf of the wider community with regard to the finances of the Council.
- 1.5 The primary financial challenges facing the Council over the next five years will be delivering a coherent, balanced revenue budget year on year and developing a capital programme that, given the financial commitment to the Schools Estate, maintains appropriate investment in other key infrastructure.
- 1.6 To deliver a coherent, balanced revenue budget year on year, given the scale of the revenue funding gap faced by the Council, we will need to review existing service delivery arrangements to determine if they are effective, efficient and sustainable, consider alternative methods of service delivery where appropriate and proactively identify opportunities to secure efficiencies.
- 1.7 There is no doubt that the information generated through this process will result in options that require hard choices – one of the main challenges for the Council over the next few years will be that, once chosen, these options will inevitably require a lead in period prior to implementation.
- 1.8 Given the difficult position the Council finds itself in regarding the future of the capital programme magnified by the current economic climate, it is essential that future capital expenditure proposals are largely self-financing through the release of other capital assets, as well as delivering efficiencies which will secure ongoing revenue savings. Although with due regard being given to Government support.
- 1.9 The decision by the Scottish Government to change the way it allocates funding to local authorities will require the Council to develop and implement a new budget process over the next twelve months firmly located within the overall context of the Financial Strategy.
- 1.10 We will also need to make sure that the Financial Strategy takes full account of the new Community Plan, the Single Outcome Agreement for West Dunbartonshire and the requirements of our Best Value Improvement Plan.
- 1.11 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.
- 1.12 This Financial Strategy is a positive development for the Council – it is about making sure we have sufficient resources in place when required to deliver the outcomes we want to achieve for the communities of West Dunbartonshire.

**Councillor Ian Robertson**  
**Leader of the Council**

**David McMillan**  
**Chief Executive**

## 2 What is the point of a Financial Strategy?

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

**Table 1 – Stakeholder Information**

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

- 2.8 The Strategy covers a rolling five year period, and also identifies issues that will impact beyond the period of the strategy, so that the Council can plan ahead; it includes expenditure forecasts, and projected funding, where known.
- 2.9 Inevitably some of the information of the Financial Strategy will be based on assumptions and these will change over time - the Strategy will be reviewed regularly so that the Council can respond proactively to any such changes.
- 2.10 The inclusion of information in the Financial Strategy, for example on a specific project in 2011, does not infer approval and all financial projections and issues will have to be subject to approval through the budget process.
- 2.11 The Strategic Planning and Budgeting framework will ensure there is a clear linkage between the strategic planning and budgeting processes.
- 2.12 This will also allow services to plan ahead, taking into account the resources available over the next three years, and proactively identify opportunities to achieve efficiencies or secure alternative funding sources.

### **3 Financial Summary**

#### **3.1 General Services Revenue Budget**

3.2 The Budget Overview report considered on 27 August 2008 highlighted an estimated revenue funding gap of £7.7 million over 2009/10 and 2010/11 – since then the budget for 2009/10 has been set on 12 February 2009.

3.3 In order to balance the 2009/10 budget efficiencies and enhancements being identified and agreed by Members. Draft forecasts for the 2010/11 position as reported to Members at this time advised that the gap now is estimated at £8.720m for 2010/11.

3.4 To progress the budget process 2009/10, a Budget Working Group was set up - consisting of two administration Members, 2 opposition members (including Chair of the Group, Chief Executive, Executive Director of Corporate Services and the Head of Finance and ICT). The recently formed Strategic Finance Working Group will continue with this remit in the development of budget proposals for 2010/11.

3.5 These budget proposals will build upon the aspirational targets identified by Council on the 14 February 2008 and 12 February 2009, together with emerging opportunities that will arise of the Diagnostic Pathway Project.

#### **3.6 Housing Revenue Account Budget**

3.7 The Housing Revenue Account Budget was agreed on 12 February 2009 with a 4.5% increase in rent for 2009/10. The budget was balanced with the use of £0.380m reserves. Draft forecasts for future years indicate budget pressures in many areas, such as inflation, reduced house numbers through sales, possibility of stock transfer, meeting the Scottish Housing Quality Standards by 2015 through the Standard Delivery Plan (as noted in 7.32).

#### **3.8 Capital Budget**

3.9 The General Services Indicative Capital Plan for 2009/10 and 2010/11 was reported to Members for information in December 2008. This report highlighted likely capital receipts, committed expenditure, uncommitted bids split by Health and Safety, Legislative, Asset Maintenance, Service Improvement. It also highlighted risks in relation to capital receipts, inflation, possible overspending on projects going forward. Members agree the annual capital plan at Council as early as practical but no later than the start of the new financial year. There is a firm commitment to update Members on future year plans in August each year.

3.10 The Housing Revenue Indicative Capital Plan reported to Council in February 2009, takes account of anticipated receipts for each year and delivery of the standard delivery plan, as noted in 7.32

3.11 Table 2 summarises the Council's projections for General Services and HRA Revenue and Capital for 2009/10 to 2011/12. At this point, Scottish Government Funding is indicative only to 2010/11 and as such assumptions are required for 2011/12.



**Table 2 - Three Year Summary - Revenue and Capital**

	<b>2009-10 £million</b>	<b>2010-11 £million</b>	<b>2011-12 £million</b>
<b><u>General Fund Revenue Budget</u></b>	243.941	260.940	273.069
<u>Financed by</u>			
Government Grant	(205.352)	(213.631)	(221.832)
Council Tax	(38.589)	(38.589)	(38.589)
Funding Gap	0.000	8.720	12.648
<u>General Fund Reserves</u>			
Projected Balance at Year End	0.658	1.058	1.458
<b><u>Housing Revenue Account Budget*</u></b>	<u>31.705</u>	<u>32.743</u>	<u>33.822</u>
Financing	31.705	32.074	32.841
Funding Gap	0.000	0.669	0.981
<u>Housing Revenue Account Reserves</u>			
Projected Balance at Year End	1.305	1.305	1.305
<b><u>General Services and Housing Capital Programme</u></b>			
Committed spend	42.779	34.783	35.479
<u>Financed by</u>			
Supported Borrowing	5.070	5.070	5.070
Capital Grant	8.285	6.228	6.353
Capital Receipts	10.268	9.144	9.327
Revenue Contribution	0.000	0.000	0.000
Contribution to Capital Fund	(1.000)	0.000	0.000
Other Borrowing	20.156	14.341	14.729
Sub Total	42.779	34.783	35.479

\* The HRA business plan is currently being updated and as such this includes general assumptions until figures can accurately be updated

## 4 National Context

- 4.1 Following the Scottish Parliamentary Elections in May 2007 there have been significant changes at a national level as the new Scottish Government has sought to redefine its role and set a new direction of travel across a range of policy areas that impact on local government and the wider public sector.
- 4.2 Between May and December 2007 there were policy announcements by Ministers that impacted on local government, including new initiatives in education and changes in the role of Scottish Enterprise, some of which were welcomed by local authorities and others that caused concern.
- 4.3 However, it is clear the Scottish Government has sought a new relationship with local government - this culminated in the Concordat between the Scottish Government and the CoSLA Presidential Team in November 2007.
- 4.4 The Concordat seeks to establish a new working relationship between COSLA and the Scottish Government, built upon genuine partnership and mutual respect for each others roles, responsibilities and contributions.
- 4.5 The Concordat also outlines the funding to be provided to local government by the Scottish Government over the period 2008/2009 to 2010/2011.
- 4.6 From the Spending Review 2007, the Scottish Government was to provide funding (capital and revenue) to local government for the period 2008/09 to 2010/11 totaling £34.7 billion;
- £11.1bn in 2008/2009
  - £11.6bn in 2009/2010
  - £12.0bn in 2010/2011
- 4.7 This represented growth in real terms of 0.5% in 2008/09, 1.5% in 2009/10 and 2.2% in 2010/11 and, over the three year period, halts the decline in local government's share of the total budget available to the Scottish Government. This does not take account of the recently announced £500m to be deducted from Scottish Public Sector organisations in 2010/11, the allocation of which has still to be confirmed.
- 4.8 COSLA considers that the proposals are *the best outcome for local government in light of the financial settlement*.
- 4.9 The Concordat offers local government a series of positive commitments in return for assistance in the delivery of the Scottish Government's manifesto commitments in relation to aspects of local government service delivery.
- 4.10 As part of the overall package, a significant number of specific ring fenced grants will be rolled up and transferred into the local government settlement.
- 4.11 The Scottish Government also offered to reduce the burden of monitoring and reporting on local authorities through a joint approach to the addressing the recommendations of the Crerar Report.
- 4.12 A single annual performance report will be required on progress to date on the national outcomes and indicators, and planned actions, from April 2009.

- 4.13 The Council has addressed the financial elements of the Concordat, including the removal of ring fencing and a freeze in the level of Council Tax, through the budget process and has reviewed its position for each specific commitment to establish whether further action and/or resources is required.
- 4.14 The Council has also considered the non-financial elements of the Concordat with reports being submitted for monitoring to the relevant service committees.
- 4.15 ***The Financial Settlement***
- 4.16 In 2009/10 the Council will receive Revenue Grant/Non-Domestic Rates Income/Specific Grant of £204.144m. In addition, for freezing Council Tax, the Council will receive a further grant of £1.208m.
- 4.17 When the Council's own projection of Council Tax Income based on a 97% collection rate is added (£38.589m) then the gross income for the Council in 2009/10 is £243.941m.
- 4.18 The Government has also provided relatively firm grant figures for 2010/11 and on this basis indicative budget shortfalls for these years have been identified which will be taken into account in the Strategy.
- 4.19 An additional complication was the recent amalgamation of a number of funding streams into the Fairer Scotland Fund - the level of funding allocated to the Council through the Fairer Scotland Fund in 2009/10 is £5.507million.
- 4.20 The Council will need to submit bids to the Fairer Scotland Fund for existing services which currently cost approximately £1.264million - decisions on whether to provide funding do not lie directly with the Council.
- 4.21 In the event that any bid to the Fund to secure funding for existing services is unsuccessful there is no allocation in the 2009/2010 Budget to continue projects into 2009/2010

## 5 Local Context

- 5.1 The environment within which the Council operates has changed significantly in recent years and is likely to alter further over the next five years due to changes in legislation, policy and other developments nationally and locally.
- 5.2 The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Budget Process which was published in March 2003 and updated annually – this framework includes the Community Plan, the Corporate Plan, the Directorate Plans and provides guidance on the links to the budget process.
- 5.3 The overall strategic framework has been revised in light of the introduction by the Scottish Government from April 2008 of a Single Outcome Agreement with the Council and its Community Planning partners
- 5.4 In August 2007 the Council approved the current **Corporate Plan for 2008-12** set out a clear vision for the area:

*“We will improve prosperity and inclusion for all citizens, deliver better and more efficient services, and improve West Dunbartonshire as a place to live, work and visit”.*

- 5.5 To achieve this vision for West Dunbartonshire the Council will work with its key partners in the public, voluntary and community sectors, as well as the business community.
- 5.6 The key themes identified in the Corporate Plan are:
  - Regeneration and the Local Economy
  - Health & Wellbeing
  - Safe & Strong Communities
  - Sustainable Environments
  - Education and Lifelong Learning
  - An Improving Council
- 5.7 These correlate with the Community Plan themes; and the first five match the five strategic objectives of the Scottish Government.
- 5.8 The Corporate Plan identifies why each of these themes are important, what the councils priorities and objectives are under each themes and the indicators and targets which will help measure progress.
- 5.9 The Financial Strategy underpins the delivery of the vision, priorities and objectives identified in the Corporate Plan.
- 5.10 Objectives have subsequently been updated in the light of the SOA and a revised Corporate Plan for 2009-13 was approved by Council in August 2008 and was published in document form early in 2009.

- 5.11 A new **Community Plan** for the 10-year period 2007-2017 was developed during 2007.
- 5.12 The Community Plan sets out the long term, high level strategic outcomes that partners and the community wish to see for West Dunbartonshire.
- 5.13 Community Planning is about partnership working across the whole of West Dunbartonshire, to deliver better, more co-ordinated services that ultimately have a positive impact on the wellbeing of communities and the area.
- 5.14 The West Dunbartonshire Community Planning Partnership has representation from the public, private, voluntary and community sectors, including;
- West Dunbartonshire Council
  - Strathclyde Police
  - Strathclyde Fire and Rescue
  - Community Councils Forum
  - Job Centre Plus
  - Clydebank College
  - Scottish Enterprise
  - WD CVS
  - WD Community Health Partnership
  - Strathclyde Partnership for Transport
  - Chamber of Commerce
- 5.15 Other local organisations such as Clydebank Rebuilt, Strathleven Regeneration Ltd are involved in the thematic partnerships and supporting networks which are key to the delivery of partnership working in West Dunbartonshire.
- 5.16 The Partnership can bring together resources, to be more effective, with all the agencies working together in a joined up way, to deliver the best services to the people of West Dunbartonshire, informed by the communities that make up the area.
- 5.17 The development of Action Plans by the thematic partnerships will help identify key financial issues for the Council and its partners.
- 5.18 The establishment of **Single Outcome Agreements** (SOA) between individual authorities and the Scottish Government by 1 April 2008 was a key element of the Concordat and represents a significant new development in the relationship between central and local government.
- 5.19 The Single Outcome Agreement is a three year document and represents the practical expression of the Community Plan – it will set out in detail the key challenges facing the area, the outcomes that need

to be achieved to overcome these challenges in the short, medium and long term.

- 5.20 The Community Plan and the Single Outcome Agreement inform, and are informed, by the Council's Corporate Plan. The new 2009-13 Corporate Plan has been updated to show more explicit links with the SOA.
- 5.21 The development of the Single Outcome Agreement has been a new challenge for the Council and both the Agreement itself, and the process, will evolve over the next year as partners become increasingly engaged. The basis behind the Concordat and the Single Outcome Agreement is that ring-fencing (with the major exception of the Fairer Scotland Fund) will disappear.
- 5.22 The most significant challenge facing West Dunbartonshire is depopulation and associated demographic change – this has been recognised as a priority by the Council and is reflected in the new Corporate Plan and is highlighted as a key priority in the new Single Outcome Agreement.
- 5.23 The population of West Dunbartonshire is estimated to be 91,090. This is a reduction of 150 from the 2006 figure; a total population loss since 2001 of 2,230 people or 2.4% of the population. This continues the trend in population loss which began in the 1990's. In contrast the population of Scotland has risen slowly and steadily by 0.5% since 2006 to its current figure of 5,144,200
- 5.24 West Dunbartonshire is now the 10<sup>th</sup> smallest local authority in terms of population moving down 2 places since 2001. West Dunbartonshire has been overtaken by both Argyll and Bute and East Lothian councils who have both gained population this year. However the population loss of 150 in this year's estimates is not as steep as in other years, is slightly less than in 2006, and may be a sign that the decline in population is starting to slow.
- 5.25 Across Scotland 18 Local Authorities are gaining population, 10 are losing and 4 have a neutral migration level. Perth and Kinross and East Lothian are the biggest net gainers of migrants with an 8% increase while the Shetland Isles are the biggest net losers with an out migration figure of 5.5%. In 2006 West Dunbartonshire's out migration rate was 2.9%. This loss of population over the last few years has been significant, and had up until 2006 been caused mainly by high levels of out-migration. The out migration figure for 2007 has reduced to 96 persons. The people who leave West Dunbartonshire to live elsewhere predominantly go to Glasgow followed by Argyll & Bute, Renfrewshire and East Dunbartonshire. The largest part of this group are students taking up places at one of the City's Universities or Colleges and those who are married with children under five.
- 5.26 West Dunbartonshire in common with the rest of Scotland shows declines in the number of children while the number of older people and pensioners is continuing to rise. There is a slight increase in the 25-29 year group which may be a reflection of the difficulties encountered

by young people who are trying to purchase their first homes but who are forced to return or stay with their parents much longer than they once would have while saving for a deposit. There are a few other exceptions eg an influx of students attending Clydebank College which swells the local population.

- 5.27 The proportion of the population of working age is continuing to rise in Dumbarton and the Vale of Leven but is falling slightly in Clydebank. As Clydebank already has the smallest proportion of working age population, continued falls in this age group could indicate skills shortages for local employers in future.
- 5.28 In line with the rest of Scotland, the UK and Europe, the population of West Dunbartonshire is ageing and the number of pensioners is increasing. There is a risk of falling class sizes, increased care costs and an increasing strain on the resources of social services. The drop in population might also cause a drag on the local economy partly through potential skills shortages and the area may become less attractive to inward investors. Population loss often precedes business contraction. Population loss acts as a drag on the local economy as economic systems depend on ever-growing markets, and capitalism to be successful needs population growth.
- 5.29 To ensure population growth or to guarantee that the current population size does not drop even further there needs to be a sustained increase in fertility or a year on year increase in net in-migration or both. If fertility continues at the current level and there is little change in migration and mortality (the other factors influencing population size) the population will continue to shrink. This will continue to have consequences for the future size and more especially on the age structure of the population. Population loss when combined with population ageing has a wide range of socio economic impacts.
- 5.30 Even though the population is contracting the number of households is likely to continue to grow. The structures of households and families will continue to be complex with a growing number of single adult households driven by the continuing high divorce rate, lower rates of marriage, the rising numbers of children born to unmarried mothers and the ageing of the population.
- 5.31 In the SIMD 2004 West Dunbartonshire had 32 data zones in the most deprived 15% of all data zones, however by 2006, this had increased slightly to 33.
- 5.32 The Scottish Index of Multiple Deprivation ranks West Dunbartonshire as the 4<sup>th</sup> poorest Local Authority area in Scotland. One in five people are classed as income deprived (19.6% of the population). This is the second highest in Scotland where the average is 13.9%.
- 5.33 Wages are low compared to the Scottish average. West Dunbartonshire has a higher than average proportion of children dependent on benefits claimants. The percentage of households where sole income is from benefits (22%) is higher than the national average of 17%. The Child Poverty index is currently 1.4164 compared to the

base index of 1.0000. There is significant financial exclusion - some 85% of people have access to a bank, building society or credit union account (4<sup>th</sup> lowest in Scotland) compared to a national average of 89%.

- 5.34 Demographic change will have significant impact on services as funding allocated from the Scottish Government is partly based on the population of an area. Even with additional allocations to take account of deprivation the budget is likely to reduce in real terms over the next five years
- 5.35 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.
- 5.36 The deprivation profile will have major implications for services as research indicates that those vulnerable to poverty are more likely to require greater social intervention and a targeted focus to move out of poverty.
- 5.37 The predicted demographic changes also have other implications. A decline in younger economically active people means a growth in the older, more vulnerable age group with fewer informal carers. This will result in a higher dependency on services provided Social Care.



## **6 Financial Management**

### **6.1 Corporate Governance**

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

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

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

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

6.5 The Financial Regulations and amendments are approved by Council and are an essential component of the corporate governance of the Council.

6.6 The Chief Financial Officer has been designated as "the proper officer" and is responsible for advising the Council on all financial matters including the determination of Accounting Policies.

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

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

### **6.9 Roles and Responsibilities**

6.10 It is important to set out clearly the roles and responsibilities of the key parties involved in the Financial Strategy and the management of overall financial resources of the Council. Further detail is noted within the Financial Management and Control Code of Practice.

- 6.11 *Elected Members*
- 6.12 Council Members, through the Full Council and Strategic Committees are responsible for considering, monitoring and approving budgets and the overall Financial Strategy for the Council. Approved budgets must be financially balanced and demonstrate value for money and sustainability.
- 6.13 Audit and Performance Review Committee, with representation from Members as well 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.
- 6.14 Throughout the year Committees and Council receive reports which allow progress against approved budgets to be scrutinised. All members should receive appropriate training in the areas of Financial Strategy, Local Government Finance and key specialist areas such as Treasury and Risk Management.
- 6.15 *Corporate Management Team*
- 6.16 The Chief Executive and Executive Directors who form the Corporate Management Team, chaired by the Chief Executive, are responsible, individually and collectively, for ensuring that best value and value for money is achieved across the Council, in service delivery, internal processes and systems of control, procurement of goods/services and the use of assets.
- 6.17 As Budget Holders they are responsible for the budgets delegated to deliver the services within their Directorate in line with the priorities of the Council. Whilst they may delegate this responsibility within their Directorate they remain accountable in exercising overall financial control.
- 6.18 *Chief Financial Officer*
- 6.19 The Chief Financial Officer has a statutory role to ensure the correct arrangements are in place for the proper administration of the financial affairs of the Council. He/she has the authority to comment on any financial decision and advises CMT, Chief Executive and elected members on all financial matters.
- 6.20 *Heads of Service*
- 6.21 Heads of Service are individually responsible for ensuring that the services within their remit are delivered in line with the agreed policy, and support the strategic direction of the Council. As Budget Holders they are responsible for the budgets delegated to them to deliver their service in line with the priorities within the Corporate Plan.
- 6.22 *Service Accountants/Budget Managers*
- 6.23 The main role of the service accountant is to advise the Executive Directors and their management teams on all financial matters and to be responsible for the preparation of budget reports. They will also provide specialist advice and general guidance on financial systems including rules and procedures

- 6.24 However responsibility for budgetary control lies with the Executive Directors as delegated budget holders, their Heads of Service and Service Managers.
- 6.25 *Internal Audit*
- 6.26 Internal Audit provide assurance to elected members, the Chief Executive and management that the internal processes of the Council are being managed appropriately in line with the overarching policies and outcomes are being delivered in the most efficient and effective manner.
- 6.27 *External Audit*
- 6.28 The role of External Audit is to provide assurance to the Auditor General and the Accounts Commission that the Council has spent public money properly to deliver outcomes in an efficient and effective manner.
- 6.29 They provide assurance to the elected members, the CMT and general public that the Council's performance is reported in accordance with the extant financial standards and presents a fair account of the Council's activities.
- 6.30 ***Managing the Budget***
- 6.31 The Council has acknowledged that the decision by the Scottish Government to change the way it allocates funding to local authorities may require the Council to consider changes to the current budget process.
- 6.32 However, at present the Council has an effective method of developing both the revenue budget and capital programme that has started to align resources with the strategic outcomes the Council wants to achieve for the area.
- 6.33 *Revenue Budget - Pressures and Savings*
- 6.34 The current process for considering the development of the revenue budget is undertaken collectively between the CMT, individual political groups and the Budget Working Group. With due consideration of, and agreement on, policy and financial parameters for the budget, corporate and political expenditure pressures and/or savings options.
- 6.35 The CMT collectively evaluates all expenditure pressures and savings options to ensure that they are sufficiently robust and deliverable.
- 6.36 All pressures and savings options generated are evaluated in the context of the Corporate Plan approved in August 2007, which informs consideration by both the CMT and individual political groups.
- 6.37 *Public Private Partnership*
- 6.38 In 2008/09 the Council reached financial conclusion on the current PPP project. Unitary Charges become due payable in 2009/10, along with savings, Government financial support and the use of a Sinking Fund. The Council's Facilities Management Service is also involved in providing services to the Council (catering, grounds maintenance and cleaning services). BAM is the company with the contract for building and managing the PPP project. Administration and monitoring of the project, its costs and its savings will require to be strictly managed.

- 6.39 *Capital Programme - Growth Bids*
- 6.40 The current process for developing capital programmes take account of available resources, committed expenditure and uncommitted bids from departments broken down by category – e.g. Health and Safety, Legislative, Asset Maintenance, etc. due regard is also given to Council Priorities such as Schools Regeneration, Fire Regulations in social work homes and schools.
- 6.41 *Service Specific Funding (Ringfenced funding)*
- 6.42 With recent changes in Scottish Government Settlement due to the introduction of the Concordat, there remains minimal ringfenced funding. In essence, the Council can choose which areas to concentrate on, taking cognisance of statutory duties, corporate plan priorities and our local outcome agreement.
- 6.43 *Time Limited Funding*
- 6.44 The following issues need to be considered when considering time limited funding:
- Prior approval before accepting funding to ensure it fits with Council strategy, and there is a clear understanding of the desired impact of the funding.
  - Clear monitoring that the funding is delivering and achieving the required impact, within the approved funding level.
  - Should not result in any ongoing commitment for the Council and the project or initiative should cease once the funding ends - this should be clear from the outset with severance costs and other termination costs factored into the overall budget for the project or initiative.
  - If this type of funding has been used to pilot a new approach to develop services in line with corporate priorities, a full evaluation of the financial and service implications would be needed before consideration is given to ongoing funding.
- 6.45 The overall reduction in the level of ring fenced or time limited funding may minimise the need for this type of approach but it is important that it is included as part of the overall Financial Strategy
- 6.46 *Additional Income*
- 6.47 The CMT has discussed the need to ensure that any additional income to the Council, for example from the Scottish Government or a partner, should be considered through a structured process that would allow initial appraisal by CMT, the identification of a lead officer of service and ultimately the submission of a report with clear recommendations to an appropriate committee.
- 6.48 This will ensure that all relevant factors are taken into account and that provision is made for administration costs, any time constraint on the funding is considered, and, where necessary provision is made for severance costs.
- 6.49 The overall reduction in the level of ring fencing by the Scottish Government may minimise the need for this type of approach but is important that it is part of the overall Financial Strategy – further work will be undertaken in this area.

6.50 Services should carefully consider the implications of seeking additional funding in terms of the impact on service delivery and the distortion of resource allocation.

6.51 *Income Generation*

6.52 This area is continuously being developed by the CMT. It has been developed through the recent diagnostic review (which considered shared services as well as income streams) and also through the Council's agreed aspirational themes. In 2008/09, Executive Directors were charged with identifying two new income streams for their departments. The aspirational action plan 2008/09 and 2009/10 are developed on a continuing basis.

6.53 *Fortuitous Savings*

6.54 This is addressed in the Financial Regulations. If savings are identified by departments outwith their control, these saving are removed through virement from departmental budgets to the Council's Contingency Fund. Departments also have the right to apply for funding from the Contingency Fund during the year for costs borne outwith their control.

6.55 *Freedoms and Flexibilities*

6.56 Subject to the limitations in the Financial Regulations virement may be exercised by Executive Directors and strategic Committees. Executive Directors must use the Virement Approval Form to provide a clear audit trail.

6.57 *Council Tax*

6.58 The Council continues to climb the council tax league table in Scotland from 30<sup>th</sup> in 2000/01 to 21<sup>st</sup> in 2008/09 (£1,063 at Band D). The table below shows the increase in council tax over the past 5 years. Funding has been made available through the financial settlement that is equivalent to a 3.14% increase in council tax each year providing the Council agrees to freeze the council tax over the three year period 2008/09 to 2010/11.

**Table 3: Council Tax Band D Levels 2005/06 to 2009/10**

Year	WDC Band D £	WDC Increase %	Scottish Average Band D £	Scottish Average Increase %
2005/06	1,113	2.20%	1,094	3.89%
2006/07	1,138	2.25%	1,129	3.20%
2007/08	1,163	2.20%	1,149	1.77%
2008/09	1,163	0.00%	1,149	0.00%
2009/10	1,163	0.00%	1,149	0.00%

6.59 Due to proactive debt collection management, the Council continues to show a steady and consistent improvement in collection performance over the past few years, increasing the rate by 3.4% since 2005/06 to 93% in 2008/09 (national average 1.4% in same time period). Accordingly, collection levels anticipated for budget purposes now sits at 97%.

## **7.0 Financial Outlook**

- 7.1 Key financial issues are known or anticipated events and activities which will have to be addressed within the Council's overall financial resources in the short-term (within three years), medium-term (within five to ten years) or long-term (over ten years).
- 7.2 Events and activities includes efficiencies, planned savings, changes to service priorities and delivery, and known potential pressures - the financial impact of an event or activity may be one-off, recurring or time-limited.
- 7.3 West Dunbartonshire Council will receive Aggregate External Funding of £204.144m in 2009/10. In addition to this the Council, having frozen Council Tax, a further grant of £1.208m.
- 7.4 When the Council's own projection of Council Tax Income based on 97% collection rate is added (£38.589m) then the gross income for the Council in 2009/10 is £243.941m.
- 7.5 The Financial Strategy runs up to 2018/19 and beyond in terms of identifying potential issues, but the revenue forecasts are limited to the period which can be reasonably forecast, 2009/10 - 2012/13.
- 7.6 Some assumptions have had to be made for 2010/2011 to 2012/2013.
- 7.7 The level of resources available to the authority to fund its revenue expenditure is also dependent on Council Tax – if this is effectively frozen the Financial Strategy will assume no increase in 2009/10 - 2012/13.
- 7.8 Revenue projections for 2009/2010 and 2010/2011 were presented to Members in the Budget Report (Council meeting 12 February 2009) and are incorporated in the Financial Strategy.
- 7.9 As part of the budget process the Council agreed a Reserve Strategy which gives an optimum target for an unallocated General Fund Prudential Reserve of £4.940m and £0.627m for the HRA Prudential Reserve (2009/10).
- 7.10 The overall position of the Reserves was considered as part of the budget process, see Section 10.
- 7.11 The projected budget position in the short to medium, and long term, is set out in the following tables and notes for both revenue and capital. Details of the short, medium and long-term issues identified in consultation with services which require to be developed further are contained at Appendices 1, 2 and 3.

## 7.12 Short to Medium Term – Revenue

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

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Base Budget for Prior Year	237.157	243.941	260.940	273.069
<u>UPLIFTS FROM PRIOR YEAR</u>				
<u>Inflation</u>				
Pay Inflation (note 1)	3.775	2.769	2.879	2.864
Other Inflation	0.559	0.600	0.700	0.700
Joint Boards	1.114	1.350	1.650	1.850
	5.448	4.719	5.229	5.414
<u>Council Priorities (Note 2)</u>				
Policy Priorities	0.538	0.000	0.000	0.000
	0.538	0.000	0.000	0.000
<u>Pressures (Note 3)</u>				
Corporate Pressures/ Efficiencies	(0.602)	11.496	5.600	5.600
Loan Charges Increase	1.000	0.384	0.900	0.900
Contribution to Reserves	0.400	0.400	0.400	0.400
	0.798	12.280	6.900	6.900
Overall Total	243.941	260.940	273.069	285.383
<u>Funded by: (Note 4)</u>				
Revenue Grant/NDR Income	202.936	210.007	217.000	224.000
Council Tax Income	38.589	38.589	38.589	38.589
Council Tax Freeze Grant	2.416	3.624	4.832	6.040
	243.941	252.220	260.421	268.629
Budget Gap	0	8.720	12.648	16.754

### Note 1

#### Pay Inflation

- (a) Inflation assumed for teachers at agreed rates projected forward and APTC/manual assumed at 1.5%

### Note 2

#### Policy Priorities

- (a) Allowance for further policy development assumed as £0.538m for impact of 2009/10 approved budget priorities. It is assumed that these will continue then become part of the baseline in future years. No other priorities have been agreed for future years and as such this is assumed as nil.

### Note 3

#### Pressures

- (a) Corporate pressures in 2009/10 have been consumed within efficiencies identified through the budget process. Further pressures have been identified for 2010/11, which fall within the base budget for the years following. Assumptions have been made for further pressures in 2011/12 and 2012/13. However it is recognised that assumptions further into the future are much harder to determine accurately.

Contributions to reserves have been assumed to continue at £0.400m per annum until the targeted prudential reserve is reached.

*Note 4*  
Funding

(a) Revenue Grant/NDR Income

2009/10 and 2010/11 figures based on actual figures announced January 2008, updated for known changes.

2011/12 and 2012/13 takes prior years uplift and assumptions for Government Initiatives.

(b) Council Tax

Assume no change in Council Tax base. If base is increased then grant would reduce correspondingly.

(c) Council Tax Freeze Grant

Assumed that this will remain at current level.



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

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Base Budget for Prior Year	31.020	31.705	32.718	33.772
<u>UPLIFTS FROM PRIOR YEAR</u>				
<u>Inflation</u>				
Pay Inflation (1.5% 2010/11 onwards)	0.065	0.040	0.040	0.040
Other Inflation	0.166	0.304	0.312	0.312
	0.231	0.344	0.352	0.352
<u>Council Priorities (Note 1)</u>				
Policy Priorities	0.380	0.000	0.000	0.000
	0.380	0.000	0.000	0.000
<u>Pressures (Note 2)</u>				
Loan Charges Increase	0.074	0.634	0.665	0.698
Unlet Properties	0.000	0.035	0.037	0.039
Contribution to reserves	0.000	0.000	0.000	0.000
	0.074	0.669	0.702	0.737
Overall Total	31.705	32.718	33.772	34.861
<u>Funded by: (Note 3)</u>				
Rent	30.024	30.773	31.540	32.326
Other Income	1.301	1.301	1.301	1.301
Reserves	0.380	0.000	0.000	0.000
	31.705	32.074	32.841	33.627
Budget Gap	0.000	0.644	0.931	1.234

*Note 1*

Council Priorities

- (a) The figures above assume additional spend on pilot projects during 2009/10 will continue but from 2010/11 will be an integral part of the budget – i.e. caretaking services and close cleaning

*Note 2*

Pressures

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

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

**7.14 Fairer Scotland Fund**

7.15 The level of funding allocated to the Council for the Fairer Scotland Fund in 2009/10 is £5.507 million - from 2010/11 the Fairer Scotland Funding will be within the overall grant settlement.

**7.16 Long-Term Revenue Issues**

7.17 Looking beyond 2012/13 becomes increasingly difficult with significant uncertainty around how local authorities will be funded let alone the level of funding likely to be available.

7.18 By 2014/15 the incremental impact of most current major initiatives will have been fully incorporated and embedded into prior years budgets, such as Single Status.

7.19 Looking into the post 2012/13 period the main issues impacting on the revenue budget will be:

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

**7.20 Depopulation**

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

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

- 7.23 In 2009, the estimated population of West Dunbartonshire is 90,693 (2006 91,240). Latest population projections estimate that by 2031 the population will have fallen to 83,221, a projected depopulation rate of -8%. The current male population is projected to decrease by -7% and female population by -9% by 2031.
- 7.24 **Capital Projections**
- 7.25 The Council agrees a one year Capital Programme around February each year (2009/10 – March 2009), which allows officers to come forward in August each year with clearer recommendations for the following two years Capital Programmes linked to various strategies which are being finalised.
- 7.26 Due to the significant level of capital earmarked for the Schools Regeneration Programme, the Council has very limited room to agree extra General Services projects over and above basic Health and Safety, Legislative, service breakdown and asset maintenance. Indeed, the 2009/10 programme highlights available resources for uncommitted bids of £4million, with £5million of health and safety bids alone.
- 7.27 With recent changes to the way in which the Scottish Government provide capital support for Councils (i.e. supported borrowing and capital grant), the way in which funding is allocated has changed. The Council now receives a general non-ringfenced capital grant allowing the Council to choose what this funding is spent on. Historically the funding would be ringfenced for Schools and town centre regeneration, flooding, contaminated land, strategic waste implementation plan.
- 7.28 Based upon these factors, there is a risk now that key projects will receive no funding allocations and there will be no contributions to our 'Single Outcome Agreement' outcomes or the corporate plan priorities.
- 7.29 The Council is nearing the completion of the construction phase of the PPP project, with a number of schools opening for use during the summer of 2009. This may change the Council's focus on capital spend priorities.
- 7.30 The Council's housing stock requires much investment to meet Scottish standards by 2015. The Council has a Standard Delivery Plan to achieve targets set. This involves much capital investment and indeed the Council is also reviewing the possibility of stock transfer, having a major impact on the HRA capital programme.
- 7.31 Further work will be carried out to balance the 2010/12 Capital Programmes but the Council needs to look at other methods of delivering its Capital Programme such as Prudential Borrowing, Partnerships and increasing Capital Receipts. With the current economic downturn, the risks are higher that receipts will not be achieved or will be less than assumed.
- 7.32 **Standard Delivery Plan/Delivery of the Scottish Housing Quality Standard (SHQS) by the year 2015**
- 7.33 A critical factor for setting rents for future years is to both ensure that the Council has the resources available to meet the SHQS by the year 2015 and that it maintains this standard beyond that date.

- 7.34 The Council at its meeting held on 29 October 2008 agreed to submit its proposals for meeting the SHQS to the Scottish Government in the form of a Standard Delivery Plan. This plan proposed the transfer of 45% of the Council's stock and identified the need to increase rent by the retail price index (RPI) plus 3% in 2009/2010, 2010/2011, 2011/2012 and 2012/2013. Rents from 2013/2014 onwards would be set at RPI plus 1%.
- 7.35 Tenants were consulted on the implications of the draft Standard Delivery Plan before the October 2008 Council meeting and this was reported to the Council
- 7.36 It should be noted that the 30 year business plan for reaching and maintaining the SHQS has been prepared on the basis that there will be fluctuations in RPI over the period of the plan. At this time the Scottish Government is still assessing the Council's Standard Delivery Plan.

**Table 6 - Capital Programme Available Funding 2009/13 (General Services and HRA)**

<u>Resources Available</u>		<u>2009/10</u> £m	<u>2010/11</u> £m	<u>2011/12</u> £m	<u>2012/13</u> £m	<u>2013/14</u> £m
Supported Borrowing	(Note 1)	5.070	5.070	5.070	5.070	5.070
Capital Grant	(Note 2)	8.285	6.228	6.353	6.400	6.400
Capital Receipts	(Note 3)	10.268	9.144	9.327	9.000	9.000
Prudential Borrowing	(Note 4)	20.156	14.341	14.729	14.000	14.000
Transferred to Capital Fund	(Note 5)	(1.000)	0.000	0.000	0.000	0.000
		<b>42.779</b>	<b>34.783</b>	<b>35.479</b>	<b>35.470</b>	<b>35.470</b>

Note 1:

2009/10 Supported Borrowing Figure is based on a 3 year settlement figure to 2010/11. Thereafter assumes similar level going forward

Note 2:

Assumes figures per 3 years settlement continued for 5 years. This sum is to meet any demands arising from School Fund, Strategic Waste Fund, Police Grant and Contaminated Land. However, it is not ringfenced and the council can choose to use it for local priorities.

Note 3:

Estimate only. Figures exclude receipts relating to School Regeneration Strategy and assumes similar levels in 2012/13 and 2013/14 to that expected in 2011/12.

Note 4:

These figures are based upon agreed prudential borrowing for General Services and the requirement of borrowing for HRA Service Delivery Plan. Assumes similar levels will continue over the 5 year period

Note 5:

Agreed by Council for 2009/10, £1million of Capital receipts to be transferred to Capital Fund and used to repay principal element of loan charges within General Services. Assumes no further transfer will be agreed beyond 2009/10.

## **8 Key Organisational Issues**

### **8.1 *Improvement & Efficiency Executive***

8.2 The Council has now set up a Programme Board – the Improvement & Efficiency Executive (I&EE) to oversee the progress of the Best Value Improvement Plan and the Efficient Government Strategy and report to Council.

8.3 Membership of the Executive was agreed to total 8 Elected Members – comprised of 4 Labour, 2 Other Opposition and 2 SNP councillors. The Executive would be supported by the Chief Executive, the other members of the CMT and led by the Leader of the Council.

8.4 The Best Value Improvement Plan (BVIP) and the Efficient Government Programme are being progressed by five Groups each being led by an Executive Director, supported by a nominated lead officer(s) and having trade union representation. The Groups are as follows:

- Organisational Development Group
- Continuous Improvement Group
- Managing Resources Group
- Risk & Performance Management Group
- Efficient Government Group

8.5 The first meeting of the I&EE was held on 23 April 2008 – where it considered the first draft of an updated BVIP – which also included actions relating to Efficient Government. Updates of the BVIP are being reported to the I&EE and Council on a quarterly basis.

### **8.6 *Efficient Government Strategy***

8.7 The Efficient Government initiative was launched by the then Scottish Executive in June 2004 and is an integral part of the continuous improvement agenda under the 'Best Value' regime established by the Local Government in Scotland Act 2003.

8.8 An Efficient Government Strategy was agreed by Council in August 2005. This was produced in conjunction with consultants PricewaterhouseCoopers (PWC). The main outcome was the setting-up of five working groups covering the five 'strands' of the initiative as set out in the initiative – namely procurement, absence management, asset management, streamlining bureaucracy and developing shared services.

- 8.9 In 2007 the Council commissioned consultants from SOLACE Enterprises to review our approach to efficient government and help us set up revised governance arrangements to improve our project and financial management arrangements. One of their main recommendations was to set-up a senior officers group, which would consider their remaining recommendations and develop an action plan based on them.
- 8.11 An officer working group (the Efficient Government Monitoring Group) was set-up with the main aim of producing the Council's first annual efficiency statement (for 2006/07). This group subsequently evolved into one of the 5 Groups reporting to the new Improvement & Efficiency Executive and has produced the 2007/08 efficiency statement, as well as commencing work on efficiency measurement and monitoring.
- 8.12 The budget agreed by Council on 14 February 2008 included a requirement to "reduce departmental annual revenue expenditure by 1% by April 2009". At its meeting on 26 March 2008, Council considered a report, which outlined the current activity on the issue, and the further developments required to address the Council budget decision. It was agreed that the Council should develop a strategic approach to identifying efficiencies. It was further agreed that updates on this issue should be submitted to Council on a monthly basis. It is anticipated that the outcomes from the national Shared Service Diagnostic project will be key to the Council achieving this commitment.

## **9. Treasury Management**

- 9.1 West Dunbartonshire Council has adopted the CIPFA “Treasury Management in the Public Services – Code of Practice” which sets out good practice for treasury management governance. The Council must also comply with legal and regulatory requirements in relation to its Treasury Management activities.
- 9.2 The Council has appointed consultants to provide advice on Treasury Management issues, including technical issues and the formulation of views on interest rates.
- 9.3 In complying with the Code of Practice, the Council produces a Treasury Management Practices document which sets out how the Council will manage and control its Treasury Management activities.
- 9.4 The following reports are also submitted to Council and Committee in accordance with the Code of Practice:
- An annual Treasury Management Strategy submitted at the start of the financial year and which includes the Council’s Prudential Indicators and covers issues such as the economic situation, the prospects for interest rates, and the Council’s borrowing and investment strategy for the coming year (based on Council requirements and taking account of the current and forecast economic and interest rate positions).
  - Bi-monthly Treasury Management Monitoring reports which include details of interest rates, the Council’s debt and investment position and debt restructuring activity undertaken during the quarter.
  - 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 including debt restructuring and borrowing. The report shows performance against Prudential Indicators and treasury limits for the year, and shows the Council’s investment performance against a benchmark rate.
- 9.5 New Scottish Investment Regulations have recently been drafted and are currently out for consultation, as noted within the Council’s Treasury Strategy 2009/10 – 2011/12. Once the regulations have been approved by Scottish Parliament a report will be remitted to Council advising of the changes required in the Council’s strategy. The Financial Strategy will be amended accordingly at that stage.



9.6 The table below shows the Council's debt and investments position as at 31/03/09.

**Table 7 – Council's Debt and Investment Position – 31/03/09**

		Principal		Average Rate
		£m	£m	
Fixed rate funding	PWLB	137.355		
	Market	<u>77.600</u>	214.955	5.38%
Variable rate funding	PWLB	0.000		
	Market	<u>0.000</u>	0.000	0.00%
Other long term liabilities			<u>0.000</u>	0.000%
<b>TOTAL DEBT</b>			<b><u>214.955</u></b>	<b>5.17%</b>
<b>TOTAL INVESTMENTS</b>			<b>27.731</b>	<b>0.96%</b>

## 10 Reserves

- 10.1 A key aspect of the consideration of the General Fund Revenue Budget and Capital Programme Budgets is the position of the General Fund Reserves.
- 10.2 The Reserves Strategy seeks agreement that the core Reserve be maintained at a level of 2% of net expenditure and it is recommended that the core General Fund Reserve for 2009/10 be £4.940m and the core HRA Reserve for 2009/10 be £0.627m.
- 10.4 Furthermore, as reserves are projected below this level for General Services, then the Council is working towards bringing reserves back up to the level by earmarking £0.400m per annum.
- 10.6 Reserves can be held for three main purposes:-
- A working balance to help cushion the impact of uneven cash flows - this forms part of general reserves.
  - A contingency to cushion this impact of unexpected events or emergencies which also forms part of general reserves.
  - A means of building up funds, often referred to as earmarked reserves, to meet unknown or predicted liabilities.
- 10.7 For each reserve held, there should be a clear protocol on:
- The reason for/purpose of the reserve
  - How and when the reserve can be used
  - Procedures for the reserve's management and control
  - A process and timescale for review of the reserve to ensure ongoing relevance and adequacy
- 10.8 The level and use of reserves is determined by the Council, informed by the advice and judgement of the Chief Financial Officer. In order to help the Council reach its decision in respect of reserves, the Chief Financial Officer should report the facts that influenced his judgement and ensure that the advice given is recorded formally.
- 10.9 Where the Chief Financial Officer's advice is not accepted, then this should be recorded formally in the minutes of that Council meeting.
- 10.10 The Council's estimated reserves at the beginning of 2009/10 are summarised below:

	<b>£million</b>
<b><u>Revenue</u></b>	
General Fund Reserve	0.258
HRA Reserve	1.839
Earmarked Revenue Reserve	<u>4.778</u>
	<u>6.875</u>
<b><u>Capital</u></b>	
Capital Item Replacement Fund	0.356
Unapplied Capital Receipts	8.507
Capital Reserves: Schools Regeneration	<u>6.016</u>
	<u>14.879</u>

- 10.11 The total reserves are estimated to stand at £21.934 million at the beginning of 2009/10 and £8.683million at the end of 2009/10. The General Fund balance is estimated to increase by £0.400m per annum, totaling £2.228m by 2013/14
- 10.12 The earmarked revenue reserves are a variety of funds earmarked for specific revenue purposes. The detailed Reserves are shown at Appendix 6 and Appendix 7.

## **11 Monitoring and Reporting Arrangements**

- 11.1 The Financial Strategy will be monitored by CMT and the Strategic Finance Working Group on a regular basis - there will also be capacity to review the Strategy as and when required, particularly when a new issue arises or the impact of major policy or initiative becomes clearer.
- 11.2 The Financial Strategy will only be revised if there are changes to estimates, projections or policy which have a financial impact.
- 11.3 The de minimus level for a major impact requiring immediate review is 50% of the planned General Fund reserves £2 million and for HRA this would be £0.500 million subject to the opinion of the Chief Financial Officer.
- 11.4 The financial management principles and expectations have been communicated and are understood by all Chief Officers and budget holders.
- 11.5 The Financial Strategy has been drawn up with the full involvement of the CMT and, will be communicated throughout the organisation.
- 11.6 It is envisaged that in future, where appropriate, wider consultation will take place regarding the Financial Strategy including with partner agencies.

## **12.0 Risk Management**

- 12.1 The Council has developed Risk Registers. A review of the Registers has been undertaken to identify risks that relate to the Financial Strategy and delivery of the Financial Strategy. The consolidated risks related to the Financial Strategy are shown at Appendix 13.
- 12.2 Further work will be undertaken to develop a comprehensive Risk Register for the Financial Strategy and the required actions to mitigate risks, together with identifying responsibilities.

Additional strategic risk factors that may be considered are identified on Appendix 1

## Appendix 1 – Further Risk Factors

This list is not exhaustive

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

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

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

The Finance and ICT Service has prepared an *operational* risk register which lists control measures and analysis of operational risks (Refer to Appendix 13).



## Appendix 2

### Short-Term Issues

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

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Strategic Issues	Fairer Scotland Fund funding reduced. Impact on Council budgets	Budgets forecasting funding gaps account for reduction	Head of Finance and ICT
	Modern & Efficiency Programme	Efficient Government Workstream reporting back to the CMT	CMT
	Reduction in Scottish Government Funding	Budgets forecasting funding gaps account for anticipated reduction	Head of Finance and ICT
	Financing of Council budgets / Review Income Targets	3 year detailed budget prepared Working with PWC regarding Revenue Income generation	Head of Finance and ICT
	Single Outcome Agreements	Draft WDC agreement prepared and under discussion	Head of Policy and Performance
	Community Plan / Corporate Plan and Objectives	Draft corporate plan reported to Council	Head of Policy and Performance
	Shared Services	Identification through diagnostic pathway	Head of Finance and ICT

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Strategic Issues (cont.)	ICT modernisation	Capital programme identified. Development of Agresso ongoing	Head of Finance and ICT
	Capital income decline	Identification of movement through Capital Disposal Working Group – reported to CMT & Council through capital budgetary control	Head of Property and Technical Services  Head of Finance and ICT
	Asset Management Plan - Maintenance Backlog Disability Discrimination Act - Health and Safety	Asset strategy group Capital resources committed for disability access	Head of Property and Technical Services  Head of Policy and Performance
	Best Value Audit and Improvements	2 <sup>nd</sup> review of BV audit in progress	Head of Policy and Performance
	Work Force Planning	New ICT system new procured and being developed. Integration with payroll	Head of Human Resources and Organisational Development
	Building block targets 2008/09 and 2009/10	Actions now uploaded into covalent with responsible officers and target dates	Various
	Single Status Implementation	Single status now implemented 1/3/09 Appeals ongoing	Head of Human Resources and Organisational Development

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Social Work	Free Personal Care	Budget provided – any impact above this level would require monitored and action taken if necessary	Executive Director of Social Work and Health
	Residential Schools	Budget provided – any impact above this level would require monitored and action taken if necessary	Executive Director of Social Work and Health Executive Director of Education
	Looked after and accommodated children (fostering, adoption etc)	Budget provided – any impact above this level would require monitored and action taken if necessary	Executive Director of Social Work and Health
	Placement Management lists (Care home and home care)	Budget provided – any impact above this level would require monitored and action taken if necessary	Executive Director of Social Work and Health
	Occupational Therapy aids	Budget provided (capital and revenue)– any impact above this level would require monitored and action taken if necessary	Executive Director of Social Work and Health
	Learning Disability – care packages for those users who would have previously been admitted to hospital	Budget provided – any impact above this level would require monitored and action taken if necessary. Work with NHS	Executive Director of Social Work and Health

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Housing Economic and Environmental Services	Increasing levels of waste - landfill tax impact	Increase recycling targets Budgetary impact within budget	Head of Land and Environment
	Recycling Initiatives		Head of Land and Environment
	Planning Income & building warrant income decline	Budgetary impact within budget – finances to be monitored and action taken if necessary	Head of Housing and Regeneration
	Investment Property income decline due to economic climate	Budgetary impact within budget – finances to be monitored and action taken if necessary	Head of Property and Technical Services
	Cost of vandalism and anti-social behaviour	Budget provided – any impact above this level would require monitored and action taken if necessary	Head of Housing and Regeneration
	Road Maintenance: - access to data - maintenance backlog and strategy for improvement	Budget provided (capital and revenue), projected require to be prioritised – any impact above this level would require monitored and action taken if necessary	Head of Land and Environment
	Structural Funds: - ERDF - ESF Impact on RSA (money for businesses)	Requires to be monitored and action taken if necessary	Head of Housing and Regeneration

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Education	PPP handover and monitoring	Action plan to monitor savings to be achieved to fund unitary charge, monitoring of performance re BAM & internal facilities management, additional charges to be paid, penalties made	Head of Educational Resources
	Schools estate regeneration	Identification on Council priority enhancements and new builds, identification of funding, identification of acceptable specifications within funding available	Head of Educational Resources
Chief Executive / Corporate Services	Corporate Governance - Freedom of Information - Data Protection	Actions identified and in place to ensure information provided is complete and no breaches of data protection	Head of Legal, Administration and Regulatory Services
	New Legislation: - Public Health Bill - Environmental Health Protection Plan - Port Health Emergencies - Tobacco Sales	Action to ensure available resources to support new legislation that will not leave the Council exposed	Head of Legal, Administration and Regulatory Services
	International Financial Standards	Appoint PWC for analysis and knowledge transfer Commence IFRS inter-departmental working group	Head of Finance and ICT

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Chief Executive / Corporate Services (cont.)	Transfer District Court to Scottish Administration – 2009. Impact on: staffing; accommodation; surplus listed property; lost income	Identify staff/budgets/ accommodation/ funding for transfer	Head of Legal, Administration and Regulatory Services
	Licensing income decline Licensing Standards Officers- unsustainable income	Ensure phasing of income generation within budgets going forward is accurate	Head of Legal, Administration and Regulatory Services
	European Elections election cycle and funding	Action plan to ensure smooth running of election, with maximum update of voting. Ensure appropriate external financial support and internal budgetary provision for outgoing costs	Head of Legal, Administration and Regulatory Services

**Medium-Term Issues**

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

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Strategic Issues	Modern & Efficiency Programme	Efficient Government Workstream reporting back to the CMT	Corporate Management Team
	Scottish Government Funding levels – capital and revenue	Longer term financial strategy to help appropriate officers to identify possible risks on budget gaps to take necessary action at an early stage	Executive Director of Corporate Services
	Accommodation	Identification of staffing requirements and locations	Executive Director of HEED
	Asset Management Plan - other areas of development - Parks and open spaces - Asset replacement - Asset standards - Space standards	Asset Strategy Group	Executive Director of HEED

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
HEED	HRA: <ul style="list-style-type: none"> <li>- Standard Delivery Plan</li> <li>- stock transfer</li> <li>- Scottish Housing Quality Standards</li> </ul>	Strategy to meet standards – identification of increase capital spend and funding thereof Strategy officer working towards possible transfer through action plan	Executive Director of HEED
Social Work and Health	Provision of increasing levels of care for children, adults and older people from Social work and Health Services	Longer term commissioning strategies to be developed and options considered	Executive Director of Social Work and Health
	Consideration of balance of care issues for service provision between residential care and care at home & balance between early intervention or prevention and reactive service provision	Longer term commissioning strategies to be developed and options considered	Executive Director of Social Work and Health
Education	Schools Estate Strategy	Continuation of Schools Estates Team to help identify and mover forward on funding and prioritization beyond Bonhill and Goldenhill Primaries	Executive Director of Education



**Long-Term Issues – over 10 Years**

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

<b>Service</b>	<b>Issues Identified</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Strategic Issues	Depopulation and Change of Demographics	Monitoring likely movement and action taken when appropriate	Head of Policy and Performance
Social Work and Health	Demographic change in relation to expected significant increasing numbers of older people living longer & needing care and support	Implementation of BV Review outcome for older people's services to shift the balance of care by 2025 to 70% provided at home	Executive Director of Social Work and Health
Education	Schools Estate Strategy	Continuation of Schools Estates Team to help identify and mover forward on funding and prioritization beyond Bonhill and Goldenhill Primaries	Executive Director of Education

## RESERVES STRATEGY

### 1. INTRODUCTION

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

### 2. BACKGROUND

- 2.1. The Council has two main Reserves, a General Fund Reserve and a Housing Reserve.
- 2.2. The Housing Reserve is created from surpluses generated by the Housing Revenue Account. The surplus can be used to help minimise the level of rent increase and can be transferred to the General Services , if agreed by Members. Copuncil has agreed that the targeted minimum level of reserves held for HRA purposes should be 2% of net expenditure – currently agreed for 2009/10 as £0.627m.
- 2.3. The level of General Fund Reserves in the Council has fluctuated significantly in the period since 1996, one main contributing factor is the Pay Modernisation Project  
However Council has agreed a targeted minimal level of usable General Fund Reserves of 2% of net expenditure – currently agreed at £4.940m for 2009/10.

### 3. LEVEL OF RESERVES

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

### 4. MAJOR ISSUES FACED BY THE COUNCIL

- 4.1. The Council is facing a number of risks and uncertainties at this point in time due to the significant transformation programme which is ongoing. The largest of these relates to the School Estate programme whilst the impact of Single Status and equal pay forms another potentially large call on the General Fund Reserve.
- 4.2. In addition to the above issues the Council will face ongoing calls for one-off expenditure in relation to the transformation of the organisation. Often these manifest themselves in the form of early retrials/voluntary severance costs but can also be the result of one-off feasibility/consultancy costs.

## **5. EARMARKED RESERVES**

- 5.1. Over and above the recommended target of 2% Reserve allowance the Council has a few earmarked reserves. Earmarked reserves are sums of money set aside for specific purposes either by the Council or because of Government ring fencing. The recent three year funding announcement for Local Government has seen a significant reduction in the number of earmarked reserves due to the reduction in the number of ring fenced sums allocated by the Government.
- 5.2. It should be noted however that the use of Earmarked Reserves will form an important part of any Financial Strategy as they provide a transparent method for the Council to demonstrate how it intends to fund specific priorities.

**Reserves Projection**

<b>General Fund</b>	<u>2008/9</u> <u>£m</u>	<u>2009/10</u> <u>£m</u>	<u>2010/11</u> <u>£m</u>	<u>2011/12</u> <u>£m</u>	<u>2012/13</u> <u>£m</u>	<u>2013/14</u> <u>£m</u>
1. Starting Balance	2.277	0.258	0.628	1.028	1.428	1.828
2. Use of Reserves approved	(1.900)	0.000	0.000	0.000	0.000	0.000
3. Annual Surplus/(Deficit)	(0.119)	0.400	0.400	0.400	0.400	0.400
	<u>0.258</u>	<u>0.628</u>	<u>1.028</u>	<u>1.428</u>	<u>1.828</u>	<u>2.229</u>

\* The Reserves Strategy confirmed a targeted minimum free reserve figure of £4.940m being 2% of net expenditure.

**Notes:**

1. RSG/NDR/Council Tax now £243.941million. Recommended targeted minimum level of reserves is 2% / £4.940 million  
Strategy needs to demonstrate how this level of reserves will be achieved in the medium term.

<b>HRA</b>	<u>2008/9</u> <u>£m</u>	<u>2009/10</u> <u>£m</u>	<u>2010/11</u> <u>£m</u>	<u>2011/12</u> <u>£m</u>	<u>2012/13</u> <u>£m</u>	<u>2013/14</u> <u>£m</u>
1. Starting Balance	1.538	1.839	1.459	1.459	1.459	1.459
2. Use of Reserves approved	(0.300)	(0.380)	0.000	0.000	0.000	0.000
4. Annual Surplus/(Deficit)	0.601	0.000	0.000	0.000	0.000	0.000
	<u>1.839</u>	<u>1.459</u>	<u>1.459</u>	<u>1.459</u>	<u>1.459</u>	<u>1.459</u>

\* The Reserves Strategy confirmed a targeted minimum free reserve figure of £0.627m being 2% of gross expenditure.

**Earmarked Reserves Projection****Projected Earmarked Reserve Position**

	<u>31.3.09</u> <u>£million</u>	<u>31.3.10</u> <u>£million</u>	<u>31.3.11</u> <u>£million</u>	<u>31.3.12</u> <u>£million</u>	<u>31.3.13</u> <u>£million</u>	<u>31.3.14</u> <u>£million</u>
<b>Revenue</b>						
<u>General Fund</u>						
Free Reserves	0.258	0.628	1.028	1.428	1.828	2.228
<u>Earmarked Reserves</u>						
General Services – specific	3.778	0.000	0.000	0.000	0.000	0.000
Housing (HRA)	1.839	1.459	1.459	1.459	1.459	1.459
Pay Modernisation Programme	1.000	1.000	1.000	0.000	0.000	0.000
Early Retiral/Voluntary Severance	0.180	0.000	0.000	0.000	0.000	0.000
<b>Total Revenue Reserves</b>	<b>7.055</b>	<b>2.088</b>	<b>3.487</b>	<b>3.887</b>	<b>4.287</b>	<b>4.627</b>
<b>Capital</b>						
Capital Items Replacement Fund	0.356	0.356	0.356	0.356	0.356	0.356
<u>Capital Receipts</u>						
General Services	8.507	0.000	0.000	0.000	0.000	0.000
Housing Revenue Account	0.000	0.000	0.000	0.000	0.000	0.000
Capital reserve: Schools	6.016	6.239	6.401	11.970	12.320	12.425
<b>Total Capital Reserves</b>	<b>14.879</b>	<b>6.595</b>	<b>6.757</b>	<b>12.326</b>	<b>12.676</b>	<b>12.781</b>

## CONTINGENCY FUND POLICY

### INTRODUCTION

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

### MAIN ISSUES

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

## WEST DUNBARTONSHIRE COUNCIL

## Revenue Budget Proposals – Action Plan 2008/09

Target dates for these actions are now detailed within Covalent

No.	Descriptions	Officer Responsible
<b>Council Tax Levels 2008/09</b>		
1.	Therefore I am recommending to the Council that council tax levels for this year should be frozen.	Joyce White
<b>Council Tax Levels 2009/2011</b>		
2.	I am recommending that the Council agrees that council tax levels in 2009/2010 and 2010/2011 will also be frozen, subject to the freeze funding being available.	Joyce White
<b>Collection Rates</b>		
3.	I am therefore recommending a council tax collection rate for the coming year of 97% - 0.25% higher than suggested. I believe this is easily achievable.	Joyce White
<b>Band D Properties</b>		
4.	I am therefore recommending a Band D equivalent of 33,111.	Joyce White
<b>Police Resources</b>		
5.	Therefore I am recommending that with the agreement of Strathclyde's new Chief Constable, Stephen House, that the Council agrees the total sum of £200,000 p.a. for the next 3 years for an additional 8 community police officers to be deployed across West Dunbartonshire	David McMillan
6.	These additional resources should be identified in a service level agreement between the Council and Strathclyde Police.	David McMillan
<b>Environmental Campus</b>		
7.	Therefore I am recommending that through our partners and the environmental forum that the feasibility of creating an environmental campus be explored.	Elaine Melrose
<b>Carbon Fund</b>		
8.	I am therefore asking Council to agree to the principal of a West Dunbartonshire Carbon Trust. The concept should be developed using the Environmental Forum as the lead.	Elaine Melrose
9.	The fund should be used to fund carbon reduction schemes and projects within the West Dunbartonshire area.	Elaine Melrose
10.	I also ask Council to agree that all Council projects should be the subject of a carbon audit.	CMT - Elaine Melrose
<b>Blue Bins &amp; Recycling</b>		
11.	I am therefore asking Council to agree to the implementation of a 6 month pilot project doubling the number of blue bin collections in areas where there are high levels of recycling.	Elaine Melrose

No.	Descriptions	Officer Responsible
<b>Spend to Save</b>		
12.	I am recommending to the Council that a capital spend to save fund of £250,000 is created. The fund should look at all projects that can deliver a return on capital invested, ideally within a 10-15 year timescale.	CMT - Joyce White
<b>LPG &amp; Bio Diesel</b>		
13.	I am recommending to the Council that we agree to implement an environmental procurement policy for all vehicles across the Council.	Elaine Melrose
14.	The policy should look at bio diesel and LPG fuel means for all van fleets.	Elaine Melrose
15.	The policy should look at duel fuel for cars and light vehicles.	Elaine Melrose
16.	The Council should strive to deliver 50% of its fleet either using bio diesel, duel fuel or LPG within 10 years.	Elaine Melrose
<b>Digital Image Processing</b>		
17.	I am recommending to the Council that Digital Image Processing be rolled out across the organisation within 5 years.	CMT - Joyce White
18.	In the event that documents require to be printed, the Council must move to ensure that all its paper is from sustainable sources by 2010.	CMT - Joyce White
<b>Contingency Fund</b>		
19.	I am therefore recommending that the Council create an investment fund. This fund will create a revenue budget interest stream.	CMT - Joyce White
20.	That the current year's estimated contingency fund by the end of March 2009 should be set at £2,200,000.	CMT - Joyce White
21.	That the contingency fund should be rebuilt at a rate of £400,000 per year.	CMT - Joyce White
<b>Contingency Fund</b>		
22.	This approach means that a calculation will be added to the budget book of interest gained from the contingency fund. If this fund is used to offset any unforeseen revenue expenditure it would have a double impact on finances, therefore should not be considered a viable source of short term funding.	CMT – Joyce White
23.	Officers should examine the possibility of refining the contingency fund to exclude requisitions	CMT - Joyce White
<b>Centralise All IT Procurement</b>		
24.	Therefore I recommend that the CMT work towards developing a centralised IT procurement strategy for implementation	CMT – Joyce White
<b>Internal Recharging</b>		
25.	I feel that the CMT should explore the different levels of internal recharging within the organisation. 50% of the staff deployed in internal recharging processes should be diverted to delivering added value to services by 2010.	CMT – Joyce White



No.	Descriptions	Officer Responsible
<b>Centralise Utilities Procurement</b>		
26.	Therefore I am recommending that the Council agree that as of April 2009 that all procurement of utility services across all Council departments including schools should be controlled and purchased centrally.	CMT - Joyce White
27.	The CMT is therefore tasked to ensure that the infrastructure is put in place to deliver this objective.	CMT - Joyce White
<b>People Resources</b>		
28.	I am therefore recommending to Council that all training budgets across the organisation are centralised. However, although the budgets will be centrally held by Personnel they will be departmentally based. Therefore this ensures that departmental spending on training remains unaffected.	Joyce White
<b>Cash Payment Point</b>		
29.	I am therefore asking the Council to agree to instruct the CMT to develop a fully integrated payment service available at both Garshake and Rosebery Place, where customers can pay fines, council tax, rent and other services at a single point.	CMT – Joyce White
<b>Central Winter Contingency Budget</b>		
30.	I am therefore recommending that the Council agrees to establish a centralised winter contingency budget.	Joyce White
<b>Departmental Achievement Opportunities</b>		
31.	As detailed earlier – CMT to divert 50% of the staff deployed in the internal recharging process by April 2010.	CMT
32.	Develop 2 new additional revenue streams across their respective departments, excluding charging.	CMT
33.	To reduce departmental annual revenue expenditure by 1% by April 2009.	CMT
34.	Increase the number of departmental services that can be accessed online by 30% by April 2009.	CMT
35.	Provide all paper application forms available online by April 2010.	CMT
<b>Continually Improve</b>		
36.	I am therefore tasking the CMT to draft together a list of Best value reviews throughout the organisation	CMT
37.	As part of that review I believe that the Council should embrace the continuous improvement agenda and should develop a multi-strand approach to delivering that agenda. As part of that approach a test Kaizen Blitz should be considered a priority and should be progressed within a 6 months period.	CMT
38.	I am recommending to the Council that officers enter into discussion with the CVS to formalise an agreement to administer all aspects of the Tier 2 and 3 grant applications.	CMT - Joyce White

No.	Descriptions	Officer Responsible
<b>Grants Process</b>		
39.	The Cultural Grant Fund should now be formally agreed to be established and all funding for cultural events should be drawn under this fund. In addition all grant applications submitted under the cultural budget should be approved by the newly formed cultural committee.	CMT
40.	The Cultural Grant Fund is a fund where applications such as the Highland Games and festivals should be paid from.	CMT - Joyce White
41.	It is important that applications agreed from the cultural budget are seen in the best value context – each application should have a follow up report detailing the economic benefits to the local communities.	CMT - Joyce White
42.	The CMT is asked to set targets for the External Funding unit. The CMT is also asked to ensure that there is no double counting of successful grant funding.	CMT - Joyce White
<b>Debt</b>		
43.	To ensure consistency of information given and the safety of staff the Council also agrees that as a matter of priority that all calls to the debt and council tax sections should be routinely recorded.	Joyce White
44.	The Council should explore the possibility of assigning high level commercial debt that it is proving difficult to collect.	Joyce White
<b>2 Year Budgeting</b>		
45.	Therefore I am recommending to the Council that officers are instructed to prepare a two year budgeting process for the years 2009/2010 through to 2010/2011	CMT - Joyce White
<b>Direct Debit for Council Tax</b>		
46.	Therefore I am recommending to the Council that we introduce a prize draw of £1,500 for those people signed up to direct debit.	Joyce White
47.	There would be 3 draws scheduled in April, July & December.	Joyce White
48.	This additional money should be viewed as a spend to save basis as administration and charges with this method of collection are substantially lower than other payment methods.	Joyce White

No.	Descriptions	Officer Responsible
49.	To enable those people without bank accounts to access a simplified way of paying, I am asking that officers enter into discussions with the Credit Unions to develop an additional way for people to pay their council tax.	Joyce White
<b>Open Space Fund (planning gain)</b>		
50.	Therefore I am recommending that the Council establish a planning gain charge.	Elaine Melrose/ Joyce White
51.	The Council also agrees that this charge is allocated to secure improvements to open spaces, play areas and football pitches.	Elaine Melrose/ Joyce White
52.	The Council agrees that a new Open Space Fund be established	Elaine Melrose/ Joyce White
53	All revenues gained from any new charges to developers should be directed to this new fund.	Elaine Melrose/ Joyce White
<b>Visit Scotland</b>		
54.	Therefore I am recommending the Council agrees in principle to redistribute the monies currently allocated to Visit Scotland.	Joyce White
55.	Officers should open up discussions with the National Park and other councils to establish a more co-ordinated, local tourism campaign and strategy.	Elaine Melrose
<b>Out of Hours Services</b>		
56.	I am therefore asking the Council to agree to instruct the CMT to develop a fully integrated West Dunbartonshire Emergency System. The service should simplify and bring together all the Emergency systems currently provided by the authority.	CMT - Elaine Melrose/ Bill Clark
<b>Commonwealth Games</b>		
57.	Therefore I am asking the Council to agree to establish a Commonwealth group.	CMT - David McMillan/ Elaine Melrose
58.	The membership of the group should be small and focused and should include the chair of the National Park.	CMT - David McMillan/ Elaine Melrose
59.	The Council agrees that the Chief Executive brings a further report on the remit and potential membership of a group.	CMT - David McMillan/ Elaine Melrose

No.	Descriptions	Officer Responsible
<b>Youth Support &amp; Comm ED</b>		
60.	Therefore I am recommending that in the coming year the CMT, WDCVS, Social Work, Education and the CPP launch a review of community support services.	CMT - Terry Lanagan/ Elaine Melrose
61.	The review should look at duplication, outcomes and management across West Dunbartonshire.	CMT - Terry Lanagan/ Elaine Melrose
<b>Community Education Centres</b>		
62.	I am therefore asking Council to agree to an in principle decision to transfer management and control of CE Centres to HEED.	CMT - Terry Lanagan/ Elaine Melrose
63.	As part of the review the community educational role cannot be ignored and discussions between Education, HEED and unions should take place to ensure a smooth transition.	CMT - Terry Lanagan/ Elaine Melrose
64.	There also exists scope to examine transferring some centres to the voluntary sector. Therefore the CMT is tasked with delivering an options appraisal for community ownership of some community education facilities.	CMT - Terry Lanagan/ Elaine Melrose
<b>Leisure Trust</b>		
65.	Therefore I am recommending that in the coming year active discussions and options appraisal should be undertaken to look at developing a leisure trust. The staff and unions should be an integral part of any discussions and appraisal.	Elaine Melrose
66.	The purpose of the trust will be to enhance sporting and leisure opportunities for all West Dunbartonshire residents.	Elaine Melrose
<b>Milton Regeneration</b>		
67.	Therefore I am asking the Council to agree a funding package of £30,000 p.a. over the next 3 years to deliver a community facility in the village of Milton.	Elaine Melrose

## WEST DUNBARTONSHIRE COUNCIL

## Revenue Budget Proposals – Action Plan 2009/10

Target dates for these actions are now detailed within Covalent

No.	Descriptions	Officer Responsible
<b>Finance and Resources</b>		
1.	Therefore I am recommending to the Council that for the second year in a row that council tax levels are frozen at 2007/08 levels	Joyce White
2.	In addition, subject to the additional support fund being available from the Scottish Government, that 2010/11 council tax levels should also be frozen	Joyce White
3.	Acknowledge the announcement by John Swinney MSP to a further council tax freeze until after the election on 2011	Joyce White
4.	I am recommending a band D equivalent of 34,207 which in turn will set a band C council tax level of £1,163 plus water charges	Joyce White
5.	I am recommending the introduction of a new 12 month – ‘opt in’ council tax payment scheme.	Joyce White
6.	I am therefore recommending that the council agrees to develop a two year financial plan	Joyce White
7.	That the council agrees to examine the need for a new finance review framework, to monitor the implementation, monitoring and virement between budget cycles	Joyce White
8.	I recommend that authority be delegated to the Director of Corporate Services to completely review all current debt profiles and to refinance any loans or investments where there is long term benefit to the council.	Joyce White
9.	In addition the Council also agrees to delegate authority to the director to examine the feasibility of using long term cashflows to reduce or repay borrowings, rather than investing, with regular update reports being sent to the corporate efficiency committee	Joyce White
10.	The council agrees to look at the feasibility of establishing an infrastructure HUB and that a conference be held in April, of potential partners across the voluntary and public sectors to explore the legal and financial aspects of how a HUB could operate	David McMillan
<b>Infrastructure and assets</b>		
11.	The council agrees that effective from 1 April 2009 that control of all community education centres will pass to HEED, under halls and events, through a single point of contact	Terry Lanagan Elaine Melrose
12.	The Council agrees to streamline the way in which we let our halls and accommodation	Terry Lanagan Elaine Melrose

No.	Descriptions	Officer Responsible
13.	Therefore effective immediately no new commercial office accommodation leases or renewals are to be entered into without express committee or council approval	Elaine Melrose
14.	There is a complete review of all current office accommodation and that the council agrees to move to discontinue the use of private leases, where able	Elaine Melrose
15.	The Council agrees to discontinue the use of Braidfield School building and mothball the building. Staff within the building should be relocated to other suitable council owned accommodation no later than the beginning of April 09, any difficulty in delivering this timescale should be reported to Council.	Elaine Melrose
16.	The long term future of the building is already featured as part of the PPP funding calculations	Elaine Melrose
17.	That a further report on options for keeping the playing fields at Braidfield accessible should be brought to the HEED committee	Elaine Melrose
<b>Education and Lifelong learning</b>		
18.	The council agrees to introduce free school meals for p1-3 as of the start of the new term in August this year	Terry Lanagan
19.	Note that the new scheme will see 3,000 children across west Dunbartonshire receive entitlement to a nutritious and healthy free school meal	Terry Lanagan
20.	The Council agrees to ask the education department to examine the feasibility of providing fresh orange or fresh fruit along side our other healthy initiatives	Terry Lanagan
21.	Identify all youth, educational and other such outreach services	Terry Lanagan
22.	To enter into discussions across council departments, voluntary sector and our community planning partners about reducing duplication, improving and maximising the lifelong learning experience of our citizens	Terry Lanagan
23.	Develop a new outreach strategy in partnership for all the services	Terry Lanagan
24.	The Council agrees to delegate to the director of education to review and improve the provision of breakfast clubs and roll them out to all our 42 schools, providing the agreement and support of teachers is secured	Terry Lanagan
<b>Crime and Anti-social behaviour</b>		
25.	To review the areas covered by the community warden service	Elaine Melrose
26.	To review the reductions in levels of crime and anti-social behaviour	Elaine Melrose
27.	To review the link between early interventions and the role of lifelong learning	Elaine Melrose
28.	To review the enhancement of civic and community empowerment through volunteering	Elaine Melrose

<b>No.</b>	<b>Descriptions</b>	<b>Officer Responsible</b>
29.	To review the effectiveness of the service in relation to community policing, youth outreach projects, CCTV and community safety projects	Elaine Melrose
30.	Conduct an option appraisal on alternative solutions to reconfigure the service	Elaine Melrose
31.	Deliver options for the future of an integrated anti-social reduction initiative	Elaine Melrose
<b>Customer Service</b>		
32.	Agree to evaluate the creation of an internal emergency out of hours contact service	Elaine Melrose Bill Clark
33.	The council should incorporate all current and future council requirements for out of hours provision, including social work, housing repairs, anti-social behaviour, homeless, roads & lighting faults	Elaine Melrose Bill Clark
34.	Agree to examine the subscription to all external out of hour services, subject to the new service being in place and subject to notification time frames required for terminating any service agreements or contracts	Elaine Melrose Bill Clark
35.	A provisional live date of 1 December 2009 for the new service is agreed with regular update reports to Full Council in the run up to the live launch	Elaine Melrose Bill Clark
36.	The council agrees that a cost benefits analysis be conducted on all council telephone and data communications	Elaine Melrose Joyce White
37.	The contact centre should be the council's first point of contact for incoming customer calls & enquiries no later than December 2009	Joyce White
38.	That one point reception counters be developed within our main offices by the start of February 2010	Joyce White
<b>Greener West Dunbartonshire</b>		
39.	Given the success of last years pilot project the council agrees that a report be prepared for the next HEED committee about increasing the blue bin collections across areas of high recycling as well as identifying how effective or recycling programme is in terms of real impact	Elaine Melrose
40.	The Council agrees to examine the feasibility of creating two video conferencing suites, one at Garshake and one at Clydebank	Joyce White
<b>Communications &amp; Marketing</b>		
41.	Agree to stop producing a corporate Christmas card	David McMillan
42.	The review should examine all costs of the newspaper, frequency, distribution & policy, and work towards being more cost effective	David McMillan
43.	Develop proportionate event and marketing material for Christmas and Hogmanay 2009	David McMillan
44.	Develop a full option appraisal for the future uses of Balloch Castle, together with costs	Elaine Melrose

No.	Descriptions	Officer Responsible
<b>Organisational Change</b>		
45.	We recognise that the council has worked extensively to change and improve how it delivers its services. The next stage should look at the delivery of a service improvement agenda, with a view to embedding the improving cultural ideals	David McMillan
46.	We should strive to bring together the expertise which is located throughout the organisation in a cohesive way.	David McMillan
47.	The council agrees to establish a spend to save budget control allowing the savings generated by projects to be re-invested in delivering continuous improvement	David McMillan
48.	A key aim of this approach is to cultivate and embed a culture of empowerment throughout staff in the organisation	David McMillan
49.	The Council acknowledges the work being done on the personal development of senior officers	David McMillan
50.	The Council acknowledges the work and support of the improvement service in assisting the council in delivering a framework	David McMillan
51.	The process should take place in may each year and should begin this year	David McMillan
52.	The council agrees for an option appraisal for the relocation of the training suite(s) from the basement	Joyce White
53.	The council agrees to review the management structure for sports development	Elaine Melrose Terry Lanagan
54.	The review should also look at outdoor education provisions	Elaine Melrose Terry Lanagan
55.	The council agrees that working group and sub committee papers will only be given in paper form to those who are members of the group. Electronic copies will be sent to all other members.	Joyce White
<b>Economy</b>		
56.	The council instructs the CE to write to all Scottish MPs & MSPs asking for their support to demand that financial institutions assist small businesses with cash flow facilities	David McMillan
57.	The letter should seek support for banks to pass on interest rate savings to Housing Association debt	David McMillan
58.	The council agrees to improve links with the Chamber of Commerce and the local social enterprises by improving links with the independent local social economy network in relation to improved policies and procedures	Elaine Melrose
59.	The council also agrees to establish a joint forum with the chamber of commerce and the local social economy network to work in partnership to develop an integrated action plan for economic policy and business support across the area	Elaine Melrose
60.	The new group should also look at delivering a strategy for the regeneration of our town centres and should strive to assist the council in developing a local procurement policy	Elaine Melrose



<b>No.</b>	<b>Descriptions</b>	<b>Officer Responsible</b>
61.	The council agrees to hold a money & debt advice conference with all relevant departments and voluntary organisations	Bill Clark
62.	The Council also agrees to work with our partners to hold money and debt advice road shows throughout the council area	Bill Clark
<b>Community Regeneration</b>		
63.	The Council therefore agrees to task the HEED committee to conduct an audit of available land for the regeneration of local services	Elaine Melrose

## Treasury Management Strategy 2009/10 – 2011/12 (agreed Council: 25 February 2009)

### 1. Background

- 1.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators in Appendix 1 consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions. There are specific treasury prudential indicators included in this strategy which need approval.
- 1.2 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 27 March 2002, and as a result adopted a Treasury Management Policy Statement within its treasury management practices. This meets the requirements of the first of the treasury prudential indicators.
- 1.3 The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming year. A further report is produced after the year-end to report on actual activity for the year.
- 1.3 This strategy covers:
- The current treasury position
  - The economic climate and expected movement in interest rates
  - The Council's borrowing and debt strategy
  - Specific limits on treasury activities
  - Treasury performance indicators

### 2. The Current Treasury Position

- 2.1 The current position of external borrowing for 2008/09 to 2011/12 is as noted in Table H. This takes account of expected capital expenditure and annual repayments in each year. It also notes the level of anticipated investments due to capital and revenue balances held.

**Table H:**

£000	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
<b>External Debt</b>				
Borrowing	213,179	219,254	222,870	226,808
Other long term liabilities	0	0	0	0
Debt at 31 March	213,179	219,254	222,870	226,808
<b>Investments</b>				
Total Investments at 31 March	18,282	10,282	10,282	10,282

### 3. Economic Indicators

**3.1.1 Current Economic Situation** - The UK economy has entered a profound recession, worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets. The situation in the economy is considered critical by the policy setters who are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could trigger a collapse in consumer confidence. At best this could deliver a short, sharp downturn, at worst a prolonged Japanese-style recession

**3.1.2** The sharp downturn in world commodity, food and oil prices, the lack of domestic wage pressures and weak retail demand promises a very steep decline in inflation in the year ahead. In the recent pre-budget report, the Treasury suggested RPI inflation could fall to minus 2.25% by September 2009. Inflation considerations will not be a constraint upon Bank of England policy action. Indeed, the threat of deflation strengthens the case for more aggressive policy ease.

**3.1.3** The Government's November pre-budget report did feature some fiscal relaxation, however, the size of the package is considered insufficient to kick-start the economy. The onus for economic stimulation will fall upon monetary policy and the Bank of England.

**3.2 Short Term Interest Rates** - The Bank will continue to ease policy and the need to drive commercial interest rates, currently underpinned by the lack of liquidity of the money market, to much lower levels suggests the approach will be more aggressive than might otherwise have been the case. A bank rate below 1% now seems a distinct possibility and short-term LIBOR rates of below 2% may result. Only when the markets return to some semblance of normality will official rates start to increase.

**3.3 Longer Term Interest Rates** - Long-term interest rates will be the victim of conflicting forces due to the twin effects of exceptionally heavy gilt-edged issuance in the next three years by the Government (totalling in excess of £100bn per annum), and the sale of gilts by the public. The expected impact of these transactions will pull PWLB rates in opposite directions with the overall result being very little movement at the longer end.

**Table I:**

Annual Average %	Bank Rate	PWLB Rates*		
		5 year	20 year	50 year
2008/09	3.9	4.2	4.8	4.5
2009/10	1.0	2.4	3.9	3.8
2010/11	1.7	3.2	4.1	4.0
2011/12	2.4	4.0	4.3	4.1

Source: Butlers' Medium Term UK rate forecasts – Annual Average (January 2009)

\* Borrowing Rates

### 4. Borrowing and Debt Strategy 2009/10 – 2011/12

**4.1** The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

**4.2** Long-term fixed interest rates are at risk of being higher over the medium term. The Executive Director of Corporate Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide better opportunities.

- 4.3** With the likelihood of a steepening of the yield curve debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Executive Director of Corporate Services and treasury consultants will monitor prevailing rates for any opportunities during the year.
- 4.4** The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.

**Table J:**

<b>£000</b>	<b>2008/09 Revised</b>	<b>2009/10 Estimated</b>	<b>2010/11 Estimated</b>	<b>2011/12 Estimated</b>
Movement in CFR	1,778	5,985	3,526	3,848
Maturing Debt	79	25,044	34	36
Total borrowing need	1,857	31,029	3,560	3,884

## **5. Investment Strategy**

- 5.1.1** The main principle governing the Council's investment criteria is security and liquidity before interest return - although the return on the investment will be a consideration. After this main principle the Council will ensure:
- (a) It has sufficient liquidity in its investments. For this purpose it will consider the maximum periods for which funds may prudently be committed.
  - (b) It maintains a policy covering both the category of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- 5.1.2** On 12 May 2008 the Scottish Government issued a draft Scottish Statutory Instrument named "The Local Government Investments (Scotland) Regulations 2008" which was due to come into force on 1 April 2009 which states that the Council should prepare and approve a detailed Investment Strategy before the start of the financial year to which it relates.
- 5.1.3** The introduction of this statutory instrument will be dependent on legislative time and it is unlikely to be enacted prior to September 2009. Therefore, up until the time the Guidance is enacted, the Council will continue the current policy – maintaining all investments less than one year and avoiding money market funds, Gilts, corporate bonds, etc. and the Council will be advised as and when the Investment Guidance is enacted.
- 5.1.4** The Executive Director of Corporate Services will maintain a counterparty list in compliance with the council's treasury management practices and will revise the criteria and submit it to Council for approval as necessary.
- 5.2** Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 1.0% bank rate continuing throughout 2009 before increasing again into 2010. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.
- 5.3** There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns; however, uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security. The Executive Director of Corporate Services, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

## 6. Treasury Management Prudential Indicators and Limits on Activity

- 6.1** There are four further treasury prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs.
- *Upper limits on variable interest rate exposure* – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments
  - *Upper limits on fixed interest rate exposure* – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
  - *Maturity structures of borrowing* – These limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.
  - *Total principal funds invested for greater than 364 days* - in Scotland, councils cannot currently invest for periods greater than one year.
- 6.2** On 19 January 2009, following advice from the Council's Treasury Advisers, five Public Works Loan Board loans - totalling £24.962m, with an average interest of 4.00% - were replaced with a one year PWLB loan at 1.17%. Estimated savings of £1.075m, including a discount of £0.373m, are anticipated over the next year. Thereafter, further savings will depend on the interest rate prevailing at the time.
- 6.3** The rescheduling exercise noted above resulted in a breach in the prudential indicator for maturity structure of fixed interest rate borrowing. The Council is responsible for setting its own indicators taking account of risk and the upper limit of fixed rate debt falling due for refinancing within 2 years as reported to Council in the Treasury Management Strategy for 2008/09 was 10%. The actual indicator is currently 11.6%.
- 6.4** It has been identified that a number of other local authorities have upper limits of fixed rate debt falling due for refinancing within 2 years that range from 15% to 35%.
- 6.5** Taking into account future interest rate forecasts, and thus the level of risk involved, as well as current practice in other local authorities, the transaction noted in 6.2 was considered to be appropriate given the exceptional nature of the current financial and economic climate.

- 6.6** As a result of recent activity and the identification of other local authority practice, it is proposed that the upper limit of fixed rate debt falling due for refinancing within 2 years should be increased from 10% to 15%. The proposed indicators are shown within Table K:

**Table K:**

	<b>2008/09 Upper</b>		<b>2009/10 Upper</b>		<b>2010/11 Upper</b>	
<b>Limits on fixed interest rates</b>	100%		100%		100%	
<b>Limits on variable interest rates</b>	30%		30%		30%	
<b>Maturity Structure of fixed interest rate borrowing</b>						
	<b>Lower</b>	<b>Upper</b>	<b>Lower</b>	<b>Upper</b>	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	15%	0%	15%	0%	15%
12 months to 2 years	0%	15%	0%	15%	0%	15%
2 years to 5 years	0%	30%	0%	30%	0%	30%
5 years to 10 years	0%	50%	0%	50%	0%	50%
10 years and above	0%	100%	0%	100%	0%	100%
<b>Maximum principal invested &gt; 364 days</b>	£nil		£nil		£nil	

## **7. Performance Indicators**

**7.1.1** The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- (a) Debt – Borrowing - Average rate of borrowing for the year compared to average available
- (b) Debt – Average rate movement year on year

**7.1.2** The results of these indicators will be reported in the Treasury Annual Report for 2008/09.

## The Finance Strategy Executive – Remit of Group

### Excerpt from the Minutes of the Meeting of West Dunbartonshire Council held on 29 August 2007 – Budget working Group Remit

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#### INDICATIVE FINANCIAL POSITION 2008/09 AND 2009/10

A report was submitted by the Chief Executive providing information about an indicative revenue position for the Council in 2008/09 and 2009/10.

Councillor C. McLaughlin, seconded by Councillor McElhill, moved:-

This Council agrees that the financial position facing the authority is one of the worst since the 28% rises back in 1996.

To deliver stable council services and a balanced budget this Council agrees that a cross party approach to the budget setting process is essential to ensure effective service delivery.

Therefore the Council asks the Labour Group to nominate 2 Members to serve on a Working Group. The Working Group will look at the various options presented to it by the Corporate Management Team with a view to reducing the deficit which the authority is facing. Thereafter, the proposals will be made available to the press and public and all employees informed via the intranet, prior to consideration by the Council.

As an amendment, Councillor McBride, seconded by Councillor Rooney, moved:-

That the Labour Group will prepare its own budget with the assistance of officers and submit it to Council for consideration at the appropriate time.

After hearing Councillor J. McColl, the Council agreed to proceed by way of a roll call vote.

On a vote being taken, 10 Members voted for the amendment (namely Councillors Margaret Bootland, Geoff Calvert, Gail Casey, Douglas McAllister, David McBride, Patrick McGlinchey, Willie McLaughlin, Marie McNair, John Millar and Martin Rooney) and 11 voted for the motion (namely Provost Denis Agnew, Councillors George Black, Jim Bolla, Jim Brown, Jim Finn, William Hendrie, Jonathan McColl, Ronnie McColl; Jim McElhill, Craig McLaughlin and Iain Robertson).

The motion was accordingly declared carried.

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### **Financial Planning Committee : as agreed by Council 12 February 2009:**

“The Best Value audit of West Dunbartonshire Council stressed the importance and need for long term strategic financial planning. The budget is the first to establish that process in a clear defined manner.

The Council agreed that a two year budget plan will allow the organisation to look ahead to the future in a more strategic and overarching way.

Legal regulations governing budgets do not permit a budget to be signed off by the chief financial officer where there is an identified gap.

Even at this stage, early indications are that we could potentially face a shortfall in 2010/11 of around £7m. £3m of this identified shortfall is the likely claw back from Westminster government to offset treasury borrowing as a result of bailing out the UK banks.

It is important to try to negate the impact of any forward projected shortfall that we take action now, rather than wait until the budget is upon us next year.

There are a number of variables in preparing a budget so far in advance, which give rise to a need to ensure a more regular monitoring framework than currently exists.

The Council agrees to instruct a report on the development of a more robust financial framework for the March Council meeting. This report shall detail the need to review the mechanisms that allows a high level review of the financial projections across the organisation and will help to pinpoint and redress shortfalls as well as potential areas of growth.

The Council agrees that the report should consider the desirability of creating a full committee of Council consisting of the convenors of each department and their respective shadow spokespersons and should be chaired by the convenor of corporate services.

It is important that this framework, as well as the CMT should be tasked with the high level monitoring and overseeing the progress of this council's financial plans and targets

### **Strategic Finance Working Group: as agreed by Council 29 April 2009:**

Council agrees to form a Strategic Finance Working Group of the Corporate & Efficient Governance Committee, with the Convener of said Committee taking the Working Group Chair.

The working group will meet on a bi-monthly basis with extra meetings being called by the Chair as required and will receive appropriate officer and committee administration support.

Its membership will be 5 Administration, 3 Opposition (Labour) and 2 Opposition (Other) and substitutes will be permitted.

The role and remit of the working group will be as outlined in below, with recommendations from the working group being made to the relevant Committee or Council as appropriate.



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

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

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

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

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

The quorum of the Working Group will be three

Meeting to take place every two months

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

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