Public Document Pack

SCOTTISH BORDERS COUNCIL
THURSDAY, 9 FEBRUARY, 2017

A MEETING of the SCOTTISH BORDERS COUNCIL will be held in the COUNCIL CHAMBER, COUNCIL HEADQUARTERS, NEWTOWN ST. BOSWELLS on THURSDAY, 9 FEBRUARY, 2017 at 10.00 AM

J. J. WILKINSON,
Clerk to the Council,
2 February 2017

BUSINESS		
1.	**Convener's Remarks.**	
2.	**Apologies for Absence.**	
3.	**Order of Business.**	
4.	**Declarations of Interest.**	
5.	**Corporate Transformation Programme Annual Progress Report** (Pages 1 - 24) Consider report by Corporate Transformation and Services Director providing an update on progress in developing and delivery of the Council's Corporate Transformation Programme that will support the delivery of the 5 year Revenue Financial Plan. (Copy attached.)	10 mins
6.	**Budget Communication Strategy** (Pages 25 - 36) Consider report by Chief Financial Officer on the steps taken to engage with stakeholders as part of consultation exercise on the budget. (Copy attached.)	10 mins
7.	**Financial Strategy 2017/18 - 2021/22** (Pages 37 - 50) Consider report by Chief Financial Officer on the financial strategy for the Council covering the period 2017/18 – 2021/22. (Copy attached.)	15 mins
8.	**Financial Plan Resources and Council Tax 2017/18** (Pages 51 - 64) Consider report by Chief Financial Officer on the estimated Financial Plan resources for 2017/18 – 2021/22 and to seek approval for the level of Council Tax for 2017/18. (Copy attached.)	15 mins
9.	**Treasury Management Strategy 2017/18** (Pages 65 - 110) Consider report by Chief Financial Officer seeking approval for the Treasury	15 mins

	Management and Investment Strategies 2017/18. (Copy attached.)	
10.	**Financial Plan Equality Impact Assessment** (Pages 111 - 120) Consider report by Chief Financial Officer on potential equality impacts of the savings proposals. (Copy attached.)	15 mins
11.	**Administration's Draft Financial Plan for Revenue and Capital** (Pages 121 - 156) Consider 5 year Revenue and 10 year Capital Financial Plan proposals. (Copy Plan and List of Fees and Charges in addition to those agreed by Council on 22 December 2016 attached.)	45 mins
12.	**Any Other Items Previously Circulated**	
13.	**Any Other Items Which the Convener Decides Are Urgent**	

NOTES

1. Timings given above are only indicative and not intended to inhibit Members' discussions.

2. Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.

Please direct any enquiries to Louise McGeoch Tel 01835 825005
email lmcgeoch@scotborders.gov.uk

CORPORATE TRANSFORMATION PROGRESS REPORT

Report by Corporate Transformation & Services Director

SCOTTISH BORDERS COUNCIL

9 FEBRUARY 2017

1 PURPOSE AND SUMMARY

1.1 **This report provides an update on progress delivering the Council's Corporate Transformation Programme over the past year.**

1.2 The Corporate Transformation Programme sets out a far-reaching programme of change to enable the Council to respond to unprecedented social, demographic and economic challenges. The Programme supports the delivery of our 8 Corporate Priorities and the delivery of the significant savings set out in our 5-year Financial Strategy. Building on the previous Business Transformation approach, the Programme – together with a range of service improvement and efficiency initiatives across all Council services – has delivered substantial change and supported the delivery of £26.7m in savings since 2013/14 - this includes the current year savings which we are on target to deliver.

1.3 This is the second annual report on the Corporate Transformation Programme. The Programme was initially approved by Council in 12 February 2015 and the first annual report was presented to Council on 11 February 2016.

1.4 The Programme currently comprises the 14 sub-programmes and projects set out in table 1 below. Progress against each of these 14 projects over the last year is summarised in Appendix 1.

Table 1 – The 14 Sub-Programmes and Projects of the Corporate Transformation Programme

1. Digital Transformation
2. Workforce Transformation
3. Children & Young People
4. Adult Services
5. Information Management
6. Alternative Service Delivery Models
7. Co-Production
8. Integration of Health & Social Care
9. Railway Programme
10. Localities
11. Waste Management
12. Transport
13. Energy Efficiency
14. Property & Assets

1.5 Over the first two years, the programme has already realised some significant achievements including:

(a) **The Borders Railway** – which opened in September 2015

(b) **The ICT Review -** which completed in March 2016 resulting in the CGI Contract establishing a digital services partnership and attracting significant inward investment including the planned creation of 200 jobs in the Borders.

(c) **SBCares** – which went live in April 2015

(d) **Integrated Culture & Sport Trust** – which became operational from April 2016

(e) **Integration of Social Care & Health** – which became operational from April 2016, has established locality working groups in each of the 5 Health & Social Community Planning Localities, with work progressing to develop to develop co-located integrated teams. The annual performance report for integration will be published by 31st July 2017.

(f) **On-line Payments in Schools** – became fully operational in April 2016 following 4 successful implementation phases from October 2014. (Scottish Borders Council became the first Scottish local authority – and remains the only authority – to have implemented on-line payments across all of its schools).

(g) **Co-Production** – the policy, guide and toolkit was adopted by the Council and it's Community Planning Partners in Autumn 2016.

(h) **Sustainable Transport** – new inter-agency arrangements for the procurement of improved cost-effective public transport have been put in place with the establishment of the CPP Strategic Transport Board and Framework (the Community Transport Hub – a separate project under the auspices of the Board – won Accessibility Project of the Year at the Scottish Transport Awards 2016).

(i) **Street Lighting** – to date, 12,000 streetlights have been replaced with the more efficient LED technology by the Street Lighting Team and the original 5-year programme has been accelerated and will now be completed a year ahead of schedule, by the end of 2017/18.

1.6 Particular areas of progress over the last 12 months are set out in Section 4 of the report.

1.7 In the coming years, the Council and its partners will face both unprecedented challenges and major opportunities. The recent draft Local Government Financial Settlement presents the Council – and all Scottish local authorities – with significant financial challenges. These can be more difficult to resolve given the rural nature of our region which requires us to provide dispersed services across a large geographic area and our aging demographic. These financial challenges combined with an increasing demand for our services means that we need to achieve £25.9m of savings over the next 5 years.

1.8 Moving forward, we need to become a leaner and more flexible organisation that continually seeks to improve and innovate to provide better more efficient services. Technology is playing a vital role in enabling this and provides the Council with opportunities to rethink and redesign its business processes and make services available on an anytime, anywhere basis.

1.9 In the year ahead we will need to ensure that the new technologies and processes that we are putting in place result in positive changes to the way do things and that the anticipated benefits to service users and savings to the organisation are realised in practical terms. There will be a greater focus on managing changes including defining the benefits to be achieved; understanding how changes will be delivered; the effect change will have on the business in terms of new operational arrangements; and being clear about responsibilities for realising benefits and savings.

1.10 With the programme now having been up and running for two years, there is an opportunity to review and reshape the programme. Challenges – particularly financial challenges – are coming into focus, not just in terms of the Draft Financial settlement but also in terms of the ability of the programme, as it is currently configured, to deliver the scale of savings required by the Financial Plan

1.11 The Local Government elections in May provide a natural point at which this review needs to take place and to ensure that the programme aligns with the priorities and ambitions of the new Administration.

2 RECOMMENDATIONS

2.1 **I recommend that Council note the significant work undertaken and the achievements made across the Council in delivering service improvements and efficiencies.**

3 BACKGROUND

3.1 This is the second Annual Report on the Corporate Transformation Programme. The Programme was initially approved by Council in February 2015 and the first annual report was presented to Council on 11 February 2016.

3.2 The Corporate Transformation Programme sets out a far-reaching programme of change to enable the Council to respond to unprecedented social, demographic and economic challenges. The Programme supports the delivery of our 8 Corporate Priorities and the delivery of the significant savings set out in our 5-year Financial Strategy. Building on the previous Business Transformation approach, the programme has delivered substantial change and supported the delivery of £26.7m in savings since 2013/14 - this includes the current year savings which we are on target to deliver.

3.3 Good progress has been made over the last 12 months with the delivery of the Programme. The sub-programmes and projects that make up the Programme are set out in Table 1 above and in more detail in Appendix 1 along with a summary of progress made over the last year. Highlights of progress are set out in Section 4 below.

3.4 Over the first two years, the programme has already realised some significant achievements including:

(a) **The Borders Railway** – opened in September 2015

(b) **The CGI Contract** – signed in April 2016 establishing a digital services partnership and attracting significant inward investment including the planned creation of 200 jobs in the Borders.

(c) **SBCares** –live from April 2015

(d) **Integrated Culture & Sport Trust** –operational from April 2016

(e) **Integration of Social Care & Health** –operational from April 2016

(f) **On-line payments in Schools** –live from April 2016 (we became the first Scottish local authority – and remain the only authority – to have implemented on-line payments across all of its schools)

(g) **Co-Production** – the policy, guide and toolkit was adopted by the Council and its Community Planning Partners in Autumn 2016

(h) **Sustainable Transport** – new inter-agency arrangements for the procurement of improved cost-effective public transport have been put in place with the establishment of the CPP Strategic Transport Board and Framework (the Community Transport Hub – a separate project under the auspices of the Board – won Accessibility Project of the Year at the Scottish Transport Awards 2016).

(i) **Street Lighting** – to date, 12,000 streetlights have been replaced with the more efficient LED technology by the Street Lighting Team and the original 5-year programme has been accelerated and will now be completed a year ahead of schedule, by the end of 2017/18.

3.5 The Council’s Corporate Management Team leads the Programme, acting as the Programme Board and spending a day each month focussing on Programme delivery alongside service performance and the monitoring of the financial plan. This helps to ensure that the Programme delivers both the savings required and improvements to services. The Executive Committee monitors the Programme through quarterly progress reports.

4. REVIEW OF PROGRESS

4.1 The key highlights of the Programme over the last year can be summarised as follows:

4.1.1 **Digital Transformation** – This Programme sits at the core of the Corporate Transformation Programme. Progress over last year includes:

(a) The programme was re-shaped to bring the work of the Customer First, ICT Review and Digital Connectivity boards together under a single programme board. This was to allow better management of dependencies between programmes and more efficient use of resources. For details of the new governance of Digital Transformation see the diagram in Appendix 2.

(b) Business World introduces a new integrated HR, Payroll, Finance and Procurement system along with significant business change which will result in radically more efficient and effective internal processes. Significant effort during the year from both internal and external resource has been committed to this project. The system has been specified, designed and is now being tested. In February and March staff will be trained in the new system and new ways of working with the system going live in April 2017.

(c) Digital Customer Access will introduce an online portal for doing business with the council. This will be very simple to use, available 24x7 and will offer a very compelling way of doing business with the council with the aim of the online channel being the channel of choice for most customers. Initially Council Tax, Housing Benefits and Environmental Reporting will be available on the portal with other transactions becoming available over time. There have been some technical issues with the solution that need to be resolved by CGI and this has delayed the launch of the portal. We expect the portal to be live during the first half of 2017.

(d) Digital Connectivity

(i) Working through the South Scotland Alliance, Scottish Borders Council has been engaging with Mobile Network Operators (MNOs) and officials in the UK and Scottish Government about enhancing mobile phone coverage in the Scottish Borders and South of Scotland.

(ii) The Digital Scotland Superfast Broadband (DSSB) Rollout continues to expand the coverage of superfast broadband across Scotland. Work is ongoing with the Scottish Government and BT to ensure that this target set for the Scottish Borders is reached, but there remain significant problems in connecting large numbers of premises because of long lines and other limitations. For those communities in rural areas which will not benefit from the DSSB rollout, they have had the option to engage with Community Broadband Scotland (CBS) to deliver a community solution. The Council is working with the Ettrick and Beyond Community Broadband Group in relation to taking forward its proposed strategic project.

(e) A Digital Forum for the Scottish Borders was established by Calum Kerr MP and met on two occasions in the latter part of 2016. This group shared connectivity issues and solutions with a view to better co-ordinating efforts across the Scottish Borders.

(f) Additional broadband circuits have been installed in the nine high schools which offer new 100Mb connections to the internet that are separate from the corporate connections. These can be used in a much more flexible way by students and teachers for learning, for example to use tablets or students own devices.

(g) Digital Participation looks at ways in which we can ensure no-one is digitally excluded as we roll out new online services. We are seeking to actively help people to go online as it has been shown in research that being online can save someone around £750 per year. In addition many services such as job applications and universal credit are only available online. We are discussing with the Future Services Reform group within the CPP a pan-borders approach to this as other organisations in the public, voluntary and private sector are facing the same issues and a co-ordinated approach could have significant impact. We will also be looking at ways in which we can assist vulnerable people who cannot go online.

(h) A review and draft strategy for Business Intelligence has been produced. This is about giving the Council the ability to understand cause and effect from our data and to reduce the effort and elapsed time to produce the various essential performance reports. A project to implement a new Business Intelligence solution and approach to management of our data will start in 2017.

4.1.2 **CGI Contract** – the 13-year CGI contract was signed in April 2016 establishing a digital services partnership and attracting significant inward investment including the planned creation of 200 jobs in the Borders. Progress over the year included:

(a) The transfer of 46 ICT staff to CGI on 1 October 2016.

(b) The performance of the contract over the first quarter since October has been better than expected with feedback surveys showing around 83% satisfaction with the new service. All SLAs are being met or exceeded. The one Amber flag in December was due to a network outage with SWAN which over ran its 4 hour resolution time by 48 minutes.

(c) The Council are making around 1000 telephone calls a month to CGI's Service Desk of which circa 500 are incidents. Of these incidents, over 75% are being resolved on the first call with the user. This is different to how the previous SBC service model worked and means that, over all, staff with IT issues are back up-and-running faster.

(d) The contract is already delivering real benefit to the Council with a number of issues being automatically alerted overnight to CGI's 24/7 Service Desk where they have been resolved – out of hours – to ensure key systems were operational for the start of the business day and without affecting services.

(e) Problem Management is also working well. CGI monitor the Council's IT infrastructure 24/7 and analyse all incidents. Problems are raised to understand the root causes of both incidents and automated alerts and actions are agreed with Council IT Client based on root cause to avoid recurrence.

(f) Audio equipment in the Chamber and Committee Rooms has been replaced and upgraded. This technology will also enable remote access and video conferencing which will support other initiatives and new agile ways of working.

4.1.3 **Borders Railway Blueprint Programme** – Progress over the last year includes:

(a) Delivery of VisitScotland visitor marketing programme to UK and International Markets

(b) Appointment of Inward Investment Project Manager

(c) Delivery of ScotRail/ Rabbies 'Beautiful Borders' Visitor Experience Pilot

(d) Delivery of 'Border Weaver' Hop on Hop off bus pilot

(e) Appointment of ScotRail Borders Railway Development Executive

(f) Delivery of EXPO 2016 and 'Runway Seat' PR Project

(g) Delivery of Business Insider Inward Investment Event in May 2016

(h) Flying Scotsman visit in May 2016

(i) Approval of Scottish Enterprise Tourism Destination Fund bid for Scottish Borders and Midlothian in June 2016

(j) Delivery of Steam Train Experience 2016

(k) Delivery of ScotRail Retail Hub at Tweedbank Station

(l) Development of Borders Railway Town Centre Masterplanning Programme

(m) Delivery of Tourism Business Development Programme via Business Gateway, providing direct assistance to 48 local businesses and supporting 3 events and 5 collaboration projects over the last year

(n) One Year Anniversary in Sept 2016 and 'Borders Turns One' partnership campaign to celebrate the one year anniversary.

(o) Borders Railway 'One Year On' VisitScotland Tourism Conference

(p) Approval of Borders Railway Corridor BIDS project

(q) Approval of Inward Investment Hotel Prospectus brief

(r) Approval of Business Incubator Feasibility Study

(s) Passenger Research Surveys undertaken in November 2016

(t) Approval of Tapestry Visitor Centre in Galashiels in December 2016

4.1.4 **Children & Young People**

(a) School Estate Review –
  (i) A new additional needs school has been built in Earlston and is due to open from February 2017. Statutory Consultation is complete for the proposal to discontinue the provision in St.Ronan's and Wilton Spectrum units.
  (ii) Informal consultation has commenced around Roman Catholic Schools. Proposals for St.Margaret's, Galashiels and St.Margaret's, Hawick will be considered as part of the whole town school reviews in Galashiels and Hawick.

(iii) Positive discussions around Jedburgh schools have taken place with Scottish Government and Parent Council Chairs and Jedburgh Councillors.

(iv) Proposal Papers are ready for Statutory Consultation for 3 mothballed schools (Ettrick, Hobkirk and Eccles/Leitholm).

(b) Business Support & Admin Review

(i) A review of business support at HQ and in Localities is complete and staff are working within a new structure which was implemented in June 2016.

(ii) A review of business support in Schools has made good progress in terms of information gathered which will inform processes going forward including those required for the implementation of Business World.

(c) Additional Special Needs

Work was undertaken to redesign the existing delivery model with an emphasis on an Inclusion for All model. This new model builds universal capacity ensuring that all children are supported and those with the greatest professionally assessed needs receive the most support. The redesign required a review of the workforce, which was completed by August 2016, in time for the new school year and has allowed the new model to be implemented effectively.

(d) Early Years

A new delivery model for the provision of early years has been implemented. It delivers a modernisation of the early years' workforce to incorporate more efficient staffing arrangements.

4.1.5 **Property and Assets Programme** - Progress includes:

(a) The Street Light Energy Efficiency Programme (SLEEP)

(i) The SLEEP Programme, which aims to convert 19,000 street Lighting luminaires, illuminated signs and bollards to energy efficient LED technology, continues to make good progress. Due to a reduction in luminaire costs it is now anticipated that 93% of luminaires will now be replaced under the SLEEP project. The original 5 year programme has been accelerated and will be completed a year ahead of schedule by the end of 2017/18.

(ii) In 2016/17 6000 Lanterns, illuminated signs and bollards have been replaced with an energy efficient LED alternative leading to a reduction in energy and CO2 consumption leading to a reduction in the associated electricity and carbon costs.

(iii) The majority of the 2016/17 works took place within the central borders area and work surveys continue to be carried out to gauge the customer reaction to the new technology that has been implemented.

(b) Property & Estate Rationalisation

A review of our non-school estate has been undertaken to identify potential opportunities for rationalisation. Schedules are now being drafted for potential early rationalisations over the next two financial years. Further work is underway to identify and confirm additional opportunities for rationalisation in future years.

(c) Locality Property Planning

Community engagements were held in the Cheviot Locality with our Community Planning Partners to look at how our collective property assets can be used more effectively and efficiently. This work will be extended to the other 4 localities. This work will be used to form Locality Property Plans – part of the Locality Planning work being progressed under the Localities Programme (see 4.1.7 below).

4.1.6 **Health and Social Care Integration** – Progress includes:

(a) Integrated Joint Board (IJB) went live in April 2016
(b) Locality Working groups have been established in each of the 5 Health & Social Care Partnership (H&SCP) Localities.
(c) Work is progressing to develop co-located integrated teams within the localities
(d) The Annual Performance Report will be published buy 31 July 2017

4.1.7 **Localities** – Progress includes:

(a) Strategic Assessment profiles for each Locality created (available online)
(b) Transport seminars held in Cheviot
(c) Living Safely in the Home Project rolled out in Cheviot
(d) Conservation Area Regeneration Scheme (CARS) bid for Jedburgh submitted
(e) Draft Economic Development Plan developed for Cheviot
(f) Locality Property Plan community engagement events held in Cheviot
(g) Asset Register published online for Cheviot

4.1.8 **Sustainable Transport** – Progress over last year includes:

(a) New inter-agency arrangements for the procurement of improved cost-effective public transport have been put in place with the establishment of the CPP Strategic Transport Board and Framework.

(b) The Community Transport Hub – a separate project under the auspices of the Board – won Accessibility Project of the Year at the Scottish Transport Awards 2016

4.1.9 **Energy Efficiency Programme –** Progress over last year includes:

(a) HQ Windows Replacement - the windows replacement project has now been fully completed at Main Building, Council Headquarters, Newtown St Boswells.

(b) LED Lighting & Valve Covers - project replacing strip/fluorescent lighting with low cost LED lights and insulating boiler valve covers at 13 sites (across a number of schools, a depot and Council HQ) has been completed. This £600K project was 50% funded from external sources (Salix Finance Recycling Fund).

(c) Boiler Optimisations Savings - boiler management systems were installed over 71 sites prior to April 2016. The savings are now being realised (estimated at just under £63K in 16/17).

4.1.10 **Waste Management Plan**

(a) Kerbside Options Appraisal
  (i) Council signed up to the Scottish Government/COSLA Household Recycling Charter. This secured the continued support of Zero Waste Scotland in delivering the kerbside collections options appraisal.

(ii) Modelling associated with the kerbside collections options appraisal and information gathering continued throughout the year.

(b) New Waste Transfer Station and Landfill Closure
(i) Preferred site layout and design for new Waste Transfer Station developed and submitted Pre-Planning Application.
(ii) Ongoing phased restoration of Easter Langlee Landfill as SBC progress towards closure in mid-2018.

(c) Community Recycling Centre Trade Access Policy
New Trade Access Policy developed and introduced at all of the Council's Community Recycling Centres widening the waste management options available to traders in the Borders region.

(d) Kerbside Collection – Route Optimisation
Commenced review of kerbside collection routes using software and operational knowledge to optimise route productivity.

(e) Review Trade Waste Service
Trade Waste Service reviewed to ensure the Council is making a reasonable charge and recovering its costs in line with the Environmental Protection Act (1990).

4.1.11 **Workforce Transformation –** Progress over the last year includes:

(a) People Planning Process
The People Planning process was introduced establishing People plans aligned with Corporate Planning, Business planning and the Financial Planning process to ensure that services have the right size of workforce with the skills to implement changes and deliver new ways of working.

(b) Change Management
Change management training has been introduced to support the volume of change across the organisation. Introduction to Change Leadership & Management sessions were organised for all senior managers and further in-depth change management training for all levels of the organisation has also been developed to build on these introductory sessions.

(c) Business Travel
A new Business Travel policy has been introduced to support efforts to drive down both the amount and cost of business travel. Business travel budgets were reduced by 20% in 2016/17 as part of this drive and a Corporate Purchase scheme for Rail tickets was introduced providing easier purchasing of tickets offering another alternative for Business Travel. Options for providing a fleet of pool cars are also being developed.

(d) Staff Benefits Scheme
The Staff Benefits scheme was successfully launched in October with a large interest from staff with 45% of cards registered, 64 car purchase agreements and 557 technology purchase agreements.

4.2 In 2016/17 the Programme has delivered £7.966m savings, 71% of these being achieved on a permanent basis.

5. CHALLENGES AND OPPORTUNITIES IN THE NEXT YEAR

5.1 In the coming years, the Council and its partners will face both unprecedented challenges and major opportunities. The recent draft Local Government Financial Settlement presents the Council – and all Scottish local authorities – with significant financial challenges. These can be more difficult to resolve given the rural nature of our region and the requirement to provide dispersed services across a large geographic area. These financial challenges, combined with an increasing demand for our services means that if we continue to deliver these in the same way as we do now, a significant funding gap will develop. As a result, the Council needs to achieve £26.1m of savings by 2020/21.

5.2 In the year ahead we will need to ensure that the new technologies and processes that we are putting in place result in positive changes to the way do things and that the anticipated benefits to service users and savings to the organisation are realised in practical terms across all services. There will be a greater focus on managing changes including defining benefits to be achieved; understanding how the changes will be achieved; the effect change will have on the business in terms of new operational arrangements; and being clear about responsibilities for delivering benefits and savings. This work will sit alongside service-related initiatives aimed at delivering national and local priorities and realising service improvements and efficiencies.

5.3 With the Programme now having been up and running for two years, there is an opportunity to review and reshape it. Challenges – particularly financial challenges – are coming into focus, not just in terms of the Draft Financial settlement but also in terms of the ability of the programme, as it is currently configured, to deliver the scale of savings required by the Financial Plan.

5.4 Corporate Management Team will ensure that priorities for change are established and that the range of activity – both corporate and service-specific – has the appropriate investment and that resource is directed to achieve the greatest benefit.

5.5 The Local Government elections in May provide a natural point at which this review needs to take place and to ensure that the programme aligns with the priorities and ambitions of the new Administration.

6. FUTURE DELIVERY OF THE PROGRAMME

6.1 Some of the main activities in the Programme over the year ahead will include:

6.1.1 **Digital Transformation** – Will continue to be a core element of the Corporate Transformation Programme. In the year ahead we will need to ensure that the new technologies and processes that we are putting in place result in positive changes to the way do things and that the anticipated benefits to service users and savings to the organisation are realised in practical terms. There will be a greater focus on managing changes including defining benefits to be achieved; understanding how the changes will be achieved; the effect change will have on the business in terms of new operational arrangements; and being clear about responsibilities for delivering benefits.

(a) Business World is planned to go live in April 2017. During 2017 there will be a focus on making the business changes necessary to realise the benefits of the Business World implementation and enhancing the system in order to realise further benefits.

(b) The Business Intelligence project will be initiated and will start to bring together our data in a meaningful way to allow cause and effect to be better understood and to reduce the level of effort required to produce performance reports.

(c) Digital Connectivity

(i) The discussions between South of Scotland Alliance, Mobile Network Operators (MNOs) and officials in the UK and Scottish Government have highlighted the importance of the opportunity to significantly increase mobile phone coverage and commercial services as a benefit from the roll out of the Emergency Services Mobile Communications Programme. Following discussions with Scottish Future Trust, the Alliance is engaging the UK Government to ensure that possible commercial coverage benefits can be gained from the development of these emergency services masts.

(ii) Also the UK funded Mobile Infrastructure Project (MIP) has placed two masts in the Scottish Borders at Lilliesleaf. Two operators have so far put their equipment on the masts. Scottish Borders Council is continuing to engage with the other operators to encourage them do the same.

(iii) The Scottish Government has now committed to a target of connecting 100% of premises to Superfast Broadband with speeds of at least 30MB/s by 2021. The R100 programme has been established to achieve this aim. It will take into account the premises which have been connected to new fibre connection technology but are still unable to receive a Superfast service. It will also address the communities and areas which were outside the DSSB rollout. Scottish Borders Council through the South of Scotland Alliance has held discussions with the Scottish Government’s project team and has been engaged in a meeting on the way forward.

(d) A new online portal will be launched to allow customers to self-serve for Council Tax, Housing Benefits and environmental reporting.

(e) The Digital Transformation Programme will be working to raise the skill level of SBC staff in Digital Skills and Digital Leadership so we can take full advantage of Digital Technology to produce better outcomes for SBC.

(f) The Digital Transformation Programme will be working with the CPP to collaborate on initiatives to ensure no-one is digitally excluded.

(g) The Digital Transformation Programme will continue to lobby the Scottish Government and other agencies to ensure Digital Connectivity in the Scottish Borders is the best it can be.

6.1.2 **CGI Contract**

(a) Moving forward into the 2nd quarter of the contract, focus will continue to be placed on the core Transformational Projects, Business World, Digital Customer Access, Business Intelligence etc.

(b) Work will also continue to focus on ensuring that service levels are continually improving and areas where processes can be improved are being identified and agreed with CGI.

(c) The online portal for raising calls with the Service Desk will be launched during March which will allow incidents to be raised online.

(d) Office 365 will be rolled out through 2017/18 bringing better collaboration and information sharing capabilities and ensuring that the Council maintains up to date office tools.

(e) Core elements of the Council's data storage capacity will be moved to the cloud improving reliability and capacity while reducing overall cost.

(f) The new managed printing service rollout is planned to replace the Council's aging printer fleet outside of Headquarters with new print capabilities to be delivered to all sites in 2017. This will improve print capability, provide detailed reporting on usage and provide options and incentive for the overall longer term reduction in printing volumes and cost.

(g) An additional 1Gb internet capacity will be made available to high schools to provide opportunities through better internet access and use of mobile devices within schools.

6.1.3 **Borders Railway –**

(a) Central Borders Business Park
(b) Inward Investment Marketing Campaign
(c) Feasibility on Line Extension
(d) Food & Drink Showcase Event

6.1.4 **Children & Young People**

(a) School Estate Review –
  (i) The new additional needs school will become operational.
  (ii) Informal consultation will commence for Gala and Hawick Schools including the provision of Roman Catholic provision.
  (iii) It is hoped to secure funding for Jedburgh schools in order to commence further consultation around a 3-18 Intergenerational campus for the town.
  (iv) Statutory consultation for 3 mothballed schools (Ettrick, Hobkirk and Eccles/Leitholm) should be complete by June 2017

(b) Business Support & Admin Review
The timescale for the implementation of the Business support in Schools Review has been realigned to take into account the impact of Business World. Proposals around a Cluster model will be ready for consultation by April with new structures and staffing arrangements in place by August 2017.

(c) Early Years
Scottish Borders Council have been selected to participate in a trial to explore how the increase of Early learning and childcare to 1140 hours can be offered to parents in the area. Our Philiphaugh Nursery will commence this trial from January 2017 until August 2017. This trial will be analysed and used to assist Scottish Government to implement 1140 hours by 2020 for our 3 and 4 year olds and our vulnerable 2 year old children.

(d) Children & Families
The implementation of a new structure as a result of a review of Children & Families Social Work Services will be completed. This is to implement improvements in certain aspects of its' work to ensure the wellbeing and protection of children, achieve consistency in the quality of decision making across localities with vulnerable children and families and improve evidence gathering activities to inform practice and service development. Good leadership, management and supervision at all levels must underpin these improvements.

6.1.5 **Property & Assets**

(a) Property Rationalisation
Work will continue to implement rationalisations and identified further opportunities for savings.

(b) Locality Property Plans
Further community engagement meetings will be arranged across all localities in late February and Early March and again in early summer with a view to developing initial Locality Property Plans by July for publication in October.

(c) Street Lighting
(i) Work continues with the Street Lighting Energy Efficiency Project with the programme being accelerated and condensed from 5 years to 4. As a result, the project completion date has been brought forward to 2018 with 7000 units to install in 2017/18 comprising of 5800 Lanterns, 1000 illuminated signs and 200 bollards.
(ii) Included in the final year of the project are the few remaining major towns, completion of the areas previously visited to replace the illuminated signs and bollards as well as looking at solutions for the heritage lanterns that are located throughout the region.

6.1.6 **Adult Services and Integration of Health & Social Care**

(a) Review of Strategic Commissioning Implementation Plan
(b) Publication of Annual Performance Report
(c) Implementation of co-located integrated teams
(d) Updated version of Strategic Plan produced

6.1.7 **Workforce Transformation** –

(a) People Planning Process
Following the introduction of the People Planning process last year, we will now be integrating the Finance & People Business Plans to align our finance and resources with corporate objectives.

(b) Change Management
Further change management training will be provided for staff across the organisation to build on the initial sessions delivered last year.

(c) Business Mileage
The measures taken to reduce Business Mileage will be monitored to ensure they are having the desired effect. Further reductions in Business Travel budgets will be considered wherever appropriate and Pool Car proposals will be developed.

(d) Changes to Working Practices
Options for reducing the amount and cost of overtime will be considered.

6.1.8 **Localities**

(a) Implementation of the Community Empowerment (Scotland) Act 2015

(b) Development and publishing of the CPP's Local Outcomes Improvement Plan (LOIP) and 5 Locality Plans by 1 October 2017

(c) Updated Asset Transfer arrangements (in line with the Act) in place and operational

(d) Development of Participation Request Process

Note: To reflect the wider programme of work the Localities programme will now be known as Empowering Our Communities.

6.1.9 **Energy Efficiency -** Further Energy efficiency initiatives are being developed including:

(a) Solar Panels – Solar panels will be installed at a number of sites across the estate. A tender has been drafted and is ready to be issued for installations during 2017.

(b) LED Lighting & Valve Covers 2017/18 – the initial project, covering 13 properties will be extended and proposals for this are being developed.

(c) Transition to Combined heat and power (CHP) – proposals for replacing inefficient heating systems with new CHP systems are being developed.

7. REPORTING ON CORPORATE TRANSFORMATION

7.1 The Council's Executive Committee receives quarterly performance reports, on progress in delivering the Corporate Transformation Programme. Performance summaries for each element of the programme are presented over the year with the aim of providing members with the assurance that the work being undertaken is having the desired effect.

8. LINKS WITH THE FINANCIAL PLANNING PROCESS

8.1 The Corporate Transformation Programme and approach underpins the ongoing delivery of a balanced and sustainable financial position across the 5-years of the Financial Strategy 2016/17 – 2020/21 in two respects:

(a) It continues to enable successful delivery of existing, detailed savings proposals.

(b) It provides the necessary corporate framework to develop and deliver projects and activities that will help achieve a sustainable financial position in future years.

9 IMPLICATIONS

9.1 Financial

(a) There are no specific costs attached to any of the recommendations contained in this report outside those considered within the Administration's Budget Proposals.

(b) Business cases with return on investment information continue to be developed for the projects and activities within the programme

9.2 Risk and Mitigations

(a) There is an ongoing requirement for robust management action to further develop the Corporate Transformation Programme and continue to deliver Financial Plan savings. This is fundamental to ensure the delivery of the proposals set out in the five-year Financial Plan on time and to the levels expected by the approved budget. The failure to deliver savings in line with the budget plan represents the most significant risk to the Council.

(b) A formal risk management approach is therefore being applied consistently and appropriately across the programme to mitigate this.

9.3 Equalities

Equalities Impact Assessments are being carried out on the sub-programmes and projects within the Corporate Transformation programme.

9.4 Acting Sustainably

The programme will support the approach of acting sustainably ensuring any effects are identified and the impact evaluated where appropriate.

9.5 Carbon Management

The programme actively promotes a positive impact on the Council's carbon emissions where appropriate.

9.6 Rural Proofing

This will be undertaken within the programme where appropriate.

9.7 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to be made to the Scheme of Administration or Scheme of Delegation.

10 CONSULTATION

10.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

Approved by

Rob Dickson **Signature ....**
Director of Corporate Transformation & Services

Author(s)

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Background Papers: Nil
Previous Minute Reference: Scottish Borders Council, 12 February 2015 and 11 February 2016.

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. James Lamb can also give information on other language translations as well as providing additional copies.

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Corporate Transformation Progress Tracker for 2016/17

02 February 2017

transformation
MODERNISING THE WAY WE WORK

Appendix 1

	Programme/Project	Purpose	Overall Progress over the last year	Benefits & Outcomes
1	**Digital Transformation Programme**	Use best of breed technology to make the services we offer to internal and external customers simpler and more productive. Make digital transactions so compelling that vast majority of internal and external customers will interact "digitally by default" leading to savings for SBC. Improve digital connectivity for citizens and businesses in the Borders and help them to make best use of digital technology.	• Programme re-shaped to bring the work of the Customer First, ICT Review and Digital Connectivity boards together under a single programme board. • Business World specified, designed and now being tested. The system goes live in April 2017 and will introduce self-service at all levels and significant efficiencies. • Digital Customer Access introduces a portal to allow customers to have a single place to do business with the council online. Significant effort has been expended on designing and developing the solution. A number of technical challenges have come up that the supplier is resolving and this has delayed the original go-live of Q1 2017. We expect the portal to still go live in the first half of 2017. • A Digital Forum for the Scottish Borders was established by Calum Kerr MP and met on two occasions in the latter part of 2016. This group shared connectivity issues and solutions with a view to better co-ordinating efforts across the Scottish Borders. • Additional broadband circuits have been installed in the nine high schools which offer new 100Mb connections to the internet that are separate from the corporate connections. These can be used in a much more flexible way by students and teachers for learning, for example to use tablets or students own devices. • Digital Participation looks at ways in which we can ensure no-one is digitally excluded as we roll out new online services. We are seeking to actively help people to go online as it has been shown in research that being online can save someone around £750 per year. We are discussing with the Future Services Reform group within the CPP a pan-borders approach to this. • A review and draft strategy for Business Intelligence has been produced. This is about giving the Council the ability to understand cause and effect from our data and to reduce the effort and elapsed time to produce the various essential performance reports. A project to implement a new Business Intelligence solution and approach to management of our data will start in 2017.	• Achieve efficiency savings as agreed in the financial plan by using digital ways of working to deliver radically more efficient, simpler and easier to access services inside and outside the organisation. • Put the customer experience at the centre when we design our processes and elicit and respond to customer feedback to refine our processes. • Intelligently collect data and use this data to gain insight, take action and make better decisions. • Build the culture, skills and leadership within SBC to allow us to take advantage of digital ways of working to meet our corporate objectives. • Work with partner organisations to ensure the Scottish Borders has the infrastructure and skills required for the Digital Age. • Actively help customers to embrace Digital services for their broader benefit if they are able and ensure no-one is excluded from our services by focusing our resources on those in most need while those who are able utilise self-service.
2	**Workforce Transformation**	Enable staff to deliver service improvements, review existing management and admin structures and deliver a reward and benefit strategy. Implementation of mobile technologies to deliver more effective and efficient ways of working.	• People Plans – Following the introduction of the People Planning process last year, focus now on integrating the Finance & People Business Plans to align our finance and resources with corporate objectives. • Change Management – Change management training introduced to support the volume of change across the organisation. Introduction to Change Leadership & Management sessions organised for all senior managers and further in-depth change management training for all levels of the organisation also developed to build on these introductory sessions. • Business Travel – New Business Travel policy introduced to support efforts to drive down both the amount and cost of business travel. Business travel budgets reduced by 20% in 2016/17 as part of this drive and a Corporate Purchase scheme for Rail tickets introduced providing easier purchase of rail tickets. Options for pool car fleet being developed. • Staff Benefits – The Staff Benefits scheme was successfully launched in October with a large interest from staff. National government has made changes that change what can be salary sacrificed which may affect the achievement of the take-up target.	• A flexible and agile workforce • A better trained workforce through introduction of online resources • Working practices that fit business need • Smaller/leaner organisation • People Plans - workforce plans aligned to the financial plan and business plans • At least a 20% Reduction in Business Mileage and associated travel claims • Reintroduction of the Staff Survey • Improved staff communications and engagement.
3	**Children & Young People**	Improve the learning experience and opportunities for our children and young people through early intervention and prevention, an sustainable school estate and more integrated and streamlined management & admin.	Many projects within the Children & Young People have been delivered successfully this year. • A new structure is in place for Business Support at HQ and in Localities, as well as a new Senior Management Structure to support Children & Young People Services. • The School Estate Review has gathered momentum with a new additional needs building opening in Earlston and the discontinuation of Spectrum units at St. Ronan's and Wilton. • Reviews of Roman Catholic schools, mothballed schools and Jedburgh schools are well progressed, and action plans around Rural Schools are nearing completion. • New delivery models for Early Years and Additional Needs have been implemented including a review of staffing arrangements to incorporate more efficient staffing arrangements.	• Improved learning experience • Increased opportunities • Early intervention and prevention • Sustainable school estate • Integrated and streamline management and administration • Inclusion for all
4	**Adult Services**	Deliver service change and financial savings across a range of Adult services including reviews of contracts, charging levels and a reablement approach to the delivery of care.	In 2016/17, a number of initiatives within Adult Services have been progressed to ensure continued service provision together with the delivery of significant financial savings. • In addition, the Social Care Fund (SCF) has been utilised to help mitigate service pressures resulting from the introduction of the living wage/demographics and the Integrated Care Fund (ICF) has been utilised to drive service change in areas such as transitional care and reablement. • There are ongoing challenges for Adult Services, in large part due to the demographic pressure of a high proportion of older people in the Borders, and for 2017/18 additional financial efficiencies will be delivered through a number of new initiatives, including methods of delivery for services covering dementia and day services.	• Ability to meet increasing demand for services (aging population) • Providing high quality care – at home wherever possible • Improved prevention and early intervention • More efficient and cost effective service provision • Supporting people to live independently • More effective commissioning of services

5	**Information Management**	Deliver information sharing requirements across partners.	• Stages 1-3 of the project (including Privacy by Design and Information sharing) were completed on time with the exception of the Information Asset Register (IAR) which is in process of completion now. • Awareness session on data sharing was delivered to Project and Programme Managers and there is evidence that the guidance is being used routinely. • An information pack for projects has been added to the Projects EPM. • The training for Information Asset Owners will be delivered after the Register has been issued. • Project stages 4 and 5 have been removed from the project to be managed as business as usual (by Information Team or Information Governance Group Review process). • The project will be closed on completion of the IAR workstream.	• Compliance – legal, PSN, best practice and sound governance • Security of information • Better integrated systems • Improved information sharing (corporately and interagency) • Single view of the customer, child (GIRFEC), patient etc. • Supporting Integration and better customer services.
6	**Alternative Service Delivery Models**	Review service delivery and Trust models to develop more cost effective service delivery models (e.g.) LLP's and joint ventures.	• Integrated Culture and Sport Trust went live from 1st April. • Business Case, Financial Sensitivity Analysis and Market Analysis for Roads LLP completed. Decision made to progress internal Roads restructure. • SB Cares is up and running and work continues on delivering the efficiencies and income streams identified in the Business Plan • Consideration has been given to other areas of service where alternative models (e.g. Shared Services, Joint Ventures, LLP's, Trusts) could deliver benefit.	• More effective and efficient business models where there is a compelling business case e.g. Shared Services, Joint Ventures, LLP's, Trusts
7	**Co-production**	Involvement of communities from the outset in the development, design and delivery of service.	• Co-production toolkit produced. • Agreed and adopted by Community Planning Partnership. • SBC intranet article – July 2016 • SBScene article – Autumn 2016 • NHS staff update article – August 2016 • LINK (3rd sector newsletter) – August 2016 • SBConnect article – Winter 2016 • E-learning tool developed. • Featured blog on Scottish Co-production Network website during Co-production Week - Nov 2016 • Toolkit to continue to be promoted to staff on ongoing basis • Completion of e-learning to be monitored	• A consistent approach to working with stakeholders to design, deliver and review services to ensure they are as effective as possible
8	**Integration of Health & Social Care**	Improved outcomes for service users and carers who will have clear access routes to services and information.	A number of things have been delivered including : • Locality Working groups established in each of the 5 H&SCP Localities. • Work progressing to develop Community Led Support and Buurtzorg initiatives. • Evaluation toolkit developed and being implemented across all ICF projects • Ongoing engagement with a wide range of stakeholders from across NHS, SBC, voluntary and independent sector. • Work progressing to develop co-located integrated teams within localities • Locality Property Planning Events held in Kelso and Jedburgh Looking forward, work is progressing well with regard to production of the Annual Performance Report (due to be published 31st July 2017). This report will contain a lot of information including the Health & Wellbeing outcomes, financial information and detail the significant decisions taken by the HSCP.	• More accessible services and stronger communities • Improved prevention and early intervention • Supporting people to live independently • Reduce avoidable admissions to hospital • Provide care close to home • Better Integration of Services • Better choice and control • More efficient and effective services • Reduce health inequalities • Better support for carers
9	**Railway Programme**	Delivery of actions to maximise the full economic and social benefits of the Borders Railway.	• Delivery of VisitScotland visitor marketing programme to UK and International Markets • Appointment of Inward Investment Project Manager • Delivery of ScotRail/ Rabbies 'Beautiful Borders' Visitor Experience Pilot • Delivery of 'Border Weaver' Hop on Hop off bus pilot • Appointment of ScotRail Borders Railway Development Executive • Delivery of EXPO 2016 and 'Runway Seat' PR Project • Delivery of Business Insider Inward Investment Event in May 2016 • Flying Scotsman visit in May 2016 • Approval of Scottish Enterprise Tourism Destination Fund bid for Scottish Borders and • Midlothian in June 2016 • Delivery of Steam Train Experience 2016 • Delivery of ScotRail Retail Hub at Tweedbank Station • Development of Borders Railway Town Centre Masterplanning Programme • Delivery of Tourism Business Development Programme via Business Gateway, providing direct assistance to 48 local businesses and supporting 3 events and 5 collaboration projects over the last year • 1 Year Anniversary in Sept 2016 and 'Borders Turns One' partnership campaign to celebrate the one year anniversary • Borders Railway 'One Year On' VisitScotland Tourism Conference • Approval of Borders Railway Corridor BIDS project • Approval of Inward Investment Hotel Prospectus brief • Approval of Business Incubator Feasibility Study • Passenger Research Surveys undertaken in November 2016 • Approval of Tapestry Visitor Centre in Galashiels in December 2016	• Better transport connection • More jobs • Inward Investment • Tourism Growth • Safer Travel • Improved Perception of the Borders • Population Growth

10	**Localities Programme**	Ensure SBC activity within localities is co-ordinated, via 5 locality plans containing clear actions and accountability.	• Conservation Area Regeneration Scheme (CARS) bid for Jedburgh submitted • Locality Property Plans - community events held in Kelso and Jedburgh • Strategic Assessment profiles for each Locality created (available online) • Living Safely in the Home Project rolled out in Cheviot • Draft Economic Development Plan developed for Cheviot • Asset Register published online for Cheviot • Transport Seminars held in Cheviot and Draft Transport Action Plan developed Community Empowerment (Scotland) Act 2015: • Full impact of the Community Empowerment Act is now understood, and takes a new direction than that previously developed locally through the Cheviot pilot • Presentations have been made in November / December 2016 to the Community Planning Partnership's Strategic Board and Joint Delivery Team outlining the new approach to be taken • Part 2: Community Planning of the Act came into effect on 23rd December 2016, along with the publication of the final Guidance supporting this part of the Act	• Better co-ordination and sharing of SBC data, information and research • Long term sustainability of services and communities • Better planning and delivery of service on a locality basis • Services tailored to the needs of a community; • Engagement of communities
11	**Waste Management Plan**	Create efficiency savings, reduce expenditure and provide additional income through the implementation of a strategy that is financially and environmentally sustainable.	• Council signed up to the Scottish Government Household Recycling Charter. • Kerbside options appraisal continued with support of Zero Waste Scotland. • Introduced new Community Recycling Trade Waste Access Policy. • Commenced route optimisation review. • Review of Trade Waste Services undertaken. • Commenced Community Recycling Centre review. • Preferred site layout and design for new Waste Transfer Station developed and Pre Planning Application submitted. • Phased restoration of Easter Langlee as we progress towards closure in mid 2018.	• Sustainable waste management solution • Compliance with EU and Scottish Government waste and recycling targets • Improved environmental impact • Households and businesses producing less waste and recycling more • More efficient working practice
12	**Transport**	Implement a better, simpler, more accessible and cost effective model of transport service provision, through a multi-agency approach.	• Continuation of the Strategic Transport Board work stream (meets 6 times/year) • Localities Engagement Berwickshire 2015, Cheviot 2016 • Completed feasibility study for Car clubs • On-going work with partners to procure transport via a central framework * Continuation of the Community Transport Hub, additional funding in place for further development. Scottish Transport Award winning project 2016 (accessibility)	• Co-ordinated and joined up approach to transport provision • A sustainable approach to transport that meets the needs of service users • Strengthened partnership working • Reduced carbon footprint • Savings and efficiencies
13	**Energy Efficiency**	Implement spend to save energy efficiency schemes across the Council estate.	SBC HQ window replacement, replacement LED lighting and insulating valve covers installations across 13 sites using Salix Finance recycling fund are now completed. On target to spend 100% of £600,000 Salix fund (£300k Salix/£300k SBC).	• Saving money and helping us meet our Climate Reduction Commitment
14	**Property & Assets**	Pursue opportunities around estate rationalisation, taking full account of future service delivery models and school estate strategy, identifying specific targets for energy efficiencies. Actively pursue opportunities for co-location with our partners and opportunities for joint working.	Property Rationalisation: • Initial Review of the non-school estate completed and options for rationalisation identified. Schedules for those properties which can be vacated for – or during – the next financial year are being developed. Feasibility studies to identify further rationalisation options for future years are being progressed. Locality Property Plans: • Community engagement events held in the Cheviot Locality – in both Kelso and Jedburgh. Follow-up events will be arranged in late Feb/March to consult over an initial outline draft of a Locality Property Plan. • Further community engagement events are being established across the remaining 4 localities to support the development of initial Locality Property Plans. These events will be held in two rounds – the first, in late Feb/March will seek initial feedback from communities before drafting and the second, in May, will be held to seek feedback on the first drafts and to enable the plan to be developed further. Street Lighting: • In 2016/17 6000 Lanterns, illuminated signs and bollards have been replaced with an energy efficient LED alternative leading to a reduction in energy and CO2 consumption leading to a reduction in the associated electricity and carbon costs. • The majority of the 2016/17 works took place within the central borders area and work surveys continue to be carried out to gauge the customer reaction to the new technology that has been implemented.	• A smaller, more efficient and fit for purpose estate • Shared accommodation/property with Community Planning and third sector partners • Maximised income generation

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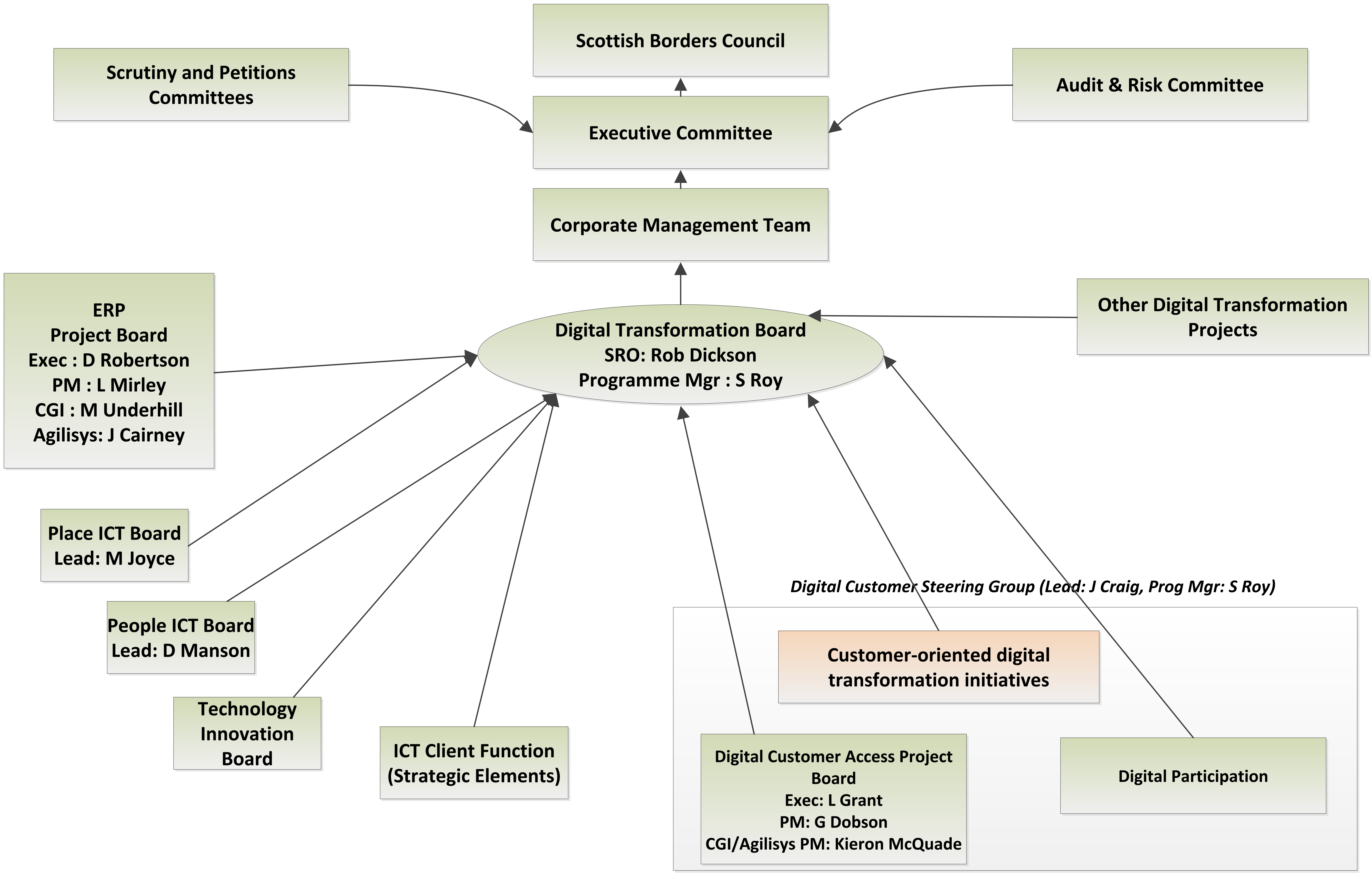
Scottish Borders Council
Scrutiny and Petitions Committees
Audit & Risk Committee
Executive Committee
Corporate Management Team
ERP
Project Board
Exec : D Robertson
PM : L Mirley
CGI : M Underhill
Agilisys: J Cairney
Digital Transformation Board
SRO: Rob Dickson
Programme Mgr : S Roy
Other Digital Transformation Projects
Place ICT Board
Lead: M Joyce
People ICT Board
Lead: D Manson
Technology Innovation Board
ICT Client Function (Strategic Elements)
Digital Customer Steering Group (Lead: J Craig, Prog Mgr: S Roy)
Customer-oriented digital transformation initiatives
Digital Customer Access Project Board
Exec: L Grant
PM: G Dobson
CGI/Agilisys PM: Kieron McQuade
Digital Participation

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Scottish Borders COUNCIL

BUDGET COMMUNICATIONS STRATEGY 2017/18

Report by the Chief Financial Officer

SCOTTISH BORDERS COUNCIL

9 FEBRUARY 2017

1 PURPOSE AND SUMMARY

1.1 **The purpose of this report is to inform the Council of the steps taken to engage with stakeholders as part of a consultation exercise on the budget.**

1.2 The paper highlights the budget Communication Strategy used and provides feedback gathered from the Dialogue Community Engagement tool. As part of the agreed budget consultation exercise on the Council's updated Financial Plan the Dialogue Community Engagement tool was made available from the 5th September 2016 to members of the public on the Council website. This interactive tool allows residents and other stakeholders to provide ideas and suggestions on how the Council could do things differently to save money in a challenging economic climate as well as allowing them to comment on other ideas already logged.

1.3 As at the end of January 2016 the Dialogue Community Engagement tool generated 26 ideas and suggestions. This feedback has been considered as part of the 2017-2022 Financial Planning process. The Dialogue tool will remain open online therefore ongoing feedback will be considered during future Financial Planning cycles.

1.4 The Council also undertook a series of Live Question and Answer (Q&A) sessions on the Council's Facebook page and Twitter feed with over 60 responses from the public. This included sessions with the Council Leader and Members of the Council's Executive committee with responsibility for each of the Council's priority areas.

1.5 Feedback from Dialogue tool as well as the Q&A sessions are included in the form of a 'you said, we did' in Appendix 1.

2 RECOMMENDATIONS

2.1 It is recommended that Council notes:-

(a) the budget Communication Strategy used;

(b) the feedback from the Dialogue Community Engagement tool and the Q&A Sessions and how the Council has used this feedback to inform the Financial Planning process (Appendix 1);

(c) the actual responses from the Dialogue tool with all comments available on the Council's website and a hard copy available in the Member's Library.

3 BACKGROUND

3.1 As part of the financial planning process for 2017/18 the Council committed to engaging with staff, partners, stakeholders and the Scottish Borders community.

3.2 The forms of engagement have included:

- An online Dialogue Community Engagement tool which was based on the 8 Council priorities has been made available from the 5th September 2016 to all members of the public allowing the Council to gain valuable feedback on ideas and suggestion from local people on how the Council could do things differently to save money;
- A series of Live Question and Answer (Q&A) sessions on the Council's Facebook page and Twitter feed took place. This included sessions with the Council Leader and also with the relevant Executive Members for each of the Council's priority areas;
- Consultation with all Unions during the budget process;
- Stakeholder engagement meetings took place with a range of stakeholders including partners and staff.

4 DIALOGUE COMMUNITY ENGAGEMENT TOOL

4.1 As part of the agreed budget Communication Strategy the Dialogue Community Engagement tool was made available to members of the public via the Council website. This interactive tool allows a person to give the Council their views and ideas, it has been used as part of the financial planning process to gain views on how the Council could do things differently to save money. The tool also provides the facility for members of the public to comment on other people's ideas and also rate ideas. This has allowed a broader range of views to be considered as part of the Financial Planning process. The following context and question was provided:

> ***What is the budget challenge?***
>
> *We are living in a difficult economic climate and on top of that, more demands are being placed on us than ever before.*
> *This means we need to consider carefully how we can do things differently to allow us to continue to deliver high quality services into the future.*
>
> *To put this into perspective, if the Council were to continue delivering services in the same way as we do now - there will be a funding gap of approximately £29million over the next 5 years.*

We need YOUR views

From 5 September 2016 we are seeking the views of the public on how we can continue to improve services during a time when less money is available.

How to give us your ideas

1. Listed below are our eight priorities and we want you to tell us how we can continue to deliver services in these areas with less money available.
2. To submit your ideas, simply register (if you have not already done so), click on the challenges below then add your ideas.
3. Even if you don't want to add your own idea, you can still comment on and/or rate other ideas.

All of the feedback will be considered as part of the financial planning process.

4.2 The Dialogue tool has been available on the Council website from 5th September 2016 and remains available. Up to the end of January 2017 it has generated 26 responses since its launch.

4.3 The responses to date from the Dialogue tool as well as relevant feedback from the online Q&A sessions, which had over 60 responses, have been summarised in Appendix 1. Appendix 1 also shows how these responses have been considered as part of the 2017/18 Financial Planning process.

4.4 The Dialogue Community Engagement tool has been considered a worthwhile exercise. It is proposed therefore that this tool will not only remain a feature of subsequent budget processes but will also be used by the Council to engage on other topics to ensure the public continue to have the opportunity to give their views. Further budget responses will be considered as part of future Financial Planning cycles.

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications resulting from this report.

5.2 Risk and Mitigations

There are no risks, issues or mitigating actions associated with this report.

5.3 Equalities

All forms of budget communication have been inclusive, easily accessible and available in a range of formats.

5.4 Acting Sustainably

There are no economic, social or environmental effects from this report.

5.5 Carbon Management

There are no effects on carbon emissions resulting from this report.

5.6 **Rural Proofing**

This report contains no implications that will compromise the Council's rural proofing policy.

5.7 **Changes to the Scheme of Administration or Scheme of Delegation**

This report does not result in any changes to the Scheme of Administration or the Scheme of Delegation.

6 CONSULTATION

6.1 The Monitoring and Reporting Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their comments have been incorporated into the report.

Approved by

David Robertson
Chief Financial Officer **Signature**

Author(s)

Name	Designation and Contact Number
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Background Papers: N/A
Previous Minute Reference:

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2017/18 – 2021/22 Dialogue feedback

The online Dialogue community engagement tool generated 26 individual ideas. These ideas have been summarised below with narratives on how these ideas have been used to inform the 2017/18 – 2021/22 financial planning process. Actual responses from residents with all comments are available on the Council's website and a copy has been made available in the Member's Library.

You Said	We Did
Reduce the pay, pension and conditions of Council employees which are too high.	The Council has adopted a responsible policy over a number of years of restricting wage increases in line with public sector pay and only provides those benefits through pensions available through statutory provision. Public sector pay has over many years been restricted to the level of inflation or below. The Council recognises the need for value for money to the tax payer in the cost of employing staff.
Stop early redundancy packages only to re-employ someone else to do the same work in a new role.	The Council is constantly looking at ways to reconfigure to protect important front line services including redesigning jobs where posts are removed from the staffing establishment as part of the budget process. We do not give redundancy in order to allocate the same job to another person.
Reduce inequalities on employment and income by moving some well paid jobs in to other principle towns in The Borders.	The Council represents the whole region and the place where people work is not indicative of where they live or spend money in the local economy. The Council is developing its future response to locality planning and this may in the future see some movement in the location of staff bases in across the area. The Council is keen wherever possible to encourage flexible working and move away from the notion that staff need to be based in specific offices. This approach will also help with the future rationalisation of office accommodation and the impact of staff travel on the environment.
Sell-off surplus Council empty properties	The Council has significant savings proposals included in the Financial Plan which will be delivered through a review of Property & Assets. Capital receipts of £1.9m are anticipated through property disposals over the next four years of the 2017/18 Capital Plan.
Focus less on delivering opportunities in the Central Borders and spread opportunity more evenly throughout The Borders.	The Council has an extensive Capital programme which seeks to balance the need to maintain existing assets with new developments in communities. The Capital programme proposed over the next 10 years will deliver substantial new investment in key major towns in the area including Galashiels, Hawick, Eyemouth, Selkirk, Duns, Kelso and Peebles. Major investment in the Roads network will benefit the main connecting routes across the Borders.

Stop committing funding to the Tapestry Project.	The Tapestry project is proceeding in a new location in Galashiels and will lead to significant economic benefits including increased visitor numbers in Galashiels and the wider Scottish Borders. The development of the Tapestry provides the opportunity to capitalise on major investment already made in the Borders Railway and through the Railway Blueprint plan.
Reintroduce the garden waste collection service to improve recycling rates.	The council continues to develop its waste management strategy. Green waste collection was a non-statutory, partial service delivered to certain communities in the Borders. Officers continue to explore ways of increasing recycling rates for example a review of the Council's kerbside collection services is currently being undertaken that will assess the pros and cons of a variety of alternative collection scenarios. The aim of the review is to ensure the kerbside services provided by the Council in the future are 'fit for purpose' and financially sustainable in the long term and maximise recycling.
The end mobile library service as it not well used and less relevant in the internet era.	Cultural Services including Libraries were transferred to Live Borders in April 2016. Live Borders are currently reviewing their structures and how they deliver services to the community; Library Services will be part of this review.
Use spare public land for advertising.	This is a good suggestion if treated sensitively. The Council is acutely aware of the need to maximise income but also to protect our built and natural environment. We would not wish to see the character or appearance of this very scenic area damaged by inappropriate large scale advertising in rural or urban settings.
Turn-off street lighting overnight.	This opportunity has been considered but was discounted as a feasible option to reduce costs due to negative feedback from other Local Authorities who have already implemented this change and concerns over perceived community safety.
Don't grit the roads when they are dry and there is unlikely to be any precipitation.	The Council has a duty, under The Roads (Scotland) Act 1984, to provide a winter service across its road network and Section 34 states: *"A roads authority shall take such steps as they consider reasonable to prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads."* This clearly intimates that Scottish Borders Council has a responsibility to apply winter treatment to its adopted road network when a weather forecast predicts that frost/ice or snow conditions will occur to its road network. Rock salt is one of the most recognised de-icing materials available to prevent ice forming on road surfaces during freezing winter weather. The decision to apply salt to the Council's primary road network is taken based on a specific weather forecast provide to the Council daily by the Met Office. This forecast provides predicted minimum road temperatures throughout the 24 hour forecast period and the resultant road conditions which will occur, resulting from these temperatures. It is on this information that the decision on whether or not to apply salt to the roads is based.

Take learning outside the classroom to free up capacity in schools that are full.	There are currently no schools in the Scottish Borders operating at full capacity.
Close small schools which are expensive to run and do not provide the opportunities of larger establishments.	The council is currently examining the provision of education in a number of buildings. A School estate review is currently underway and this may result, following a statutory consultation process, in a reduction in the number of school buildings.
Sell-off additional school playing fields which are surplus to requirements.	All such facilities are under consideration as part of the property rationalisation review.
Fair investment in the school estate. Suggest condensing the 6 poor quality schools in Hawick into a single 21st century education facility.	The council is currently examining the provision of education in a number of buildings. A School estate review is currently underway and this may result, following a statutory consultation process, in a reduction in the number of school buildings.
Schools and head-teachers to take part responsibility for funding for example by selling advertising space and using money raised to upgrade equipment.	Schools currently raise funds in a variety of ways.
Reduce school days by 1 day per week to save on heating and transport costs.	There is a statutory minimum number of 190 days per calendar years when education must be provided.
Improve Bordercare Alarm system and employ fully trained persons who can make informed client assessments.	The Council employs fully trained people to undertake assessments and is looking at ways that aspects of the assessment process for Bordercare alarms can be joined up more effectively to provide a more streamlined service. This review is currently being undertaken by our Home care provider SBcares.
Close most or all of the Adult Day Centres.	As part of our financial plan a full review is planned of the Councils day centres. This will look at utilisation rates to ensure best use of available resources. The plan is for savings in this area to be delivered in 2018/19 and 2019/20.
Reduce the recycling (Blue Bin) collection from every two weeks to once per month.	A review of the Council's kerbside collection services is currently being undertaken that will assess the pros and cons of a variety of alternative collection scenarios. The aim of the review is to ensure the kerbside services provided by the Council in the future are 'fit for purpose' and financially sustainable in the long term.

Introduce a £1 per car/vehicle charge at Borders CRC's to make residents think about waste and its cost.	A number of Councils in England have started to charge householders an entry/exit fee. In the main this has been to keep facilities open which would have otherwise had to shut due financial pressures. This is not the case in Scotland. A review of the Council's Community Recycling Centres is being undertaken which is concentrating on the hours of operation with the aim of providing a more efficient service that meets the needs of the householder. This review will help inform if there is a need to charge householders an entry/exit fee. However at the current time it is important to highlight that this proposal has not been considered.
Reduce spending on Flood Prevention Schemes and replace with a loan scheme to help flooded property owners.	The major flood prevention schemes we undertake are assisted by Capital Subsidies from the Scottish Government as it is Government policy to reduce and eliminate the risk of flooding to householders in areas deemed to be at high risk. We believe that it is correct wherever possible to implement effective flood prevention measures that protect property, reduce insurance costs and spare our residents and businesses the misery and hardship that flooding can cause rather than simply treat the after-effects of flooding.
Get road maintenance teams to pick up litter when they are out patching.	There is an ongoing review of the Roads Service
Invest more in HR to help develop Council staff.	There are no proposals included in the Financial Plan to reduce the HR service as the Council has identified this as a key support area to enable Transformational change.
Keep current fortnightly waste collections but adjust it so that both collections are on the same day of the week.	A review of the Council's kerbside collection services is currently being undertaken that will assess the pros and cons of a variety of alternative collection scenarios. The aim of the review is to ensure the kerbside services provided by the Council in the future are 'fit for purpose' and financially sustainable in the long term.
Q&A Session Feedback	
Why do we need to spend millions on a Tapestry?	We're not spending millions on the Tapestry. We are investing in a visitor centre and associated facilities where the tapestry will be displayed. Any building will be designed flexibly for other community uses.
Let's have the Tapestry of Scotland housed within the museum in Wilton Lodge Park. Surely a better place than a post office in Galashiels; surely considerably cheaper than building a new venue and surely infinitely preferable to doing nothing.	The Tapestry has to be easily accessible from the Borders Railway, which limits us to Galashiels or Tweedbank. Whilst the Tweedbank option looks to be less expensive, we are trying very hard to see if we can make Galashiels work as a destination for the Tapestry as it will regenerate the town centre.
Will you commit to continue to fund youth work and further strengthen youth work and schools partnerships to raise attainment?	We're committed to youth services and no budget decisions have been made as yet. We will work with a range of partners to ensure that all multi funding arrangements continue, to support service delivery.

How much has Scottish Borders health and social care received from the Scottish government with regards to the rise in the minimum wage and how much of this is going into the learning disability services?	The NHS and the Council have received £2.5m this year from the Scottish Government to go towards the rise in the living wage. There are ongoing discussions with the learning disability providers to determine how much of this budget is required to support the £8.25 living wage hourly rate from October 16.
Is there any funding for resident associations to improve their community?	There may be a number of funding options available for constituted groups. Please contact the relevant team for more information. They can also advise on other options that may be available. Contact the Council's Community Grants Co-ordinator.
How much does SBConnect cost to print & deliver and would it not be cheaper to publish an online version instead?	Thanks for your question. The total cost to design, print and distribute SBConnect is on average, £12k per issue (13p per copy). It is delivered to every household in the Borders and remains a valuable method of communication for Scottish Borders Council. It is also available online via SB Connect. We have a statutory duty to publish performance information relating to Council Services and SBConnect plays a key role in this by providing information throughout the year and avoids the added cost of producing a separate publication. We also must ensure information is accessible to all residents – including those who do not have internet access. We are always reviewing the publication however and will put your views forward as part of the budget consultation.
We need a garden waste bin, I've spoken to my neighbours about this before & we've all said we wouldn't mind paying a small charge for someone to empty it every fortnight it's just our gardens are so big the compost bin is full in no time.	We have information on our website about private garden waste collection services should you want to make a private arrangement.
I would love to see kerbside garden waste collections again, is there any chance this will come back?	The removal of garden waste delivered significant savings and were it to be reinstated the money would need to be found from other areas of our budget.
Should we not be worried about the amount of staff that are being paid off in the council? Is this actually saving money and how do you make sure you don't lose the relevant expertise?	We are committed to minimising the impact of job losses on staff but in the current climate this is not always possible. We use a number of processes such as redeployment and retraining to offer options to staff. There is a rigorous process followed to ensure any staff leaving under the Early Retirement / Voluntary Severance programme, are affordable both financially and in terms of handover of experience and skills.
Will there be any more cuts to learning support staff in schools?	No further Learning Support staff reductions are planned for 2017/18.
If you are looking to save money could you reduce the number of council properties you have?	We are currently undertaking a property rationalisation programme and has already made significant progress in reducing the size of its estate.

There is new lighting on a number of streets in Galashiels – is this project actually saving any money?	Yes, this is part of the programme which is being rolled out across the Borders area. It has been so successful that we have been asked to look at whether we extend it or use the money on other areas of energy efficiency.

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Agenda Item 7

FINANCIAL STRATEGY 2017/18 – 2021/22

Report By Chief Financial Officer

SCOTTISH BORDERS COUNCIL

9 February 2017

1 PURPOSE AND SUMMARY

1.1 This report seeks approval of the financial strategy for the Council covering the period 2017/18 – 2021/22. The strategy provides the overall framework for the financial management of the Council and covers the revenue budget, capital investment plan, the Council's treasury management arrangements and its reserves policy.

1.2 The Council first adopted a five year approach to financial planning in 2013/14 in recognition of the significant financial challenges facing the organisation as it aims to provide the best possible services within the resources available. The continued adoption of a longer term timeframe for financial planning has enabled the Council to plan the delivery of service changes across financial years, with a focus on modernising services, investing in new technology, and adopting a range of strategic partnerships with our partners in the public, private and third sectors. The corporate transformation programme reported elsewhere on the agenda has provided a major impetus to deliver the necessary service changes and financial benefits required to address corporate priorities and ensure the Council remains financially sound in the short, medium and longer terms.

The financial strategy is designed to ensure the Council:

a) raises the funds required to meet approved service levels in the most effective manner;

b) manages the effective deployment of those resources in line with the Council's corporate objectives and priorities; and,

c) provides stability in resource planning and service delivery as expressed through revenue and capital budgets and approved Corporate plans.

1.3 2017/18 will be the final year of the 5 year financial plan first published in 2013/14 and we will again set a rolling 5 year plan covering the period 2017/18 to 2021/22. The plan has been amended and updated each year since 2013/14 and to date savings of £26.87m have been delivered in a planned manner. Despite the resource challenges facing the Council and wider public services the approach to financial planning has so far delivered balanced budgets and small underspends in each year of the plan. In the current year 2016/17, the latest monitoring projections indicate, despite pressures in a number of areas, that once again a balanced out turn position will be achieved.

1.4 A one year budget been published via the Local Government Finance Settlement for 2017/18 and consequently it is recognised that beyond the next financial year the financial strategy can only be based on estimated resources. The updated 5 year plan 2017/18 – 2021/22 is however based on the best information currently available and it will continue to be adapted over time to respond to changing circumstances.

1.5 The financial plan is highly dependent on the delivery of savings and a risk based approach has once again been used to set the level of recommended balances. These are held both as contingency against unforeseen circumstances and additionally are used to facilitate the delivery of savings and to smooth the financial plan in the event of non-realisation of the savings envisaged.

2 RECOMMENDATIONS

2.1 It is recommended that Council approves the financial strategy for 2017/18 – 2021/22 as set out below:

- **set a prudent, sustainable budget in line with available resources;**
- **continue to invest in infrastructure through a sustainable capital programme financed by £19.952m loans charges per annum;**
- **maximise income while keeping fees charged to service users at an affordable level;**
- **continue to invest in corporate transformation and efficiency projects to deliver long term financial savings and service benefits;**
- **focus on preventative revenue and capital spend; and,**
- **maintain unallocated reserves of £5.638m for 2017/18 in line with the assessed risk register in appendix 1.**

Financial Strategy 2017/18 - 2021/22

3 Background

3.1 The Council tax freeze which has been in place since 2007/08 has now ended. Despite this the financial strategy set out in this paper recognises the continuing pressure on public sector funding. The 2017/18 settlement for local government reported elsewhere on this agenda has again proven very challenging for the Council.

3.2 This strategy continues to recognise the need to ensure that the Council's budget is targeted so that it:-

- provides the most effective possible stimulus to the wider economy,
- protects the environment of the Borders
- protects those who are most vulnerable in society,
- seeks to focus spend on prevention designed to reduce future demand for council services by stopping problems arising or by addressing problems early on
- maximises the contribution from local collaboration arrangements including the Health and Social care Integrated Joint Board
- recognises the need to continue to maximise efficiency and provide good value for money.

3.3 The strategy also continues to reflect the Council's duty to provide value for money for local tax payers, set a prudent, sustainable budget, to invest in core services, to work effectively with partner organisations - assisting them in the delivery of their strategic objectives where possible, and ensure service charges remain as affordable as possible for residents of the Scottish Borders, whilst ensuring ongoing stability in resource planning and service delivery.

3.4 The recommended high level financial strategy to be followed in updating the financial plan is therefore to:-

- **set a prudent, sustainable budget in line with available resources;**
- **continue to invest in infrastructure through a sustainable capital programme financed by £19.952m loans charges per annum;**
- **maximise income while keeping fees charged to service users at an affordable level;**
- **continue to invest in corporate transformation and efficiency projects to deliver long term financial savings and service benefits;**
- **focus on preventative revenue and capital spend; and,**
- **maintain unallocated reserves of £5.638m for 2017/18 in line with the assessed risk register in appendix 1.**

4 FUNDING

4.1 Aggregate External Finance

Details of the main aspects of the Local Government Finance settlement were reported to Council on the 22 December 2016. Adjustments to the provisional figures of £0.082m have been notified subsequently. These adjustments have reduced the level of grant available to the Council in 2017/18 by £8.362m. Total AEF provided by Scottish Government through the Local Government finance settlement in the form of grant will therefore total £194.549m excluding specific grants in 2017/18. The grant available to the Council in 2017/18 has seen a reduction of 4.12% when compared to the previous financial year. This coupled with the requirement to fund significant financial pressures arising from pay and price inflation, demographic challenges, the revenue consequences of capital investment and other service pressures has placed significant pressure on the revenue budget. These pressures taken together will require savings of £9.475m to be delivered to balance the plan in 2017/18.

4.2 Council Tax

Given these pressures Full Council decided on 22 December 2016 to increase the council tax across all bands by 3% in 2017/18. A full paper on council tax, including the effects of changes which legislation will introduce to the council tax multiplier affecting bands E- H is included at item 8 on this agenda.

5 RESERVES

5.1 Reserves

The Council maintains a number of funds and balances which are reported to elected members at regular intervals during the financial year. Table 1 below shows the projected balance on each fund at 1 April 2017.

Table 1 Funds and Balances	**1 April 2017**
	(Estimated)
	£m
Statutory Funds	
Corporate Property Repairs and Renewals Fund	0
Plant and Vehicles Renewals Fund	4.722
Insurance Fund	1.321
Capital Fund Excl Developer Contributions	0.791
General Fund – Earmarked	
Devolved School Management	1.419
Specific Departmental Reserves	3.192
Allocated reserves	6.215
General Fund – Non-Earmarked	5.638
Total	23.298

5.2 The Council holds reserves in order to manage identified risks, smooth uneven cash flows and provide a contingency against unforeseen circumstances. The existence and management of adequate reserves is a fundamental aspect of any sound financial strategy. The financial strategy and the associated reserves position is subject to scrutiny by the Council's auditors.

5.3 A Corporate Financial Risk Register has again been used as the basis for setting reserve levels in 2017/18 and future years. This approach seeks to quantify the risks facing the council's finances, including over optimistic saving assumptions, unplanned employment and pension cost increases, the failure by managers to enact effective budgetary control, severe weather events, the economic downturn, potential contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances.

5.4 A review of the major risks facing the Council has been undertaken by senior finance officers and these are shown in the risk register in appendix 1. The level of un-allocated general fund balances is directly informed by an assessment of the risks facing the Council. This approach, despite being subject to an element of informed judgement, fundamentally reflects the risks inherent in setting the revenue budget, the reasons why reserves are held in the first place, the scale and complexity of the organisation and also provides appropriate transparency with regard to the level of balances held.

5.5 **Unallocated balances**

Given the issues identified in the risk register and risks inherent in setting the revenue budget, members are recommended to maintain an unallocated general fund equivalent to £5.638m in 2017/18. The unallocated balance projected at the 31st March 2017 equates to just over 2.13% of net revenue expenditure and is sufficient to cover 52% of the risks identified in the risk register.

6 FINANCIAL RISKS

6.1 A number of issues have a bearing on the level of unallocated balances have been identified in the financial risk register set out in appendix 1 The main issues are outlined below.

6.2 **Winter**

Members will recall that £0.65m of the general fund reserves have previously been allocated to winter as part of the final revenue outturn for 2013/14. Currently the monitoring projects indicate that average weather condition have been experienced so far in 2016/17 and consequently winter expenditure this year will be within budget and barring a significant deterioration in the weather between now and the 31 March will not require a draw down to support winter. It is therefore proposed that this balance be rolled forward to the support winter plan in 2017/18.

6.3 **Drawdown of balances to support the revenue and capital budget.**

The 5 year revenue plan assumes the drawdown of £1.353m in 2017/18 from reserves to be repaid in the following 2 financial years.

7 TREASURY AND CAPITAL

7.1 Treasury Management Strategy 2017/18

This forms a key aspect of the Council's overall financial management strategy. The Treasury Management Strategy, submitted at item 9 on the agenda for approval, sets out the arrangements for financing the Council's capital investment plans, the associated prudential indicators, how the treasury function will be organised, and an investment strategy setting out the parameters governing how the Council's investments are to be managed.

7.2 Capital Investment

With regards to the 10 year capital plan the financial strategy aims to ensure capital borrowing is within prudential borrowing limits and sustainable in the longer term. In this regard it is important to recognise the capital investment decisions taken now have long term borrowing implications and these have the potential to place an undue burden on future tax payers. The draft revenue budget sets loans charges associated with capital borrowing over the next 5 years at £19.952m.

7.3 On-going Monitoring Of Capital Investment and associated costs

These will be kept under review in light of the prevailing economic condition and any opportunities for debt re-structuring. The Council has significant revenue resources tied up in capital assets and work will continue to identify surplus property for disposal in order to reduce revenue running costs and deliver capital receipts.

8 FINANCIAL PLANNING

8.1 Overall approach to cost reduction and service reviews

It is evident that the Council faces on-going cost pressures in its revenue budget and this will require a continued focus on cost control, corporate transformation, robust change management processes and a sustained drive to improve efficiency.

8.2 Staffing

Pay Awards Provision

Public sector pay policy continues to be subject to on-going restraint and the financial plan provides for a of cost of living increases of 1% in 2017/18. The ability to adapt terms and conditions to reflect modern working practices and size the Council's work force in response to continuing financial pressures is a key tool in mitigating future cost pressures. Provision to increase the living wage to £8.45 from April 2017 is included within the financial plan alongside appropriate provision for increments.

8.3 **Bad Debts**

Income collection, including council tax, may be adversely affected by the difficult economic conditions The budget assumes that the contribution to the bad debt provision will remain at £0.125m for sundry debt and £0.715m for council tax for 2017/18 and this will continue to be kept under review.

8.4 **Health and Social care integration**

Health and Social care services have been commissioned through an integrated joint board since 1 April 2016. Scottish Government has baselined the £250m made available nationally in 2016/17 to fund pressures in Health and Social Care services, introduce the living wage for 3rd party care providers and improve outcomes for older people in the Borders accessing health and social care services. To date funding of £5.088m has been agreed with the IJB on a recurrent funding basis. These resources have been used to enhance delivery of the IJB strategic plan, roll-out of the living wage to external care providers and address demographic cost pressures in Adult services. The 2017/18 budget provides for an additional £2.1m as part of an additional £107m made available nationally to fund the ongoing full year implementation of the living wage, increases in the living wage base rate from £8.25 to £8.45 and fund further service developments including sustainability in the wider care sector. The sums available can also be used to fund expenditure pressures and it is assumed that demographic and service pressures totalling £0.487m will also be funded from this funding which will be passed from the IJB to fund services by the council. This anticipated transfer is reflected in the 5 year plan.

9 IMPLICATIONS

9.1 **Financial**

There are no additional financial implications associated with this report, its content referring specifically to the financial strategy of the Council and the associated revenue and capital budgets and reserve levels.

9.2 **Risk and Mitigations**

(a) The existence of appropriate balances is a fundamental aspect of sound governance and effective stewardship. There is therefore a risk to the Council from not having an appropriate financial strategy underpinned by cash backed reserves which will be mitigated by approval of this report.

(b) If the identified risks were to materialise, without an appropriate level of reserves, Council would be required to identify alternative funding, possibly at short notice, through reduced services, asset disposals, increased charges or additional unbudgeted borrowing.

(c) The budget is being developed pending agreement of the local government settlement by parliament. Any amendments to the finance order by parliament will have implications for the Council's budget in 2017/18.

9.3 **Equalities**

There are no adverse equality implications arising from this report.

9.4 **Acting Sustainably**

There are no economic, social or environmental effects arising directly from this report.

9.5 **Carbon Management**

There are no effects on carbon emissions.

9.6 **Rural Proofing**

There are no implications that would compromise the Council's rural proofing policy.

9.7 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes required to either the Scheme of Administration or the Scheme of Delegation

10 CONSULTATION

10.1 The Corporate Management Team, Head of Corporate Governance, the Head of Strategic Policy, the Head of Audit and Risk and the Clerk to the Council have been consulted in the preparation of this report.

Approved by

David Robertson **Signature ....**
Chief Financial Officer

Author

Name	Designation and Contact Number
David Robertson	Chief Financial Officer 01835 825012

Background Papers:
Previous Minute Reference: Council Report 22 December 2016 and Executive 17 January 2017

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Finance can also give information on other language translations as well as providing additional copies.

Contact us at: Suzy Douglas, Financial Services Manager, Scottish Borders Council, Council Headquarters, Newtown St Boswells, and Melrose, TD6 0SA.
Telephone – 01835 824000 X5881 Fax – 01835 825011
e-mail –sdouglas@scotborders.gov.uk

Risk Register: Financial Strategy 2017/18- 2021/22 **APPENDIX 1**

No.	Risk Category	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place* Likelihood	Impact	Risk Score	Risk Control Measures in Place	Are all Controls Operational? Y / N / Partial	Potential Financial Risk £	Assessment of Residual Risk (likelihood x impact) With Control Measures Likelihood	Impact	Risk Score
1	Economy and Funding	Reduction in Government funding to Local Authorities in real terms.	Less funding from Government, reduction in ability to provide services, take on of other agencies' responsibilities.	3	3	9	Estimate of reducing resources over the 5 year period built into financial plan.	Y	**2,500,000 based on 1% variation in future govt grant levels and financial plan assumptions**	3	3	9
2	Economy and Funding	Inability to increase local funding because of Council Tax freeze.	Adverse effect on ability to raise income and therefore provide services.	5	3	15	Council tax will increase from 2017/18. Council tax product reassessed as part of budget process.	Y	**0**	2	3	6
3	Economy and Funding	Continuation of depressed housing market.	Assumption re Developer Contributions prove too optimistic. Funding shortfall for railway, PPP schools etc. Risk of Challenge to existing policy with knock on impact on funding available for essential infrastructure projects.	4	3	12	Budget adjustment to take account of potential shortfall, diverting resources from other priorities in revenue and capital plans. Reassessment of likely developer contributions undertaken as part of review of CIP funding.	Y	**0**	4	2	8
4	Environment	Weather - adverse winter conditions.	Strain on Winter Maintenance budget. Additional revenue and capital costs.	4	4	16	Bellwin Scheme available , but only at significantly high levels and within certain criteria. Not available to cover higher costs of adverse winter weather. Reserve of £650k earmarked to provide contingency for Winter. Development of Community Resilience Scheme progressing but unlikely to make significant impact on costs.	Y	**1,000,000 (unfunded residual estimate of Adverse Winter beyond average conditions)**	4	3	12

Risk Register: Financial Strategy 2017/18- 2021/22

APPENDIX 1

No.	Risk Category	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place*			Risk Control Measures in Place	Are all Controls Operational?	Potential Financial Risk	Assessment of Residual Risk (likelihood x impact) With Control Measures		
				Likelihood	Impact	Risk Score				Likelihood	Impact	Risk Score
								Y / N / Partial	£			
5	Environment	Weather - severe floods	Additional revenue and capital costs.	3	4	12	Bellwin Scheme, applies at £509,000 threshold and within certain criteria. Capital provision for Selkirk Jedburgh and Gala flood works to be delivered though CIP. Funding of 80% assumed by Hawick. This expenditure was incurred in 2016/17.	Y	**509,000**	3	3	9
6	Budget Control	Inability to achieve projected savings.	Increased risks due to budget not being met, may result in future reduced service provision as a consequence.	4	3	12	Tracking through monitoring process. Monitoring indicates around 75% - 80% of savings are being delivered in line with plan each year . £9.5m savings assumed in 2017/18. around £1m delivered on a temp basis in 2016/17. Difficulty of delivery increasing.	Partial	**1,950,000**	3	3	9
7	Budget Control	Future demographics - Social Work. Ageing population, more children with complex needs.	Additional revenue and capital costs. Assumption this will be funded by transfer from IJB.	5	3	15	Business and medium term Revenue Financial Plans aligned to demographic pressures.	Y	**0**	4	2	8
8	Budget Control	Future Demographics Vulnerable Children.	Risk of significant overspend due to demand pressures and the need to accommodate looked after children in expensive residential settings including secure units.	5	4	20	Current costs reflected in revenue budget.	Partial	**0**	3	3	9
9	Projects	Development Major Capital projects requiring Govt Support E.g. Flooding	Potential Requirement to Write costs incurred developing capital Schemes off to Revenue should Govt Support not be forthcoming. Further risk of need for project acceleration in response to current flood events.	3	4	12	Inherent risks associated with development of large complex capital schemes e.g. Hawick Flood. Robust project management. Dialogue and ensuring necessary statutory approvals are achieved mitigates risks.	**Y**	**0**	**3**	**3**	**9**

Risk Register: Financial Strategy 2017/18- 2021/22

APPENDIX 1

No.	Risk Category	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place* Likelihood	Impact	Risk Score	Risk Control Measures in Place	Are all Controls Operational? Y / N / Partial	Potential Financial Risk £	Assessment of Residual Risk (likelihood x impact) With Control Measures Likelihood	Impact	Risk Score
10	IT	Increased cost of service provision outwith CGI contract.	Requirement to deliver significant savings set to in IT business case .	3	2	6	Financial plan in place to deliver necessary savings but increased risk over delivery as finances become tighter.	Partial	**1,000,000**	3	2	6
11	Supplier failure	Major contractors / providers of essential services going out of business e.g. Transport provider.	Immediate pressure on revenue budgets / reserves. Increased evidence of routes being handed back following retendering.	3	3	9	In some cases monthly contract monitoring and ongoing liaison. More due diligence required during and before contract periods.	Partial	**100,000**	3	3	9
12	Pension Fund	Local Government Pension Scheme - increase in employer contributions	Increased costs to the Council through increased employer contributions and impact on service budgets	4	4	16	Triennial Valuation with options to deal with projected funding deficit through recovery period and / or medium term Revenue Financial Plan. Planned change to LGPS in 2015 to contain costs based on CARE scheme. Next Fund valuation due as at 31 March 2017. Positive results from 2014 valuation maintained contributions at 18% with 101% funding level	Y	**0**	3	3	9
13	Pension Fund	Pension Fund Including Admitted Bodies. Change in level of participation in the pension fund leading to a risk re past service cost.	Call on Council indemnity for past service costs.	3	2	6	Ongoing monitoring and engagement with admitted bodies and appointed actuary. Impact of auto enrolment being monitored along with financial impact of changes to the composition of scheme membership.	Y	**700,000**	3	2	6

Risk Register: Financial Strategy 2017/18- 2021/22

APPENDIX 1

No.	Risk Category	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place* Likelihood	Impact	Risk Score	Risk Control Measures in Place	Are all Controls Operational? Y / N / Partial	Potential Financial Risk £	Assessment of Residual Risk (likelihood x impact) With Control Measures Likelihood	Impact	Risk Score
14	Economy and Funding	Counterparty risk	Funds deposited in banks are lost	3	3	9	Disciplined maintenance of counterparty list, spread deposits where practicable. Treasury strategy and policy in place and regularly reviewed. Daily Information from Capita Asset Services. Annual revisions made to strategy to reflect changes in the economic situation. Compliance with credit control worthiness policy monitored on an ongoing basis and robust scrutiny at point of investment.	Y	**0**			
15	Economy and Funding	Increase in scale of bad debts owed to the Council (AR, Council Tax, NDR)	Potential pressure on revenue budgets as greater amounts need to be written off. Debt recovery arrangements indicate this risks is being managed with significant improvement in recent years over debt management and recovery.	4	3	12	Bad Debt provision in place, proved adequate for C/Tax and NDR historically. More robust policy framework now in place. Current level of bad debt provision acceptable debt acceptable.	Y	**125,000**	3	2	6
16	Economy and Funding	Change to taxation base e.g. NDR income lies with collecting Authority and not part of national pool	Reduced level of NDR income for Council with subsequent pressure on revenue budgets	2	2	4	3 year spending review, medium term Revenue Financial Plan	Partial	**Estimate Covered in Finance plan**	1	2	2
17	Budget Control	General Contingency including - Failure of budgetary control processes (increased likelihood as budgets are stretched). Savings required by the 5 Year financial plan not delivered or delayed. Increased risk of overspend given pressures arising from H&SC integration, unplanned withdrawal of resource transfer funding or around delayed discharge.	Unexpected overspends in revenue and / or capital budgets.	4	3	12	Monitoring processes, both for revenue and capital. Monitoring now includes tracking of delivery of required efficiencies. Risk analysis re delivery of savings approved in financial plan. Monthly reporting to CMT and quarterly reporting to Executive. Challenges facing the Council associated with constraints on public sector funding are increasing.	Y	**2,600,000 (1% overspend risk on £260m)**	3	3	9

Risk Register: Financial Strategy 2017/18- 2021/22 **APPENDIX 1**

No.	Risk Category	RISK *Threat to achievement of business objective*	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) *Assume No Controls in Place*			Risk Control Measures in Place	Are all Controls Operational?	Potential Financial Risk	Assessment of Residual Risk (likelihood x impact) With Control Measures		
				Likelihood	Impact	Risk Score		Y / N / Partial	£	Likelihood	Impact	Risk Score
18	Pension Fund	Auto Enrol enrolment in pension Fund	Increase in the cost of employers superannuation for previously opted out employees. Risk level based on 236 staff due to enrol by 2017.	5	3	15	Continue to monitor	Partial	**236,000**	5	2	10
19	Economy and Funding	Municipal Mutual Insurance	Council is a scheme creditor of failed insurance firm. Solvent run off of the company no longer anticipated.	4	3	12	Contained monitoring of the situation - no risk mitigation possible. Provision made in allocated balances.	N	**0**	4	3	12
20	Economy and Funding	Contractual legal claims/ penalties levied against council claim	Litigation from contractor following failure of Council to enact obligations under a strategic contract e.g. PPP works compensation event. Contractual claim resulting from legal disputes. Legal costs following an adverse judgement.	4	3	12	Monitoring processes, both internal and reporting to Members. Corporate Approach to project delivery and Business Transformation. Council's legal position will be robustly defend via Court Process if necessary.	Y	**100,000** **general est. based on current risks.**	4	3	12
21	Economy and funding	Compliance failure with HMRC requirements	Penalty and Interest due to failure of business processes.	4	3	12	Review of Business processes to ensure they remain fit for purpose.	Partially	**50,000**	4	3	12
22	Economy and funding	EU grant funded programmes	Risk of claw back of grant funding following EU grant funded programme conformity audit	4	3	12	Satisfactory governance systems within SBC. Discussions continue with Scottish Government to ensure clear guidance.	Partially	**0**	3	4	12
		Projected General Fund balance as at 31 March 2016							**5,638,000**			
		Risks Per risk register							**10,870,000**			
		% of Risks per risk register covered by unallocated balances							**52**			

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REVENUE AND CAPITAL RESOURCES AND COUNCIL TAX 2017/18

Report by the Chief Financial Officer

SCOTTISH BORDERS COUNCIL

9 February 2017

1 PURPOSE AND SUMMARY

1.1 **The purpose of this report is to advise Council of the estimated revenue and capital resources available for financial year 2017/18 following publication of the local government finance settlement on the 15 December 2016 and subsequent amendments.**

1.2 The report also outlines the process supporting the construction of the draft revenue and capital Financial Plans from 2017/18.

1.3 The financial constraints and major risks to be addressed are identified.

1.4 This paper has been prepared following Scottish Government confirmation that the national 9 year Council Tax freeze is no longer in place. There was approval at the 22nd December 2016 Council meeting to increase Council Tax by 3% in 2017/18 whilst noting the increase is in addition to legislative changes to the 2017 Council tax multiplier affecting bands E - H.

1.5 The Corporate Management Team has worked together to support Members to set a Corporate revenue and capital budget to meet identified pressures facing the Council. These pressures have arisen due to the continuing constraints on external revenue and capital funding from central government and the increasing pressures from demographics, inflation and employment costs. The revenue and capital budgets have been designed to ensure the effective deployment of funds available in line with the Council's corporate objectives and approved service plans.

1.6 Members approved the fees & charges schedule for 2017/18 on the 22nd December 2016. Any fees & charges not presented at that meeting are appended for approval at item 12 on this agenda.

2 RECOMMENDATIONS

2.1 **It is recommended that Council:**

(a) notes the estimated revenue resources for 2017/18 to 2021/22;

(b) notes the estimated Capital Resources for 2017/18 to 2026/27 and the requirement to adhere to the prudential code for capital borrowing;

(c) agrees a Band D council tax of £1,116.52 for financial year 2017/18, reflecting a 3% increase as a result of the ending of the Scottish Government Council Tax freeze policy after 9 years;

(d) approves the council taxes to be paid for 2017/18 in respect of chargeable dwellings as set out in appendix 1 to this report, including increases in bands E-H as a result of legislative changes by Scottish Government to the 2017 Council tax multiplier;

(e) proceeds to consider the Administration's proposed Financial Plan for 2017/18 including further associated fees and charges for 2017/18 in addition to those presented to the 22nd December 2016 Council meeting.

3 REVENUE RESOURCES

3.1 The Local Government Finance Settlement (the Settlement) was published on 15 December 2016 and subsequently revised on the 17th January 2017. The Settlement confirmed resources from the Scottish Government through:

- Revenue Support Grant and Non Domestic Rates of £194.549m;

- Additional specific grant has been confirmed to fund, the Attainment Scotland fund (£1.830m), Community Justice Social Work (£1.123m) and Gaelic (£0.002m);

- Council Tax reform income of £2.809m (gross) has been confirmed as part of the Settlement which reflects the financial benefit to the Council of the legislative changes to the 2017 Council tax multiplier;

- Funding over and above the Settlement has been confirmed to fund, Teachers Induction Scheme, 1 + 2 languages, Temporary Accommodation, Council Tax Reduction Scheme Admin and Discretionary Housing Payments (DHP). All these budgets will be created during 2017/18 when funding is confirmed;

- A further adjustment has been made to reflect assumed resources to be transferred from Health through the NHS to the Social Care Partnership. This income reflects the permanent impact of the 2016/17 funding (£5.088m) approved by the Partnership plus the Council's share of the national £107m funding for 2017/18 (£2.1m) Final adjustments will be made if required to ensure the budgets are in line with that approved through the Integration Joint Board in 2017/18.

The total revenue resources available to the Council for 2017/18 are shown in table 1 on page 5 at £264.758m.

4 THE AEF SETTLEMENT 2017/18

4.1 Mainstream support for Local Government from the Scottish Government is collectively known as Aggregate External Finance (AEF) and comprises:-

- General Revenue Funding to support expenditure on the complete range of Council Services;

- A distribution of funding from the National Non-Domestic Rates Pool;

- Ring-fenced grants which must be used for specified purposes;

- Council Tax reform income as a result of legislative changes to the 2017 Council tax multiplier affecting Council Tax bands E-H.

4.2 The Scottish Government has stipulated within the Settlement that it will work with local government partners on implementing the budget and the joint priorities in return for the full funding package which includes the following conditions:

- an additional £120 million for schools to support closing the attainment gap, which will benefit every local authority area, provision for which has been earmarked from the national budget and not from any adjustment to the local government finance settlement;

- the additional income estimated at £111 million as a result of the Council Tax reforms that will be available in full to be spent in the local authority area it was collected;

- local authorities will be required to maintain the overall pupil:teacher ratio at 2016-17 levels as reported in the Summary of School Statistics published on 13 December 2016, and secure places for all probationers who require one under the teacher induction scheme. This is supported by a continued funding package of £88 million, made up of £51 million to maintain teacher numbers and £37 million to support the teacher induction scheme;

- the additional £250 million support for health and social care provided by the NHS through the Integration Fund in 2016-17 will be base-lined from 2017-18 and in addition, this will be increased by a further £107 million to meet the full year costs of the joint aspiration to deliver the Living Wage for social care workers, sleepovers and sustainability (£100m) and removal of social care charges for those in receipt of war pensions and pre-implementation work in respect of the new carers legislation pressures (£7m);

- to reflect this additional support local authorities will be able to adjust their allocations to Integration Authorities in 2017-18 by up to their share of £80 million below the level of budget agreed with their Integration Authority for 2016-17 (as adjusted where agreed for any one-off items of expenditure which should not feature in the baseline). Taken together these measures will enable Integration Authorities to ensure the collective overall level of funding for social care is maintained at £8 billion; and

- the flexibility to increase Council Tax by up to 3% which could generate an additional £70 million.

4.3 Overall resources from Central Government reflect a decrease of £8.362m compared to 2016/17 comparable totals. The inclusion of the Council Tax reform income to Councils has provided gross income of £2.809m with an estimated net benefit of £2.191m after Council Tax discounts and exemptions are provided for.

Scottish Borders Council Draft Revenue Financial Plan 2017/18 - 2021/22 Revenue Resources	2017/18 (Provisional) £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	Total £'000
Aggregate External Finance						
General Revenue Support	162,611	162,611	162,611	162,611	162,611	813,055
Ring fenced grants	2,955	2,955	2,955	2,955	2,955	14,775
Health & Social Care Partnership	7,188	7,188	7,188	7,188	7,188	35,940
Non-domestic Rates	31,938	31,938	31,938	31,938	31,938	159,690
	204,692	**204,692**	**204,692**	**204,692**	**204,692**	**1,023,460**
Draw down and repay Reserves	**1,515**	**(677)**	**(677)**	**0**	**0**	**161**
Earmarked balance	**1,349**	**15**	**(3,612)**	**(2,006)**	**15**	**(4,239)**
Council Tax (Band D £1,116.52 - increase of 3% plus increase as a result of changes to the multiplier)	**55,011**	**57,236**	**58,307**	**59,386**	**59,386**	**289,326**
Council Tax Reform net Income (Multiplier on Bands E-H)	**2,191**	**2,191**	**2,191**	**2,191**	**2,191**	**10,955**
Total	**264,758**	**263,457**	**260,901**	**264,263**	**266,284**	**1,319,663**

5 AEF ESTIMATES 2017/18 AND BEYOND

5.1 At present the Scottish Government has confirmed a one year Settlement and therefore has only published draft AEF figures for 2017/18. In planning resources over the next 5 years the Council has therefore made assumptions about the levels of funding likely to be available and the level of savings which will be required to balance to these estimates.

5.2 Any movement from these assumptions in future finance settlements will require adjustments to be made to the overall level of savings made in the Financial Plan. Despite the absence of firm future figures, the scale of the challenge facing the Council is unlikely to diminish in the foreseeable future and longer term planning for the delivery of savings, which may have significant lead in times and require large scale organisational change remains a useful discipline.

6 THE REVENUE FINANCIAL PLANNING PROCESS 2017/18 TO 2021/22

6.1 The 5 year Financial Plan the Council set for 2016-2021 comprised a one year firm budget for 2016/17 and provisional figures for 2017/18-2020/21. In rolling forward the Financial Plan a corporate approach has again been pursued with a longer term planning horizon used to address the financial and service challenges facing the organisation.

6.2 In order to ensure the continued adoption of a strategic approach Members have previously agreed to focus on the delivery of a major programme of transformational change required to balance the Financial Plan through the Corporate Transformation programme.

6.3 Following a review of the Plan previously agreed for 2016-2021, additional pressures have arisen from a reduction in funding from the Scottish Government, increasing demographic pressures, Scottish Government policy decisions such as the requirement to maintain teacher numbers, the Apprenticeship Levy and continuing manpower pressures.

6.4 In order to support the longer term Financial Plan Corporate Management Team (CMT) adopted the following process:

- a review and update of the assumptions made within the 2016-21 Financial Plan for funding, pressures and savings;
- Departments continued to monitor the benefits being realised by their programme of transformation and identified new project savings to meet any budget gap;
- further savings were identified that can support the Financial Plan which can be implemented in the shorter term;
- external fees & charges were reviewed as part of the financial planning process to maximise income whilst meeting the needs of the most vulnerable with a minimum increase of 3% unless there was service reason not to do so;
- CMT proposals were presented to and considered by Elected Members through the Administration Finance & Resources Working Group and have been discussed with the wider Council Administration.

7 CAPITAL RESOURCES

7.1 The Council in setting its Capital Plan must adhere to The Prudential Code of Capital Finance (the Code) in Local Authorities as published by CIPFA. The Code was established to both give Local Authorities an element of flexibility but also to ensure they do not over borrow beyond levels that are sustainable over the longer term.

7.2 The code requires the Council to set a Capital Annual Treasury Management Strategy (the Strategy) which includes how it will finance its Capital Plans in an affordable and sustainable way. The Strategy is approved each year along with the Revenue and Capital Plans.

7.3 The borrowing requirements associated with the proposals are anticipated to be fully financed by the Loans Charges revenue budget of:

	£m
2017/18	19.952
2018/19	19.952
2019/20	19.952
2020/21	19.952
2021/22	19.952

7.4 The Administration's 10 year Capital Financial Plan, being presented to Council today, contains the proposed allocations. The Plan presented includes all approved budget changes between years agreed by Executive up to 21st December 2016.

8 CAPITAL FUNDING ASSUMPTIONS

8.1 Capital Financed from current revenue

(a) Capital Financed from current revenue (CFCR) allows the authority to supplement its capital plan using available revenue sources.

(b) The proposed plan includes an element of CFCR for cell capping at Easter Langlee and a small element previously agreed for Wilton Lodge Park.

8.2 Scottish Government –Capital Grants

(a) These are grants issued to Local Authorities for specific projects or areas of expenditure. These include Cycling, Walking and Safer Routes to School (CWSRS), Flood and Schools such as School Estate Review. The proposed plan assumes specific grants of £60.4m over the 10 year period.

(b) There is however a significant element of unconfirmed funding (£50.1m, 82%) assumed within the plan. The unconfirmed funding elements are Hawick Flood Protection and School Estate Review.

(c) This is an increase in funding of £6.3m (12%) in comparison to the 2016/17 plan due to increased Hawick Flood Protection and Flood Scheme Preparation funding.

8.3 Other External Capital Grants & Contributions

(a) Many projects and programs are successful in bringing in matched funding from a range of external sources such as Sports Scotland, Historic Scotland and Lottery and European funds. These funds each come with specific conditions and are usually time limited.

(b) The majority of the £7.7m funding assumed in the proposed plan is unconfirmed (£5.8m, 75%) and subject to further business case and grant application processes. This unconfirmed funding includes:

Jim Clark Museum	£0.7m
Sir Walter Scott (phase 2)	£2.0m
Central Borders Business Park	£1.0m
Great Tapestry of Scotland - building	£0.7m
Synthetic Pitches	£1.4m

8.4 Developer Contributions

(a) Developer Contributions are contributions made by private developers for specific items. Legal agreements in place detail the terms of both the location and type of asset. Due to the uncertainty of the timing on payment of these it is not prudent to include large sums of developer contributions being received at the same time as the assets are being constructed. This means the Council is required to either use the General Capital Grant or Borrowing to up front fund the construction until the contributions are received.

(b) The proposed Plan includes an assumed £5.5m of developer contributions, of which £2.0m is directly related to the proposed new Peebles Bridge which is in the later years of the Plan. There is also an assumption of £0.3m for Broomlands for which there are identified developments.

(c) The assumption around Peebles Bridge and Broomlands contributions is subject to a timing risk as the proposed Plan assumes that these will be received in line with the construction of the projects; however, an element of the contributions may require to be built first in order to fully release the development progress.

8.5 Capital Receipts

(a) Capital Receipts are funds generated from the disposal of capital assets. These funds are held in the Capital Fund and used to either finance new capital expenditure or repay existing loan principle. The estimate is reviewed on a regular basis to determine assets available for disposal and their likely disposal value and timing.

(b) The Plan is predicated on £6.3m of capital receipts being generated over first 5 years of the plan. The assumptions around the deliverability of these will be subject to continual review.

8.6 General Capital Grant

(a) A General Capital Grant is issued to each Local Authority in Scotland. The capital grant settlement issued to Scottish Borders Council on 15 December 2016, and subsequently amended has resulted in General Capital Grant above the amount previously assumed in the draft plan. The funding levels have therefore been reinstated to the 2015/16 levels. It has been confirmed the £150m of funds top-sliced nationally by Scottish Government in 2016/17 will not now be returned until 2018/2020.

(b) The total estimated Capital Grant over the period of the Plan is estimated at £143.2m, an increase of £33.2m from the previous Plan. Although indicative grant figures have not been provided for future years the assumption with the Plan are assumed the

2017/18 levels will be maintained. There is a risk that the assumptions for future years may be over or under estimated.

8.7 **Replacement Funds**

(a) A fund was established by the Council in 2004 to ensure funds were in place for the continued replacement of its fleet. The fund is used to purchase the vehicles and then reimbursed by the department's revenue budgets over the life of the vehicle. The Plan has assumed purchases of £2m per annum over the period of the Plan which are fully funded from the Fund.

(b) A Fund was established by the Council in 2016 to ensure funds were available to provide for the replace carpets on synthetic pitches. The plan is based on assumed replacement lives of 10 years for each facility.

8.8 **Borrowing**

(a) The balance of the funds required for the Plan is secured by borrowing. Local Authorities are able to borrow to fund Capital expenditure or if given specific consent by Scottish Government. When determining the borrowing requirements the Council must follow the Prudential Code which requires Councils to ensure they are acting prudentially and sustainably. The costs of borrowing are charged to revenue via the Loans Charges Budgets.

(b) This proposed revenue budget to support capital through loans charges is set out in paragraph 7.2 and the proposed Financial Strategy states that the borrowing will be constrained within this available budget. Decisions to increase capital borrowing will require permanent adjustments, funded by savings elsewhere to be made to the loans charges budget in order to repay additional capital borrowing.

(c) The proposed Plan includes a total borrowing over the 10 year period of £74.1m borrowing an increase of £6.1m from the previous plan. It is estimated based on assumptions around cash flow and interest rates that this is deliverable within the estimated revenue resources. There however is a risk if interest rates rise above the assumed levels this may result in additional charges. This will require regular monitoring to ensure that the borrowing levels are sustainable and affordable.

8.9 The total funding available is £321.1m. The following table summarises the total resources for the proposed Capital Plan and movement from the 2016/17 plan:

	Operational £m	Strategic £m	Total £m	Move vs 2016/17 Plan £m
CFCR	0.7	0.0	**0.7**	**0.0**
Scottish Government – Specific Grants	15.4	45.0	**60.4**	**6.3**
Other External Grants & Contributions	6.2	1.5	**7.7**	**0.0**
Developer Contributions	2.8	2.7	**5.5**	**0.9**
Estimate Capital receipts	6.0	0.3	**6.3**	**(0.6)**
General Capital Grant	45.2	98.0	**143.2**	**33.3**
Replacement Funds	6.4	16.8	**23.2**	**3.2**
Borrowing	34.3	39.8	**74.1**	**6.1**
Total available funding	**117.0**	**204.1**	**321.1**	

9 COUNCIL TAX

9.1 Scottish Government has confirmed that the Council Tax freeze which has been in place for 9 years will not continue. As reflected in paragraph 4.2 above, the Settlement for 2017/18 provides flexibility for Councils to increase Council Tax by up to 3%. As approved in the Council report of the 22nd December 2016 Scottish Borders Council will increase Council Tax by 3% in 2017/18. There will be further increases in Council Tax over and above the Council's 3% increase as a result of legislative changes to the 2017 Council Tax multiplier affecting bands E-H. As part of the Settlement arrangements Councils will continue to be funded for the Council Tax freeze previously provided.

9.2 It is anticipated that financial budget pressures facing the Council will continue over the next 5 years. For this reason coupled with the removal of the Council Tax freeze policy, the Financial Plan assumes that Council Tax will deliver further additional income of 3% in 2018/19 with further indicative increases of 1% signalled in future financial years. This approach aims to balance the need to provide value for money for the tax payer alongside funding for essential Council services.

9.3 The Council is required under legislation to approve its Council Tax for the following financial year commencing 1 April by the 11 March in the preceding financial year.

10 IMPLICATIONS

10.1 Financial Implications

There are no additional financial implications associated with this report, its content referring specifically to the revenue budget.

10.2 **Risk And Mitigation**

Revenue Plan

(a) The Council faces a number of risks in setting its Revenue Financial Plan for five years 2017/18 - 2021/22. The main identified risks are set out in the Financial Strategy.

(b) It should be noted that the offer of funding from Scottish Government contained in the finance circular is provisional at this stage pending Parliamentary approval of the Government's budget bill and the publication of the final 2017/18 funding order. Any adjustment to the Scottish Governments proposed budget and the local government settlement as part of the parliamentary approvals process may require subsequent adjustment to the Council's budget. In this event a further report will be submitted to Council at the earliest opportunity.

(c) There is an ongoing requirement for robust management action to further develop the Corporate Transformation Programme and continue to deliver Financial Plan savings. This is fundamental to ensure the delivery of the proposals set out in the five year Financial Plan on time and to the levels expected by the approved budget. The failure to deliver savings in line with the budget plan represents the most significant risk to the Council.

Capital Plan

(d) The key risks associated with the projects and associated funding has been identified and will be monitored on a regular basis within the regular monitoring of the Capital Plan.

(e) Due to affordability several major projects have not been included within the proposed plan. There are a number which are linked to substantial developer contributions and major housing developments, such as Newtown St'Boswells. There are also a number of ongoing strategic reviews across the Council, including Waste, Roads and School Estates, which may result in Capital requirements. The current discussions with Scottish Government relating to City deal may also result in a requirement for additional capital allowance.

(f) The Capital Plan includes in various years Planned Program Adjustments which require to be met by project movements with individual financial years. If these movements do not materialise there is a risk the plan will be oversubscribed which will result an adjustment to the loans charges budget from other budget heads. This will be kept under review and be reported on a regular basis the monitoring of the revenue budget and Capital Plan.

Council Tax

(g) If a Band D Council Tax of less than £1,116.52 is set, revenue resources would be insufficient to meet planned expenditure, unless expenditure plans were to be correspondingly modified.

10.3 **Equalities**

An equalities impact assessment has been undertaken with regard to individual budget proposals, where issues have been identified mitigating actions will be put in place. There are no further equalities impacts arising from this specific report.

10.4 **Acting Sustainably**

The revenue budget will affect the people and economy of the borders it has been designed to be as financially, socially and environmentally sustainable as possible.

10.5 **Carbon Management**

There are no effects on carbon emissions.

10.6 **Rural Proofing**

This report contains no implications that will compromise the Council's rural proofing strategy.

10.7 **Changes To The Scheme Of Administration Or Scheme Of Delegation**

There are no changes required to either the scheme of administration or the scheme of delegation.

11 CONSULTATION

11.1 Corporate Management Team has compiled the revenue and capital Financial Plan.

11.2 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council are being consulted and any comments have been reflected in the report.

Approved by

David Robertson
Chief Financial Officer **Signature ....**

Author(s)

Name	Designation and Contact Number
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Kirsty Robb	Capital and Investment Manager Tel: 01835 825249

Background Papers:
Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Finance can also give information on other language translations as well as providing additional copies.

Contact us at Suzy Douglas, Council HQ, sdouglas@scotborders.gov.uk, 01835 824000 X5881.

Appendix 1

Council Tax levels 2017/18

Band	Proportion of Band D Tax	£
A	6/9	744.35
B	7/9	868.40
C	8/9	992.46
D	**9/9**	**1,116.52**
E	11/9	1,466.98
F	13/9	1,814.35
G	15/9	2,186.52
H	18/9	2,735.47

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TREASURY MANAGEMENT STRATEGY 2017/18

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

09 FEBRUARY 2017

1 PURPOSE AND SUMMARY

1.1 **This report proposes the Treasury Management Strategy 2017/18 for Council approval.**

1.2 The Treasury Management Strategy is the framework which ensures that the Council operates within prudent, affordable limits in compliance with the CIPFA Code.

1.3 The Strategy for 2017/18 is included in this report in Appendix 1 and reflects the impact of the Administration's Financial Plans for 2017/18 onwards on the prudential and treasury indicators for the Council.

2 RECOMMENDATIONS

2.1 **It is recommended that the Council:**

(a) Approves the Treasury Management Strategy 2017/18 as set out in Appendix 1.

(b) Council reviews its capital expenditure plans going forward to ensure they remain realistic, affordable and sustainable; and

(c) Ensures that the revenue consequences of all capital projects be fully reviewed in all investment decisions.

3 BACKGROUND

3.1 The Council is required to present a Treasury Management Strategy for approval at the same time as the Council's Financial Plan and Financial Strategy is approved.

3.2 The Audit and Risk Committee is responsible for scrutinising the Treasury Management Strategy in line with recommended practice set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code (i.e. Treasury Management in the Public Services: Code of Practice and Cross-sectorial Guidance Notes). The Committee reviewed the Strategy set out in Appendix 1 at the meeting on the 16 January 2017.

4 TREASURY MANAGEMENT STRATEGY 2017/18

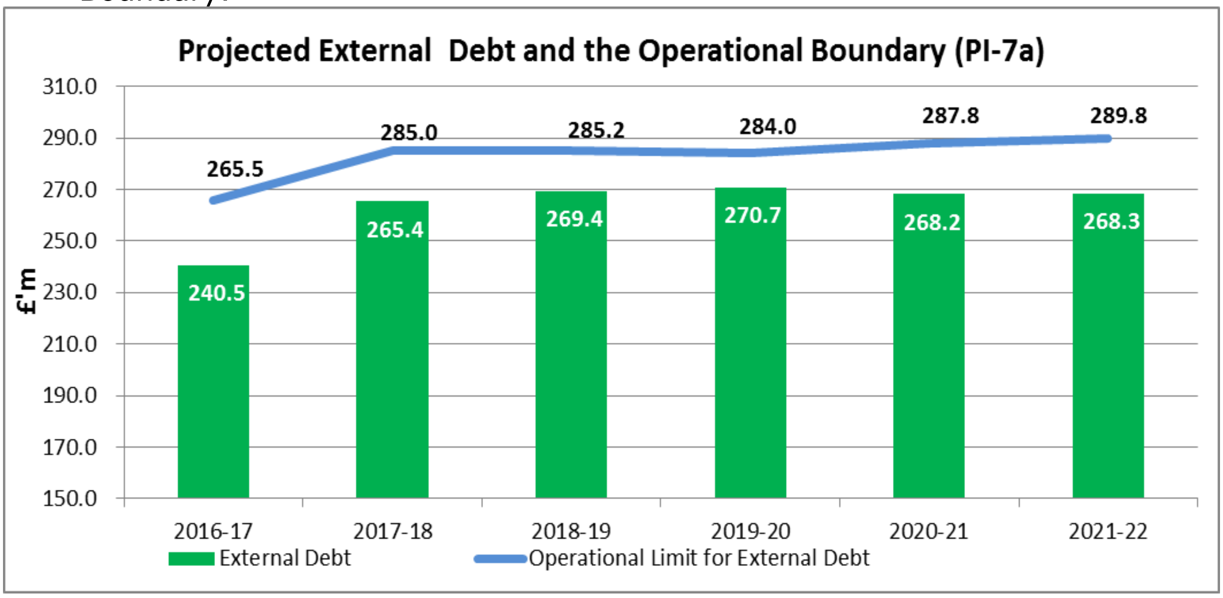
4.1 Appendix 1 contains the draft Treasury Management Strategy for 2017/18 for consideration by the Council.

4.2 This is based on the Administration's Capital Financial Capital Plan for 2017/18 to 2026/27.

4.3 Appendix 1, Annex A contains a summary of the proposed indicators within the strategy. The significant changes from the 2016/17 strategy are:

(a) Increase in the Capital Financing Requirement (CFR) for 2017/18 due to movements in anticipated capital borrowing requirements associated with the re-phasing of projects from 2016/17 into 2017/18 and future years as well as movements in the scheduled debt amortisation projections for the year.

4.4 The table below shows the "Operational Boundary" against the anticipated levels of external borrowing. The external borrowing levels should not normally exceed the operational boundary limit, defined by the Prudential Framework. The gap between these two elements as seen in the table is narrowing each year and is indication that the Council's external debt is getting closer to the prudent affordability limit as defined by the Operational Boundary.



5 IMPLICATIONS

5.1 Financial

There are no additional financial implications in relation to this report its content specifically relating to the financing and investment activities of the Council.

5.2 Risk and Mitigations

The key purpose of presenting the Strategy to Audit and Risk Committee scrutiny is to ensure that the members are satisfied with this element of the risk management framework for the treasury management function within the Council. These strategies provide the parameters and guidance for the investment and borrowing decisions for the Council.

5.3 Equalities

It is anticipated that there are no adverse equality implications arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council’s sustainability policy.

5.5 Carbon Management

There are no direct issues or consequences arising from this report which would affect the Council’s carbon management.

5.6 Rural Proofing

There are no direct issues or consequences arising from this report which would affect the Council’s rural proofing policy.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

6 CONSULTATION

6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

6.2 The Audit and Risk Committee considered the strategy at the meeting on 16 January 2017 and supported its submission to Council for approval.

Approved by

David Robertson **Signature ....**
Chief Financial Officer

Author(s)

Name	Designation and Contact Number
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Background Papers:
Previous Minute Reference: Audit and Risk Committee, 16 January 2017

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APPENDIX 1

SCOTTISH BORDERS COUNCIL

TREASURY MANAGEMENT STRATEGY
(incorporating the Annual Investment Strategy)
2017/18

Finance
Chief Executive Department
Version 1

CONTENTS

1 Purpose and Scope

1.1 The Council is required to receive and approve, as a minimum, three main reports on treasury activity each year, which incorporate a variety of policies, estimated and actual figures.

a) **Treasury Management Strategy 2017/18** (this report).
This report is the most important of the three reports and covers:

- The capital plans of the Council (including prudential indicators);
- The treasury management strategy (how the investments and borrowings are organised), including treasury indicators, and
- An investment strategy (investment options and limits applied).

b) **Mid Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and assess whether the actual treasury strategy is adhering to the approved strategy, or whether any policies require revision.

c) **Annual Treasury Report** - This provides details of a selection of actual prudential and treasury indicators compared to the estimates within the strategy and the performance of actual treasury operations.

1.2 **Scrutiny**
These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the **Audit and Risk Committee**.

1.3 The treasury management issues covered by this report are:

Capital Issues
- the capital plans and associated prudential indicators

Treasury management issues
- the current treasury position
- treasury indicators which will limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy and
- policy on use of external service providers

1.4 These elements cover the requirements of the Local Government in Scotland Act 2003, the CIFPA Prudential Code (the Prudential Code), the CIPFA Treasury Management Code (the Code) and Scottish Government Investment Regulations.

1.5 The increased Member consideration of treasury management matters and the need to ensure that officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council will address this important issue by:

a) **Elected Members**
- Working with members of the Audit Committee to identify their training needs

- Working with Capita Asset Services to identify appropriate training provision for elected members

b) **Officers** dealing with treasury management matters will have the option of various levels of training including:

- Treasury courses run by the Council's advisers
- Attendance at CIPFA treasury management training events
- Attendance at the CIPFA Scottish Treasury Management Forum and information exchanged via the Treasury Management Forum network
- On the job training in line with the approved Treasury Management Practices (TMPs).

1.6 Treasury Management Consultants

The Council uses Capita Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that it does not rely solely upon information and advice from its external service providers.

It also recognises however that there is value in employing external providers of treasury management services in order to gain access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

1.7 The Treasury Management Strategy covers the treasury management activities for the Council (including any subsidiary organisations), the cash managed by the Council on behalf of the Scottish Borders Council Pension Fund, the Common Good and Trust Funds.

2 Background

2.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

2.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

2.3 The Prudential and Treasury Indicators (summarised in **Annex A**) consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. These Indicators have been developed in line with both the Prudential and Treasury Codes. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992. The Treasury Management Strategy therefore forms an integral part of the Council's overall Financial Strategy covering both its revenue and capital budgets.

2.4 CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

3 The Capital Prudential Indicators 2016/17 – 2021/22

The Council's Financial Strategy sets out financial resource and management parameters within which it will deliver its Corporate Vision and Priorities. The Financial Strategy brings together various elements of financial policy and strategy, including the Treasury Management Strategy, and establishes the financial planning framework for the Council in terms of Revenue Expenditure and Capital Investment. The output from this framework is the Council's Financial Plan, approved annually in February, presenting the financial proposals for delivering its services and objectives.

The Financial Strategy establishes that the Financial Principles underpinning the planning for the Council's future service delivery are to:

(i) Raise the funds required by the Council to meet approved service levels in the most effective manner;
(ii) Manage the effective deployment of those funds in line with the Council's corporate objectives and priorities; and
(iii) Provide stability in resource planning and service delivery as expressed through Corporate and Business Plans and the Revenue and Capital Financial Plan.

In order to adhere to these Principles, the Financial Strategy states that the Council will adopt Financial Objectives to:

"ensure capital borrowing is within prudential borrowing limits and sustainable in the longer term. In this regard it is important to recognise the capital investment decisions taken now have long term borrowing implications and these have the potential to place a significant burden on future tax payers".

The draft revenue budget sets loans charges associated with capital borrowing over the next 5 years at £20.0m per annum.

The Council's Capital Financial Plan is the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

3.1 Capital Expenditure (Prudential Indicator PI-1)

a) This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this planning cycle. The Capital expenditure forecasts for the next five years are detailed below and include budget figures from the Capital Financial Plan for 2017/18 – 2026/27 as well as projected timing adjustments between years.

Capital Expenditure (PI-1)	**Estimate**					
£m	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Place	22.9	22.6	15.7	24.4	27.3	19.7
People	24.3	15.2	7.2	8.3	9.4	12.9
Chief Executive	9.4	6.1	8.1	4.5	1.2	1.3
Other & Emergency & Unplanned	2.7	2.3	3.4	2.6	2.3	2.3
Planned Phasing Adjustments	0.0	(4.0)	2.1	1.9	0.0	0.0
Total	**59.3**	**42.2**	**36.5**	**41.7**	**40.2**	**36.1**

3.2 Other Relevant Expenditure

a) The Council anticipates to have additional expenditure which, for the purposes of the Treasury and Prudential Indicators, will be treated as capital expenditure. This expenditure relates to initiatives where the Council has applied, or is planning to apply, for a Consent to Borrow from the Scottish Government. The key area not included in paragraph 3.1 are borrowing to lend in respect of an affordable house building programme in partnership with the Scottish Futures Trust (Bridge Homes LLP) The estimated amounts are as follows:

Other Relevant Expenditure £m	Estimate					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Bridge Homes LLP (Affordable house building programme)	2.3	2.0	2.0	-	-	-

3.3 Capital Financing Assumptions

a) The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a financing need.

Capital Expenditure £m	Estimate					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Capital Expenditure – per plan	59.3	38.8	36.5	41.7	40.2	36.1
Previous year movements	-	3.4	-	-	-	-
Other Relevant Expenditure	2.3	2.0	2.0	-	-	-
Total Expenditure	**61.6**	**44.2**	**38.5**	**41.7**	**40.2**	**36.1**
Financed by:						
Capital receipts	1.3	1.9	2.3	1.8	0.3	-
CFCR	0.3	0.3	0.3	-	-	-
Developer Contributions	0.2	1.4	0.7	0.7	0.1	0.1
Govt. General Capital Grants	11.3	14.5	15.4	15.4	14.0	14.0
Govt. Specific Capital Grants	11.4	3.1	2.1	10.1	15.8	13.0
Other Grants & Contributions	2.7	0.9	3.2	2.0	1.5	-
Replacement Funds	2.5	2.0	2.0	2.4	2.0	2.2
Net financing need for the year	**31.9**	**20.1**	**12.5**	**9.3**	**6.5**	**6.8**

3.4 The Council's Borrowing Need (the Capital Financing Requirement – Prudential Indicator PI-2)

a) The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure identified above, which has not immediately been paid for (e.g. via grants), will increase the CFR. The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made which reflect the useful life of capital assets financed by borrowing. From 1 April 2016, authorities may choose whether to use scheduled debt amortisation, (loans charges), or another suitable method of calculation in order to repay borrowing.

b) The CFR includes any other long term liabilities (e.g. PPP schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £52.9 of liabilities relating to such schemes within the 2016/17 long term liabilities figure. This increases by £21.3m in 2017/18 relating to funding arrangements for the construction of a new High School in Kelso.

c) The Council is asked to approve the CFR projections below:

Capital Financing Requirement (PI-2) £m	Actual	Estimate					
	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Total CFR (PI-2) *	**262.5**	**284.0**	**293.1**	**293.6**	**291.2**	**286.0**	**280.8**
Movement in CFR represented by:							
Net financing need for the year (above)		31.9	20.1	12.5	9.3	6.5	6.8
Less scheduled debt amortisation and other financing movements		(10.4)	(11.0)	(12.0)	(11.7)	(11.7)	(12.0)
Movement in CFR		**21.5**	**9.1**	**0.5**	**(2.4)**	**(5.2)**	**(5.2)**

* *The CFR for this calculation includes capital expenditure to 31 March of each financial year.*

The increase between 2016/17 and 2017/18 driven by the shift in the net financing need for the year as detailed in the table in section 3.3 a). The main driver for the increase is an increased Capital Programme with significant additions in 2017/18. Additionally borrowing requirements associated with the re-phasing of projects from 2016/17 into 2017/18 and future years have impacted on the total CFR.

4 Treasury Management Strategy

The capital expenditure plans set out in Section 3 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional Codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

4.1 Current Portfolio Position

a) The Council's treasury portfolio position at 31 March 2016, with forward projections, is summarised below. The table shows the actual external debt, (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

as at 31 March £m	Estimate				
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Borrowing	187.6	192.4	198.7	202.3	202.3
Other Long Term Liabilities	52.9	72.9	70.7	68.4	65.9
Total Gross Borrowing (Prudential Indicator PI-5)	**240.5**	**265.4**	**269.4**	**270.7**	**268.2**
CFR – the borrowing need *	**293.6**	**291.2**	**286.0**	**280.8**	**282.2**
(Under) / Over Borrowing (Prudential Indicator PI-6)	**(53.1)**	**(25.8)**	**(16.6)**	**(10.1)**	**(14.0)**

** The CFR for this calculation includes the current and two future years projected capital expenditure see 4.1b)*

b) Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these (PI-6) is that the Council needs to ensure that its gross debt figure (shown above) does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and following two financial years. This allows some flexibility for limited borrowing for future years, but ensures that borrowing in advance of need is not undertaken for revenue purposes.

c) The Council has complied with this prudential indicator in the current year and no difficulties are currently envisaged for the long term future. This view takes into account current commitments, existing plans, and the proposals in the Financial Plans for 2017/18.

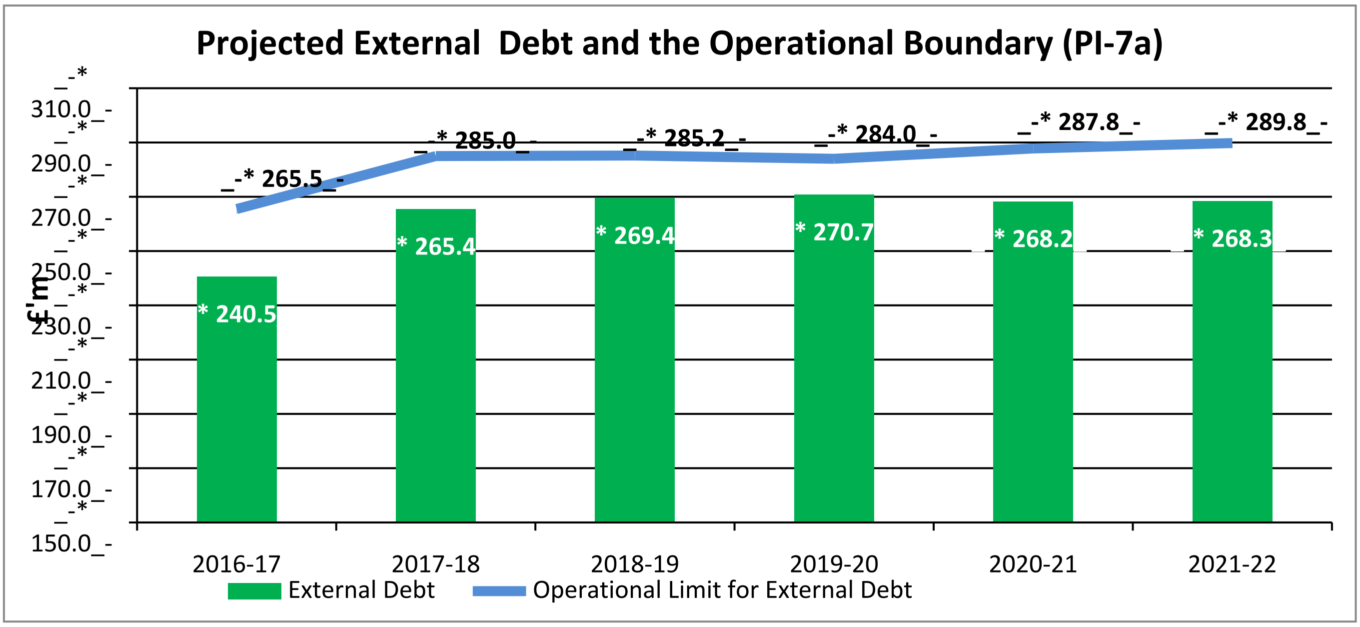
4.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary (Prudential Indicator PI-7)

a) This is the limit which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £m	Estimate					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total Operational Boundary (PI-7a)	**265.5**	**285.0**	**285.2**	**284.0**	**287.8**	**289.8**
Less: Other long term liabilities	(52.9)	(72.9)	(70.7)	(68.4)	(65.9)	(63.4)
Operational Boundary exc. Other Long Term Liabilities (PI-7b)	**212.6**	**212.1**	**214.5**	**215.6**	**221.9**	**226.4**

b) The following chart shows how the current and projected Operational Borrowing limit compare with the anticipated levels of actual debt.



The Authorised Limit for External Debt (Prudential Indicator PI-8)

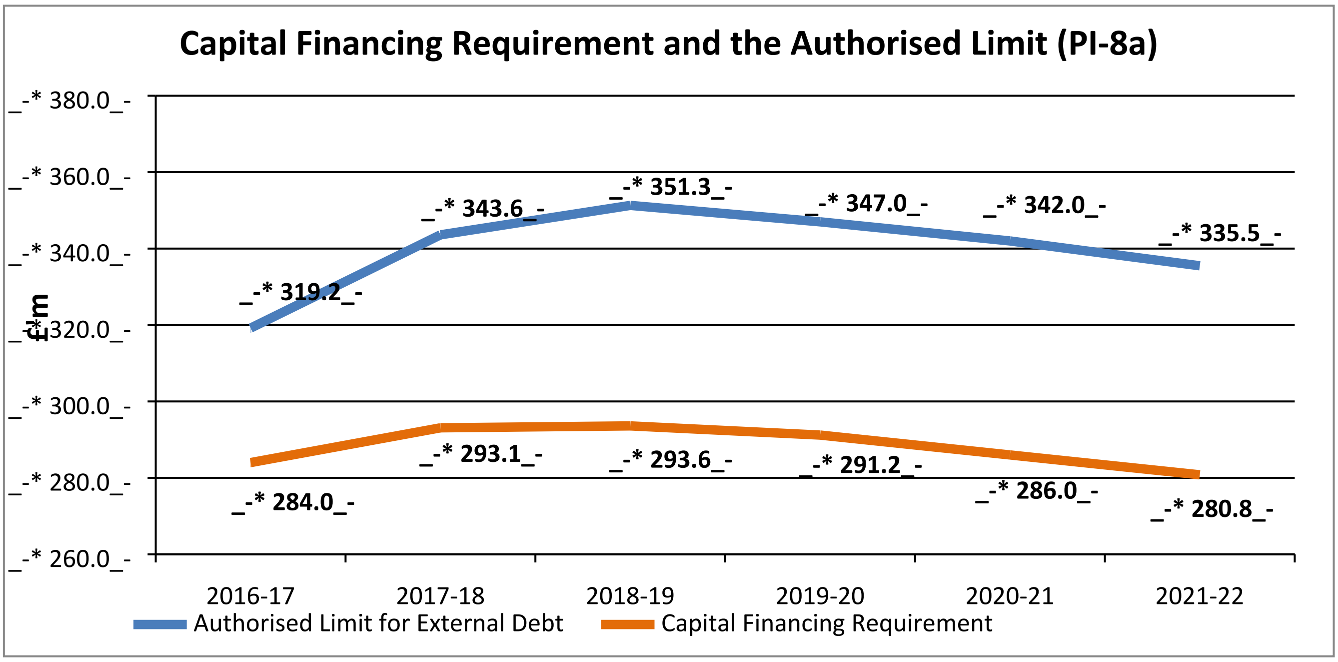
c) A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

d) This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35(1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

e) The Council is asked to approve the following authorised limit:

Authorised Limit £m	Estimate					
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Total Authorised Limit (PI-8a)	**319.2**	**343.6**	**351.3**	**347.0**	**342.0**	**335.5**
Less: Other long term liabilities	(52.9)	(72.9)	(70.7)	(68.4)	(65.9)	(63.4)
Authorised Limit exc. Other Long-Term Liabilities (PI-8b)	**266.3**	**270.7**	**280.6**	**278.6**	**276.1**	**272.1**

f) The chart on the below shows how the current and projected Capital Financing Requirement compares the Authorised Limit for External Debt



4.3 Prospects for Interest Rates

a) The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table and commentary below gives the central view of Capita Asset Services.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

b) The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

c) Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

d) The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

e) PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

f) The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

g) Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
    - Italian constitutional referendum 4.12.16;
    - Spain has a minority with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
    - Dutch general election 15.3.17;
    - French presidential election April/May 2017;
    - French National Assembly election June 2017;
    - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats.
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

h) The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include:

- UK inflation rising to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.

- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

i) Investment returns are likely to remain relatively low during 2017/18 and beyond;

- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt.
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost. Cost of carry being the difference between borrowing costs and investment returns.

j) **Annex C** contains a more comprehensive Economic Background narrative from Capita Asset Services.

4.4 Borrowing Strategy

a) The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement, CFR), has not been fully funded by external loan debt as the cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue to be considered.

b) Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

c) Any decisions will be reported to Members at the next available opportunity.

4.5 Policy on borrowing in advance of need

a) Borrowing in advance is defined as any borrowing undertaken by the local authority which will result in the total external debt of the local authority exceeding the capital financing requirement (CFR) of the local authority for the following twelve month period. This twelve month period is on a rolling twelve month basis.

b) The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

c) Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

d) The Chief Financial Officer has the authority to borrow in advance of need under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. The Chief Financial Officer will adopt a cautious approach to any such borrowing and a business case to support the decision making process must consider:

- the benefits of borrowing in advance,
- the risks created by additional levels of borrowing and investment, and
- how far in advance it is reasonable to borrow considering the risks identified

e) Any such advance borrowing should be reported through the mid-year or annual Treasury Management reporting mechanism.

4.6 Debt Rescheduling

a) As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

b) The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings
- helping to fulfil the treasury strategy
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

c) Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

d) All rescheduling will be reported to the **Executive** at the earliest meeting following its action.

4.7 Treasury Management Earmarked Balance

a) The Council identified, in conjunction with its advisors, that the increasing expectation of interest rate increases in the medium term exposed the Council to financing risk and that it was appropriate to identify approaches to manage this risk.

b) The Council approved the establishment of a Treasury Management Earmarked Balance (the Balance) within the General Fund Reserve for the purposes of managing its costs of treasury and financing activities and the associated financing risk.

c) The Balance creates an appropriate tactical mechanism to make financial provision in the current low interest rate environment to support the Council as interest rates increase and the financing need crystallises. This Balance will provide resource to smooth out potentially higher costs in the future, by having resources which can be used to mitigate costs i n the Council's revenue budget. [the wording of the report on the earmarked balance is quite specific it is carefully worded to ensure this balance can be used flexibly if needs be to support the "finances of the council- it is not therefore just about interest rates although this is the primary purpose

d) The Balance will be funded through the identification of opportunities to earmark funds due to short term savings on the Loans Charges revenue budget resulting from the current prudent approach to capital financing.

5 Investment Strategy

5.1 Investment Objectives and Policy

a) The Council's investment policy has regard to the Scottish Government's Investment (Scotland) Regulations (and accompanying Finance Circular) and the 2011 revised CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectorial Guidance Notes ("the CIPFA TM Code").

b) The Council's primary investment objectives are as follows, in order of importance:

- (i) The safeguarding or **security** of the re-payment of principal and interest of investments on a timely basis; and
- (ii) The **liquidity** of its investments
- (iii) The **returns on investments** that can be realised

The Council will therefore aim to achieve the optimum return on its investments corresponding with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments.

c) In accordance with the above guidance from the Scottish Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short and Long term ratings. The intention of the approach is to provide security of investment and minimisation of risk.

d) The borrowing of monies purely to invest or on-lend, without relevant Scottish Government consent, is unlawful and this Council will not engage in such activity.

e) The Council will ensure its investments have sufficient liquidity. For this purpose it will set out procedures for determining the maximum periods over which funds may prudently be committed.

5.2 Council Permitted Investments

a) The Local Government Investments (Scotland) Regulations 2010 require the Council to give approval for all the types of investments to be used and set appropriate limits for the amount that can be held in each investment type. These types of investments are termed **Permitted Investments** and any investments used which have not been approved as a permitted investment will be considered ultra vires.

b) The permitted investment instruments which may be used by the Council (and its subsidiary organisations) in the forthcoming year are detailed in **Annex D**, and include the following:

Cash type instruments

- Deposits with the Debt Management Account Facility (DMADF) (UK Government)
- Deposits with other local authorities or public bodies
- Money Market Funds
- Call account deposit accounts with financial institutions (banks and building societies) meeting the Creditworthiness Policy
- Term deposits with financial institutions (banks and building societies) meeting the Creditworthiness Policy
- UK Government Gilts and Treasury Bills

Other investments

- Investment properties
- Loans to third parties, including soft loans
- National Housing Trust (NHT)
- Investments in and loans to local authority companies/partnerships
- Pooled Investment Vehicles
- Investment in the subordinated debt of projects delivered via the 'HubCo' model

c) Details of the risks, mitigating controls and limits associated with each of these permitted categories are shown in **Annex D.**

d) Common Good and Pension Fund permitted investments are also shown at **Annex D** and, where applicable, the same counterparty selection criteria as for the Council will be applied foe SBCares

e) The Treasury Management Strategy only applies to the funds managed in-house for the Pension Fund, as the externally invested funds are covered by the Pension Fund's Statement of Investment Principles and other associated policy documents.

5.3 Creditworthiness Policy

a) This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties (**Annex E**) are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

b) This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands*:*

Creditworthiness Colour Banding	Maximum Investment Duration
Yellow	5 years
Dark pink	5 years for Enhanced Money Market Funds (EMMFs) with a credit score of 1.25
Light pink	5 years EMMFs with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi-nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	not to be used (ie don't invest)

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

d) The creditworthiness service provided by Capita uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

e) Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

f) All credit ratings will be monitored on a real time basis. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Capita Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

g) Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

5.4 Country and Sector Considerations

a) Due care will be taken to consider the country and sector exposure of the Council's investments.

Country Limits

b) If the institution is non-UK, then the country in which it is domiciled must have a minimum Sovereign long term rating of AAA. (USA currently AA+).

c) No more than **10%** will be placed with any non-UK country at any time.

Institutional Sector Limits

d) These institutions must either be UK Local Authorities or UK Incorporated Institutions, UK Banks and Building Societies incorporated in the European Economic Area entitled to accept deposits through a branch in the UK. The Council may also use the UK Government including in the form of gilts and the Debt Management Account Deposit Facility (DMADF).

e) Limits will be applied to the overall amount lent out to any one sector at any one time in order to limit sector specific exposure risk, as follows:

UK Building Societies	**£25 m**
Banks	**£35 m**
UK Local Authorities	**£40 m**
UK Government Debt Management Office	**£unlimited**
UK Gilts and Treasury Bills	**£20 m**
Institutions covered by Government Guarantee	**£10 m**
Part Nationalised Banks	**£35 m**
Money Market Funds (AAA)	**£20 m**

These limits will be monitored regularly for appropriateness.

Group Limits

g) Limits will be applied to the overall amount lent out to institutions within the same group at any one time in order to limit group specific exposure risk, as follows, and subject to the parent company appearing on Capita Asset Services' creditworthiness list:

Group of Banks	**£10m**

Council's Own Banker

h) The Council's own banker (Bank of Scotland – part of Lloyds) will be maintained on the Council's counterparty list in situations where rating changes may mean this is below the above criteria. This is to allow the Council to continue to operate normal current account banking facilities and overnight and short-term investment facilities. However, in the event that the rating does change below the criteria, officers will review the situation carefully and identify any appropriate action required to manage the risk that this change creates for the Council.

5.5 Individual Institution Monetary Limits

a) The monetary limits for institutions on the Council's Counterparty List are as follows:

	Money Limit
UK Building Societies	£5m
Banks	£5m
UK Local Authorities (i)	£40m
UK Government Debt Management Office	Unlimited
UK Gilts & Treasury Bills	£20m
Government Guaranteed Institutions	£2m
AAA rated Money Market Funds	£5m
Council's Own Banker (ii)	£5m

(i) No individual limit will be applied on lending to a UK local authority, other than it must not exceed the relevant sector limit of £40m.

(ii) Further to Sections 5.4 and 5.5, in the event that the rating of the Council's own banker falls below the criteria, the time limit on money deposited with the bank will be reduced to an overnight basis.

b) As mentioned earlier, the treasury function manages the funds of the Council, any subsidiary organisations, the Pension Fund and the Common Good and Trust Funds. When applying the limits set out in the table above, these limits will apply to the cumulative investment with an institution from the Council, the Pension Fund and the Common Good Funds and Trust Funds.

5.6 Types of Investments

a) For institutions on the approved counterparty list, investments will be restricted to safer instruments (such as deposits). Currently this involves the use of money market funds, the DMADF and institutions with higher credit ratings than the minimum permissible rating outlined in the investment strategy, as well as the Council's own bank.

b) Where appropriate, investments will be made through approved brokers. The current list of approved brokers comprises:

- ICAP Securities Limited
- Sterling International Brokers Limited
- Tradition (UK) Limited

5.7 Investment Strategy and bank rate projections

In-house funds

a) Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations

b) Bank Rate is forecast to stay flat at 0.25% until quarter 2, 2019 and not to rise above 0.75% by quarter 1, 2020. Bank rate forecasts for financial year-ends (March) are:

2016/2017	0.25%
2017/2018	0.25%
2018/2019	0.25%
2019/2020	0.50%

c) The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

Investment Treasury Indicator and Limit (Treasury Indicator TI-5)
Total Principal Funds Invested for greater than 364 days

d) These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The treasury indicator and limit proposed is:

Maximum principal sums invested > 364 days (TI-5)					
£m	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Principal sums invested > 364 days	20%	20%	20%	20%	20%

e) For positive cash balances and in order to maintain liquidity, the Council will seek to use overnight investment accounts, short term (< 1 month) notice accounts, money market funds and short-dated deposits (overnight to three months).

5.8 Investment Risk Benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks are that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or annual report.

a) Security

The Council's **maximum** security risk benchmark for the current portfolio, when compared to historic default tables, is:

0.04% historic risk of default when compared to the whole portfolio.

b) Liquidity

In respect of this area the Council seeks to maintain:

- Bank Overdraft: £250,000
- Liquid short term deposits of at least £3,000,000 available with a week's notice.

- Weighted Average Life (WAL) benchmark is **expected to be 0.5 years** (equivalent to a weighted average life of 6 months), with a **maximum of 1.0 year.** WAL represents the average length of time that each £ of principal investment remains invested.

c) Yield

Local measures of yield benchmarks are:

Investments – **Internal returns above the 7 day LIBID rate**

d) At the end of the financial year, the Chief Financial Officer will report on its investment activity as part of the annual treasury report.

6 Performance Indicators

6.1 The CIPFA Code 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.

6.2 Debt Performance Indicators

(i) Average "Pool Rate" charged by the Loans Fund compared to Scottish Local Authority average Pool Rate.

Target is to be at or below the Scottish Average for 2016/17.

(ii) Average borrowing rate movement year on year

Target is to maintain or reduce the average borrowing rate for the Council versus 2015/16.

6.3 **Investment Risk Benchmark Indicators** for Security, Liquidity and Yield, as set out in paragraph 5.9.

6.4 Loan Charges

a) Loan Charges for 2017/18 are expected to be at or below the Revenue Budget estimate contained in the Council's Financial Plans to be approved in February 2017, which are estimated as follows:

£m	2017/18	2018/19	2019/20	2020/21	2021/22
Interest on Borrowing	11.0	10.5	10.7	11.0	10.6
Investment income	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capital Repayments	9.1	9.6	9.4	9.1	9.5
Total Loan Charges *	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**

**The Loan Charges exclude the capital element of PPP repayments.*

b) The above budget excludes the revenue impact of funding the cost of the NHT and the lending to RSLs and lending in respect of the Council-led house building programme with the Scottish Futures Trust, as these are assumed to be revenue neutral overall.

6.5 The indicators, based on actual performance for the year, will be included in the Treasury Management Annual Report for 2017/18.

7 Monitoring and Reporting

7.1 In line with the CIPFA Code the following formal reporting arrangements will be adopted:

Requirement	Purpose	Decision making body	Frequency
Treasury Management Policy Statement	Reviews and Revisions	Executive	As required
Treasury Management & Investment Strategy	Reporting of Annual Strategy	Council	Annually prior to start of new financial year
Treasury Management Strategy and / or Treasury Investment Strategy	Updates and revisions	Council	As appropriate
Treasury Management Mid-Year Report	Mid-Year Performance Report	Council	Annually in October/November of the current year
Treasury Management Annual Report	Annual Performance report for previous financial year	Council	Annually following the revenue outturn report to Executive
Treasury Management Monitoring Reports	Including Revenue Budget Monitoring	Executive	Revenue reported as part of the regular monitoring reports, otherwise as and when appropriate
Treasury Management Practices		Executive	As appropriate
Scrutiny of Treasury Management & Investment Strategy	Detailed scrutiny prior to annual approval by Council	Audit & Risk Committee	Annually
Scrutiny of Treasury Management Performance		Audit & Risk Committee	As appropriate

ANNEXES

ANNEX A
SUMMARY OF PRUDENTIAL AND TREASURY INDICATORS

Indicator Ref.	Indicator	Page Ref.	2017/18	2018/19	2019/20	2020/21	2021/22
PRUDENTIAL INDICATORS							
Capital Expenditure Indicator							
PI-1	Capital Expenditure Limits (£m)	5	42.2	36.5	41.7	40.2	36.1
PI-2	Capital Financing Requirement (CFR) (£m)	7	293.1	293.6	291.2	286.0	280.8
External Debt Indicators							
PI-5	Actual Debt (£m)	8	265.4	269.4	270.7	268.2	268.3
PI-7a	Operational Boundary (inc. Other Long Term Liabilities) (£m)	9	285.0	285.2	284.0	287.8	289.8
PI-7b	Operational Boundary (exc. Other Long Term Liabilities) (£m)	9	212.1	214.5	215.6	221.9	226.4
PI-8a	Authorised Limit (inc. Other Long Term Liabilities) (£m)	10	343.6	351.3	347.0	342.0	335.5
PI-8b	Authorised Limit (exc. Other Long Term Liabilities) (£m)	10	270.6	280.6	278.6	276.1	272.1
Indicators of Prudence							
PI-6	(Under)/Over Gross Borrowing against the CFR (£m)	9	(25.8)	(16.6)	(10.1)	(14.0)	(10.6)
TREASURY INDICATORS							
TI-1	Upper Limit to Fixed Interest Rates based on Net Debt (£m)	14	285.0	285.2	284.0	287.8	289.8
TI-2	Upper Limit to Variable Interest Rates based on Net Debt (£m)	14	99.8	99.8	99.4	100.7	101.4
TI-3	Maturity Structure of Fixed Interest Rate Borrowing 2012/13	14	**Lower**		**Upper**		
	Under 12 months		0%		20%		
	12 months to 2 years		0%		20%		
	2 years to 5 years		0%		20%		
	5 years to 10 years		0%		20%		
	10 years and above		20%		100%		
TI-4	Maximum Principal Sum invested greater than 364 days	21	20%	20%	20%	20%	20%
Affordability Indicator							
PI-3	Ratio of Financing Costs to Net Revenue (inc. PPP repayment costs)	26	9.1%	9.6%	9.7%	9.4%	9.5%
PI-4	Incremental (Saving)/Cost Impact of Capital Investment Decisions on Council Tax	26	(£0.02)	(£0.01)	(£0.01)	(£0.01)	(£0.01)

Further prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The updated indicators are as follows:

Ratio of financing costs to net revenue stream (Prudential Indicator PI-3)

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs, net of investment income) against the net revenue stream.

%	Actual	Estimate				
	15/16	16/17	17/18	18/19	19/20	20/21
Ratio of Financing Costs to Net Revenue Stream (PI-3) *(inc. PPP repayment costs)*	8.8	8.5	9.1	9.6	9.7	9.4

The estimates of financing costs include current commitments and the proposals in the Financial Plans for 2016/17. The movements in the above ratio from 2017/18 onwards reflect a reduction in overall financial resources available to the Council.

Incremental impact of capital investment decisions on council tax (Prudential Indicator PI-4)

This indicator identifies the revenue costs associated the operational three year capital programme detailed in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period

£	Estimate				
	2017/18	2018/19	2019/20	2020/21	2021/22
Incremental (Saving)/Cost Impact of Capital Investment Decisions on the Band D Council Tax (PI-4)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)

Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs / improve performance. The indicators are:

(i) Upper limits on fixed interest rate exposure (Treasury Indicator TI-1)

This identifies a maximum limit for borrowing exposure to fixed interest rates, based on the debt position net of investments.

(ii) Upper limits on variable interest rate exposure (Treasury Indicator TI-2)

This identifies a maximum limit for borrowing exposure to variable interest rates based upon the debt position net of investments.

(iii) Maturity structure of borrowing (Treasury Indicator TI-3)

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

(iv) The following table highlights the proposed treasury indicators and limits:

£m	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Interest rate exposures					
	Upper	**Upper**	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt (TI-1)	265.5	285.0	285.2	284.0	287.8
Limits on variable interest rates based on net debt (TI-2)	92.9	99.8	99.8	99.4	100.7
Maturity Structure of fixed interest rate borrowing 2015/16 (TI-3)					
		Lower		**Upper**	
Under 12 months		0%		20%	
12 months to 2 years		0%		20%	
2 years to 5 years		0%		20%	
5 years to 10 years		0%		20%	
10 years and above		20%		100%	

ANNEX B: INTEREST RATE FORECASTS 2017-20

Capita Asset Services Interest Rate View													
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.80%	1.90%	1.95%	2.05%	2.20%	2.30%	2.40%	2.60%	2.80%	3.20%	3.30%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%
Capital Economics	2.30%	2.35%	2.45%	2.50%	2.55%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.60%	3.70%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%
Capital Economics	2.90%	3.00%	3.05%	3.10%	3.15%	3.25%	3.30%	3.35%	3.45%	3.55%	3.75%	4.15%	4.35%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%
Capital Economics	2.80%	2.85%	2.95%	3.00%	3.05%	3.10%	3.15%	3.20%	3.30%	3.50%	3.70%	4.10%	4.20%

Please note – The current PWLB rates and forecasts shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Source: Capita Asset Services, December 2016

ANNEX C
Economic Background

UK. GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015. In addition, the GfK consumer confidence index has recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of 3.2% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, (16% down against the US dollar and 11% down against the Euro); this will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure for October surprised by under shooting forecasts at 0.9%. However, producer output prices rose at 2.1% and core inflation was up at 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and have hit a peak on the way up again of 1.46% on 14 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment has been growing steadily during 2016, despite initial expectations that the referendum would cause a fall in employment. However, the latest employment data in November, (for October), showed a distinct slowdown in the rate of employment growth and an increase in the rate of growth of the unemployment claimant count. **House prices** have been rising during 2016 at a modest pace but the pace of increase has been slowing since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, the first estimate for quarter 3 at 2.9% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December 2016. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** have risen sharply in the week since his election. Time will tell if this is a temporary over reaction, or a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

The election does not appear likely to have much impact on the Fed. in terms of holding back further on increasing **the Fed. Rate.** Accordingly, the next rate rise is still widely expected to occur in December 2016, followed by sharper increases thereafter, which may also cause Treasury yields to rise further. If the Trump package of policies is fully implemented, there is likely to be a significant increase in inflationary pressures which could, in turn, mean that the pace of further Fed. Rate increases will be quicker and stronger than had been previously expected.

In the first week since the US election, there has been a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which is likely to be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ. In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.6% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this has also become a confidence vote on Prime Minister Renzi who originally said he would resign if there is a 'no' vote, but has since back tracked on that in the light of adverse poll predictions. A rejection of these proposals would stop progress to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. They are also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is unclear what the political, and other, repercussions could be if there is a 'No' vote.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in Japan is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that $340bn of emerging market corporate debt will fall due for repayment in the remaining two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

Annex D

Credit and Counterparty Risk Management

Permitted Investments, Associated Controls and Limits for Scottish Borders Council, Common Good and Trust Funds and In-house Managed Pension Fund

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good & Trust Fund Limits	Pension Fund In-House Limits
Cash type instruments					
a. Deposits with the Debt Management Account Facility (UK Government) **(Very low risk)**	This is a deposit with the UK Government and, as such, counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment, the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and, as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non-local authority deposits will follow the approved credit rating criteria.	£40m, maximum 1 year.	£5m, maximum 1 year.	£40m, maximum 1 year.
c. Money Market Funds (MMFs) **(Very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a "AAA" rated status from either Fitch, Moody's or Standard & Poors.	£5m per fund/£20m overall	£5m per fund/£20m overall	£5m per fund/£20m overall

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good & Trust Fund Limits	Pension Fund In-House Limits
d. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available colour band / credit rating to provide additional risk control measures. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
e. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good & Trust Fund Limits	Pension Fund In-House Limits
f. UK Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and, as such, counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£20m, maximum 1 year.	£5m, maximum 1 year	£20m, maximum 1 year.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good & Trust Fund Limits	Pension Fund In-House Limits
Other types of investments					
g. Investment properties **(Medium Risk)**	These are non-service properties which are being held pending disposal or for a longer-term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios, some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be revalued regularly and reported annually with gross and net rental streams.	£30m	£25m	N/A
h. Loans to third parties, including soft loans **(Low to Medium Risk depending on Credit Risk)**	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£25m	£1m	N/A
i. National Housing Trust **(Very Low Risk due to Scottish Government Underwriting)**	These are loans to a Special Purpose Vehicle to allow it to purchase new homes under the NHT umbrella. These loans represent either 65% or 70% of the purchase price, the remainder being funded by the developer. The loan is redeemed after a 5 to 10 year period when the properties are sold.	Loan redemption arises when the homes are sold. Interest payments are made to the Council by the SPV from rental payments in the intervening period. Both the loan amount and associated interest payments are underwritten by Scottish Government.	£8m	N/A	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good & Trust Fund Limits	Pension Fund In-House Limits
j. Loans to a local authority company or partnership **(Low Risk)**	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid	Each loan to a local authority company/LLP requires Member approval and each application is supported by the service rational/business case behind the loan and the likelihood of partial or full default. In general these loans will involve some form of security or clear cashflow that is available to service the debt.	**£25M**	N/A	N/A
k. Shareholdings in a local authority company / Corporate membership of local authority partnerships	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company/partnership requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	**£1m**	N/A	N/A
l. Pooled Investment Vehicles **(Low to Medium Risk)**	These use an investment vehicle, for long term capital growth and income returns. These are liquid assets in the sense that there is a realizable market value, however there is a high risk of volatility in the short and medium term in relation to market values and dividend income streams.	The Common Good and Trust Funds Investment Strategy sets out the risk/return criteria and the asset allocation for these investments. It also sets out the mechanisms for monitoring and managing the performance of the funds. Using a Multi Asset fund to increase the diversification to manage the volatility risk of specific asset classes.	£0	All balances nominated by the Common Good & Trust Fund Working Groups as approved by Council up to a maximum of £7.5m.	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good & Trust Fund Limits	Pension Fund In-House Limits
m. Investment in the Subordinated Debt of projects delivered via the 'HubCo' model **(Very Low Risk)**	These are investments that are exposed to the success or failure of individual projects and are highly illiquid.	The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project's term. These projects are based on robust business cases with a cashflow from public sector organisations (i.e. low credit risk)	£250,000	N/A	N/A

The Monitoring of Investment Counterparties

The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Capita Asset Services, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers

It is the Council's policy to use external fund managers to manage the investment portfolios of the Scottish Borders Council Pension Fund and the pooled investment fund of the Common Good and Trust Funds. This Annex reflects the approved policies around the Common Good and Trust Fund Investment Strategy but specifically excludes, as allowed by regulations, the work undertaken by External Fund Managers in relation to the Scottish Borders Council Pension Fund.

ANNEX E

Credit Ratings

Long and Short Term Credit Ratings

Audit Commission Grading#	**Fitch**		**Moody's**		**Standard and Poor's**	
	Long Term	**Short Term**	**Long Term**	**Short Term**	**Long Term**	**Short Term**
Extremely strong grade	AAA	F1+	Aaa	P-1	AAA	A-1+
Very strong grade	AA+ AA AA-	F1+ F1+ F1+	Aa1 Aa2 Aa3	P-1 P-1 P-1	AA+ AA AA-	A-1+ A-1+ A-1+
Strong grade But susceptible to adverse conditions	A+ A A-	F1+ / F1 F1 F1	A1 A2 A3	P-1 P-1 / P-2 P-1 / P-2	A+ A A	A-1+ / A-1 A-1 A-1 / A-2
Adequate Grade	BBB+ BBB BBB-	F2 F2 / F3 F3	Baa1 Baa2 Baa3	P-2 P-2 / P-3 P-3	BBB+ BBB BBB-	A-2 A-2 / A-3 A-2
Speculative Grade	BB+ BB BB-	B B B	Ba1 Ba2 Ba3	NP * NP NP	BB+ BB BB-	B-1 B-2 B-3
Very Speculative Grade	B+ B B-	B B B	Ba1 Ba2 Ba3	NP NP NP	B+ B B-	- - -
Vulnerable Grade	CCC CCC CCC CC C	C C C C C	Caa1 Caa2 Caa3 - Ca	NP NP NP NP NP	CCC+ CCC CCC- CC C	C C C C C
Defaulting Grade	D	D	C	NP	D	D

for the purpose of standardisation based on Standard and Poor's credit rating definitions.
* NP – Not Prime

Source: Audit Commission adaptation of information from Fitch, Moody's and Standard & Poor's

Viability, Financial Strength and Support Ratings

Continuing regulatory changes in the banking sector designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key rating agency information used to monitor counterparties will be the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes

As a result of these rating agency changes, the credit element of creditworthiness methodology applied by Capita Asset Services will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that has always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, Credit Default Swap prices will continue to be used as an overlay to ratings in our new methodology.

Annex F

Benchmarking and Monitoring Security, Liquidity and Yield

The consideration and approval of security and liquidity benchmarks are also part of Member reporting. These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons, in the annual treasury report.

Yield
These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments – **Internal returns above the 7 day LIBID rate**

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. Benchmarks for the cash type investments are below. In the other investment categories, appropriate benchmarks will be used where available.

Liquidity
This is defined as an organisation "having adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). In respect of liquidity, the Council seeks to maintain:

- Bank overdraft - £250,000
- Liquid short term deposits of at least £3,000,000 available with a week's notice.

The availability of liquidity in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect, the proposed benchmark to be used is:

- **WAL benchmark is expected to be 0.5 years, with a maximum of 1.00 years**.

Security of the investments
In the context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of the Creditworthiness service provided by Capita Asset Services. Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy.

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- **0.04% historic risk of default when compared to the whole portfolio.**

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Annual Treasury Management Report. As this data is collated, trends and analysis will be collected and reported.

GLOSSARY OF TERMS

CIPFA	Chartered Institute of Public Finance and Accountancy
CIPFA Code	Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
CFR	Capital Financing Requirement is the estimated the level of borrowing or financing needed to fund capital expenditure.
Consent to Borrow	Para 1 (1) of Schedule 3 of the Local Government (Scotland) Act 1975 (the 1975 Act) effectively restricts local authorities to borrowing only for capital expenditure. Under the legislation Scottish Ministers may provide consent for local authorities to borrow for expenditure not covered by this paragraph, where they are satisfied that the expenditure should be met by borrowing.
Gilts	A gilt is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock Exchange. The term “gilt” or “gilt-edged security” is a reference to the primary characteristic of gilts as an investment: their security. This is a reflection of the fact that the British Government has never failed to make interest or principal payments on gilts as they fall due.
LIBID	London Interbank Bid Rate The rate at which banks bid on Eurocurrency Deposits, being the rate at which a bank is willing to borrow from other banks.
MPC	Monetary Policy Committee
NHT	National Housing Trust initiative undertaken in partnership with the Scottish Futures Trust.
Other Long Term Liabilities	Balance sheet items such as Public Private Partnership (PPP), and leasing arrangements which already include borrowing instruments.
PPP	Public-Private Partnership.
Prudential Indicators	The Prudential Code sets out a basket of indicators (the Prudential Indicators) that must be prepared and used in order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code.
QE	Quantitative Easing
Treasury Indicators	These consist of a number of Treasury Management Indicators that local authorities are expected to ‘have regard’ to, to demonstrate compliance with the Treasury Management Code of Practice.

You can get this document on tape, in Braille, large print and various computer formats by contacting the address below.

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FINANCIAL PLAN FROM 2017/18 EQUALITY IMPACT ASSESSMENTS

Report By Chief Financial Officer

SCOTTISH BORDERS COUNCIL

9 February 2017

1 PURPOSE AND SUMMARY

1.1 **This report seeks to provide assurance to members that any potential equality impacts of the proposals brought forward within the Council's Financial Plan from 2017/18 have been identified and will be managed accordingly.**

1.2 An equality impact assessment (EIA) is a tool that helps public authorities make sure their policies and the ways they carry out their functions, do what they are intended to do for everybody in a fair manner. EIAs therefore help the Council to fulfil legal obligations, ensure it meets its core business needs and identifies any ethical considerations which require to be managed. In doing so ensuring no equality group is inadvertently discriminated against and that equality and inclusion are promoted consistently.

1.3 From the 27th May 2012, the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 requires that all changes to Council policy are Impact Assessed for relevance to each part of the Public Sector General Duty under the Act. Carrying out and considering the findings of an EIA therefore provides evidence there has been "due regard" to equality impact as part of the decision-making process. Initial Equality Impact Assessments on 64 2017/18 Financial Plan proposals have been undertaken as an integral part of the revenue and capital budget planning processes in order to fully inform decision making by officers and members.

1.4 Initial Equality Impact Assessments have been undertaken in respect of the 27 key component revenue Financial Plan savings proposals and 37 Capital Plan proposals. Of these total proposals 45 have been held to have some relevance to the Council's duties under the Equality Act 2010. They potentially may impact in a positive or negative way on 1 or more equality groups and any potential negative impact would require ongoing management through their implementation stage, in terms of mitigating and alleviating these impacts. Any positive impacts identified at this stage should be maximised during the planning and implementation stage of the proposals.

2 RECOMMENDATIONS

2.1 It is recommended that Council

- **notes the summary outcomes of the 64 Initial Equality Impact assessments undertaken in respect of the 2017/18 Financial Plan proposals;**
- **agrees to undertake further and ongoing Equality Impact work in respect of the 45 proposals where it has been identified that they have a relevance to the Council's duty under the Equality Act 2010, with specific reference to the equality groups on whom there may be possible negative impact;**
- **agrees that where there is an identified relevance to the Council's statutory duty and there is a possible positive impact on one or more equality characteristic group, actions to maximise this impact are identified and implemented as part of the project planning and delivery of each proposal or project;**
- **agrees that where there is an identified relevance to the Council's statutory duty and where there is a possible negative impact on one or more equality characteristic group, actions to mitigate and alleviate this impact are identified and implemented as part of the project planning and delivery of each proposal or project.**

3 OVERVIEW OF EQUALITY IMPACT ASSESSMENT PROCESS

3.1 An Equality Impact Assessment (EIA) is a tool to help the Council make sure its policies, services and functions are fit for purpose by meeting the needs of its community, service users and staff. Carrying out an EIA involves systematically assessing the potential (or actual) effects of policies on people in respect of what are known in the Equality Act 2010 as protected characteristics. These are:

- Age,
- Disability
- Gender
- Marital status
- Pregnancy and Maternity
- Race groups,
- People with religious or other beliefs,
- Sexual orientation,
- Carers,
- Poverty, and
- Employees

3.2 In addition the Council also undertakes a rural proofing assessment as part of any Policy change decision.

3.3 If the EIA shows there is discrimination against a protected group, then the proposal should go no further until the discrimination has been alleviated, mitigated or justified; alternatively if there is a negative but non-discriminatory impact on such a group, efforts should be made to minimise any detrimental impact and to maximise any beneficial impact.

3.4 On reporting equalities impacts to Council it is not enough to state that an EIA has been carried out. The Council must be made aware of what the equalities impacts are and how these can be addressed, and must use these findings within their decision making processes. Copies of each of the Initial EIA Assessments have been made available in the Members' Library.

4 INITIAL IMPACT ASSESSMENT FOR BUDGET PROPOSALS

4.1 As an integral part of the 2017/18 Financial Planning process initial impact analyses on all proposals brought forward to members have been undertaken in order to inform the Corporate Management Team and Members' planning and decision-making. This ensures that any potential equalities impact formed part of the evaluation criteria when considering budget proposals alongside financial benefit, potential impact on performance and outcomes, deliverability and the views of stakeholders through the budget process.

4.2 For each Financial Planning proposal a relevant officer within each department undertook an initial evaluation of equality impact, considering the following factors:

- Whether the proposal has any relevance to the duties of the Council under the Equality Act 2010 (*in terms of eliminating discrimination,* *victimisation and harassment, promoting equal opportunities and fostering good relations)*;

- Which groups of people may be positively or negatively impacted should the proposal be adopted;
- Where a possible negative impact is identified, what this impact, in summary terms may be and how it may be mitigated against.

4.3 In terms of relevance to the duties of the Council under the Equality Act 2010, the initial assessment has indicated that 45 of the 64 assessments have relevance to one or more of the groups of people who may be positively or negatively impacted should the proposal be adopted. The outcomes of these assessments are summarised in Appendix 1.

5 NEXT STEPS

5.1 Based on the outcomes from the Initial Impact Assessment for Budget Proposals (summarised in Appendix 1 to this report and made available in detail per proposal for Councillors as hard copy in the Members' Library), the proposals that have been identified as having relevance to the Council's equality duties, with particular focus on the proposals in which a potential negative impact was identified will, in line with the EIA process, continue to be assessed and managed through evidence gathering and mitigation and alleviation.

5.2 If at any point when undertaking further Equality Impact Assessments evidence suggests there may be discrimination against a protected characteristic group, then the proposal will go no further until the discrimination has been alleviated, mitigated or justified. Alternatively if there is a negative but non-discriminatory impact on such a group, efforts will be made to minimise any detrimental impact and to maximise any beneficial impact.

6 IMPLICATIONS

6.1 **Financial**

There are no additional financial implications associated with this report, its content referring specifically to the Equality Impacts of the Council's Financial Plan proposals.

6.2 **Risk and Mitigations**

(a) Rigorously following the Council's agreed process for Equality Impact Assessment should ensure that any potential impact, positive or negative, of any proposal, on any equality group, is identified in a timely manner.

(b) Where a potential negative equality impact is identified, a clear plan for mitigation, alleviation and/or justification will be put in place in order to address this impact. Where any impact prevails, this will be reported back to members to inform ongoing decision-making over the delivery of the Financial Plan required savings.

6.3 **Equalities**

There are no direct adverse equality implications arising from this report. Any potential equality impacts of any Financial Plan proposal will be identified by the application of the Council's EIA process, which has already commenced through the completion of Initial Impact Assessments. Any issues regarding Council staff will be addressed through Trades Unions and Staff Consultation processes.

6.4 **Acting Sustainably**

There are no economic, social or environmental effects arising directly from this report.

6.5 **Carbon Management**

There are no effects on carbon emissions.

6.6 **Rural Proofing**

There are no implications that would compromise the Council's rural proofing policy.

6.7 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes required to either the Scheme of Administration or the Scheme of Delegation.

7 CONSULTATION

7.1 The Monitoring and Reporting Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their comments have been incorporated into the report.

Approved by

David Robertson **Signature ....**
Chief Financial Officer

Author

Name	Designation and Contact Number
Suzy Douglas	Financial Services Manager 01835 824000 x5881

Background Papers: Copies of each of the 64 Initial EIA Assessments have been made available in the Members' Library.

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Finance can also give information on other language translations as well as providing additional copies.

Contact us at: Suzy Douglas, Financial Services Manager, Scottish Borders Council, Council Headquarters, Newtown St Boswells, and Melrose, TD6 0SA.
Telephone – 01835 825000 X5881. Fax – 01835 824000. e-mail – sdouglas@scotborders.gov.uk

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Equality Impact Assessment Summary
Financial Plan 2017/18 - 2021/22

		Is the project relevant to the duties of the Council under the Equality Act 2010			Which groups of people may be impacted (both positively and negatively) if the proposal is adopted?										
	Ref	**Elimination of discrimination victimisation and harassment**	**Promotion of equality of opportunity**	**Foster good relations**	**Age**	**Disability**	**Gender**	**Marital Status**	**Pregnancy and Maternity**	**Race Groups**	**People with Religious or other Beliefs**	**Sexual Orientation**	**Carers**	**Poverty**	**Employees**
Revenue Savings															
Management review of professional and support services	MB1	Y	Y	Y	Pos / Neg	Pos / Neg	Pos / Neg	None	None	None	None	None	None	Negative	Pos / Neg
Changes to working practices	MB2	Y	Y	Y	Pos / Neg	None	positive	None	None	None	None	None	None	None	Pos / Neg
Delivery of Inclusion for all	MB3	Y	Y	Y	Pos / Neg	Pos / Neg	None	None	None	None	None	None	Pos / Neg	None	Negative
Learning Delivery review	MB4	Y	Y	Y	Negative	None	None	None	None	None	None	None	None	None	Negative
Reduction in teacher numbers	MB5	Y	Y	Y	None	None	None	None	None	None	None	None	None	None	Negative
Review of current services and staffing models - Adults	MB6	N	N	Y	Negative	Negative	None	None	None	None	None	None	None	None	Negative
Cleaning Services	MB7	N	N	N	None	None	None	None	None	None	None	None	None	None	Negative
Review Children & Young Peoples Service	MB8	Y	Y	Y	None	None	None	None	None	None	None	None	None	None	Negative
Alternative models of service delivery	WP1	Y	Y	Y	Pos	Pos	Pos	Pos	Pos	Pos	Pos	Pos	Pos	Pos	Negative
Commissioned Services	WP2	Y	Y	Y	Pos / Neg	Pos / Neg	None	None	None	None	None	None	Pos / Neg	None	Pos / Neg
Efficiencies in Culture & Sport funding	WP3	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Asset Management	LB1	Y	Y	Y	Negative	Negative	None	None	None	None	None	None	Pos / Neg	None	Pos / Neg
Waste Management Plan	LB2	Y	Y	Y	Negative	Negative	None	None	None	Negative	None	None	Negative	Negative	Pos / Neg
New delivery model for Public Toilet provision	LB3	Y	Y	Y	Pos / Neg	Pos / Neg	Negative	None	Negative	Negative	None	None	Pos / Neg	Pos / Neg	Pos / Neg
Bus Subsidies	LB4	N	N	N	Negative	Negative	None	None	None	None	None	None	None	Negative	Negative
School Estate Review	LB5	Y	Y	Y	None	None	None	None	None	None	None	None	None	None	Negative
ICT investment in new technologies	BP1	N	N	N	Positive	None	None	None	None	Positive	None	None	Positive	Positive	Pos / Neg
Commercial opportunities and Procurement	BP2	N	N	n/a	None	None	None	None	None	None	None	None	None	None	None
Reduction in Loans Charges	BP3	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Out of Area Placement savings through redesign of ICS service	BP4	Y	Y	Y	None	None	None	None	None	None	None	None	None	None	None
Review of Older People service to reflect demand	BP5	Y	Y	Y	Negative	Negative	None	None	None	None	None	None	Negative	None	None
Review of Street Lighting provision (SLEEP project)	BP6	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Increase the utilisation of technology in Adult Services	BP7	Y	Y	Y	Positive	Positive	None	None	None	None	None	None	Positive	None	None
Corporate Transformation	BP8	N	N	Y	None	None	None	None	None	None	None	None	None	None	Pos / Neg
Review of Care Packages - Adults	BP9	Y	Y	Y	Negative	Negative	None	None	None	None	None	None	Negative	None	None
Maximising Income	MR1	Y	Y	Y	None	None	None	None	None	None	None	None	None	None	None
2nd Homes Council Tax	MR2	Not required per Scottish Government Assessment													
Waste Fees & Charges	MR3	Y	Y	Y	None	None	None	None	None	None	None	None	None	Negative	None

		Is the project relevant to the duties of the Council under the Equality Act 2010			Which groups of people may be impacted (both positively and negatively) if the proposal is adopted?										
	Ref	**Elimination of discrimination victimisation and harassment**	**Promotion of equality of opportunity**	**Foster good relations**	**Age**	**Disability**	**Gender**	**Marital Status**	**Pregnancy and Maternity**	**Race Groups**	**People with Religious or other Beliefs**	**Sexual Orientation**	**Carers**	**Poverty**	**Employees**
Capital Investment															
PLACE															
Road and Bridge Infrastructure															
Galashiels Developments - GIRR 5	C1	N	Y	Y	Positive	Positive	None	None	None	None	None	None	None	None	None
Galashiels Developments -GIRR 1-3 claims	C2	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Street Lighting Energy Efficiency Project	C3	N	N	N	None	None	None	None	None	None	None	None	None	None	None
A72 Dirtpot Corner - Road Safety Works	C4	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Selkirk Town Centre (Streetscape works)	C5	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Innerleithen - Walkerburn - shared access route	C6	Y	Y	Y	Positive	Positive	None	None	None	None	None	None	None	Positive	Positive
Union Chain Bridge	C7	N	Y	Y	Positive	Positive	None	None	None	None	None	None	None	Positive	None
Reston Station Contribution	C8	Y	Y	Y	Positive	Positive	None	None	None	None	None	None	Positive	Positive	Positive
Peebles Bridge	C9	Y	Y	Y	Positive	None	None	None	None	None	None	None	None	Positive	Positive
Flood and Coastal Protection															
Selkirk Flood Protection	C10	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Hawick Flood Protection	C11	N	Y	Y	Positive	Positive	None	None	None	None	None	None	None	Positive	None
Waste Management															
Easter Langlee Cell Provision	C12	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Waste Containers	C13	Y	Y	Y	None	None	None	None	None	None	None	None	None	Positive	Positive
Easter Langlee Leachate Management Facility	C14	N	N	N	None	None	None	None	None	None	None	None	None	None	None
CRC - Bulky Waste Adjustments	C15	N	N	Y	Positive	Positive	None	None	None	None	None	None	None	None	Positive
New Easter Langlee Waste Transfer Station	C16	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Land and Property Infrastructure															
Wilton Lodge Park	C17	N	Y	Y	Positive	Positive	None	None	None	None	None	None	None	Positive	None
Public Conveniences	C18	Y	Y	Y	Pos / Neg	Pos / Neg	Negative	Negative	Pos / Neg	None	None	None	Pos / Neg	Pos / Neg	Pos / Neg
Energy Efficiency Works	C19	N	N	N	None	None	None	None	None	None	None	None	None	None	None

		Is the project relevant to the duties of the Council under the Equality Act 2010			Which groups of people may be impacted (both positively and negatively) if the proposal is adopted?										
	Ref	Elimination of discrimination victimisation and harassment	Promotion of equality of opportunity	Foster good relations	Age	Disability	Gender	Marital Status	Pregnancy and Maternity	Race Groups	People with Religious or other Beliefs	Sexual Orientation	Carers	Poverty	Employees
PEOPLE															
School Estate															
Duns Primary School	C20	Y	Y	Y	Positive	Positive	Positive	None	None	None	None	None	Positive	None	Positive
Kelso High School	C21	Y	Y	Y	Positive	Positive	Positive	None	Positive	Positive	Positive	Positive	Positive	Positive	Positive
School Estate Review	C22	Y	Y	Y	Positive	Positive	Positive	None	Positive	Positive	Positive	Positive	Positive	Positive	Positive
Langlee Primary School	C23	Y	Y	Y	Positive	Positive	Positive	None	Positive	Positive	Positive	Positive	Positive	Positive	Positive
Broomlands Primary School	C24	Y	Y	Y	Positive	Positive	Positive	None	Positive	Positive	Positive	Positive	Positive	Positive	Positive
Complex Needs - Central Education Base	C25	Y	Y	Y	None	Positive	None	None	None	None	None	None	Positive	None	Positive
Culture and Heritage															
Jim Clark Museum	C26	N	N	Y	Positive	Positive	Positive	None	None	None	None	None	None	None	None
Sir Walter Scott Court House - Phase 2	C27	Y	Y	Y	Positive	Positive	Positive	None	None	None	None	None	None	None	None
Sir Walter Scott Court House - Phase 1	C28	N	N	N	None	None	None	None	None	None	None	None	None	None	None
CHIEF EXECUTIVE															
Pitches Programme															
Hawick 3G Synthetic Pitch	C29	Y	Y	Y	Positive	Positive	Positive	None	None	None	None	None	None	None	None
Jedburgh 3G Synthetic Pitch	C30	Y	Y	Y	Positive	Positive	Positive	None	None	None	None	None	None	None	None
Economic Regeneration															
Central Borders Business Park - Phase 1	C31	Y	Y	Y	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive	None	Positive	None
Newtown St Boswells Village Centre	C32	N	N	Y	Positive	Positive	None	None	None	None	None	None	None	None	None
Chief Executive Other															
IT Projects - pre CGI Contract	C33	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Great Tapestry of Scotland - Building	C34	N	Y	Y	Positive	Positive	None	None	None	None	None	None	None	Positive	None
Private Sector Housing Grant - Adaptations	C35	Y	Y	Y	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive
Waste Collection vehicles - Non P&V Fund	C36	N	N	N	None	None	None	None	None	None	None	None	None	None	None
Plant & Vehicle Replacement - P&V Fund	C37	N	N	N	None	None	None	None	None	None	None	None	None	None	None

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Scottish Borders Council

Administration's Draft Financial Plans

9 February 2017

Scottish Borders COUNCIL

Draft Revenue Financial Plan 2017/18 - 2021/22

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 - 2021/22
Summary of Budget Movement

	2017/18 £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	Total £'000
Base Budget (approved 11 February 2016)	**263,203**	**264,758**	**263,457**	**260,901**	**264,263**	**1,316,582**
Manpower adjustments	1,714	2,825	2,216	2,613	2,188	11,556
Permanent virement	640	0	0	0	0	640
Non-pay and department specific inflation	1,487	1,562	1,278	1,779	1,100	7,206
Cost of continuing and demographic pressures	1,914	0	0	0	0	1,914
Service Specific priorities & National policy changes	5,275	3,066	(1,042)	372	27	7,698
Total Pressures	**11,030**	**7,453**	**2,452**	**4,764**	**3,315**	**29,014**
<u>Transformation Themes</u>						
Making best use of our People	(2,787)	(2,835)	(900)	0	0	(6,522)
Working with our Partners	(2,443)	(778)	(509)	25	0	(3,705)
Looking after The Borders	(1,302)	(1,593)	(1,353)	(103)	0	(4,351)
Business Process Transformation	(2,333)	(3,128)	(2,025)	(1,225)	(1,195)	(9,906)
Maximising Resources	(610)	(420)	(221)	(99)	(99)	(1,449)
Total Savings	**(9,475)**	**(8,754)**	**(5,008)**	**(1,402)**	**(1,294)**	**(25,933)**
	264,758	**263,457**	**260,901**	**264,263**	**266,284**	**1,319,663**
Funding	**264,758**	**263,457**	**260,901**	**264,263**	**266,284**	**1,319,663**
Budget Gap (incremental)	**0**	**0**	**0**	**0**	**0**	**0**
Budget Gap (cumulative)	**0**	**0**	**0**	**0**	**0**	

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 - 2021/22
Revenue Resources

	2017/18 (Provisional) £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	Total £'000
Aggregate External Finance						
General Revenue Support	162,611	162,611	162,611	162,611	162,611	813,055
Ring fenced grants	2,955	2,955	2,955	2,955	2,955	14,775
Health & Social Care Partnership	7,188	7,188	7,188	7,188	7,188	35,940
Non-domestic Rates	31,938	31,938	31,938	31,938	31,938	159,690
	204,692	**204,692**	**204,692**	**204,692**	**204,692**	**1,023,460**
Draw down and repay Reserves	**1,515**	**(677)**	**(677)**	**0**	**0**	**161**
Earmarked balance	**1,349**	**15**	**(3,612)**	**(2,006)**	**15**	**(4,239)**
Council Tax (Band D £1,116.52 - increase of 3% plus increase as a result of changes to the multiplier)	**55,011**	**57,236**	**58,307**	**59,386**	**59,386**	**289,326**
Council Tax Reform net Income (Multiplier on Bands E-H)	**2,191**	**2,191**	**2,191**	**2,191**	**2,191**	**10,955**
Total	**264,758**	**263,457**	**260,901**	**264,263**	**266,284**	**1,319,663**

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 - 2021/22
Departmental Summary

	2017/18 £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	Total £'000
Chief Executive's	23,473	23,581	23,677	24,025	24,413	119,169
People	125,336	125,058	125,167	127,064	128,699	631,324
Social Care & Health Integration Partnership	52,857	52,972	52,874	53,560	53,996	266,259
Place	35,946	36,072	36,539	37,684	38,434	184,675
Other	27,146	25,774	22,644	21,930	20,742	118,236
	264,758	**263,457**	**260,901**	**264,263**	**266,284**	**1,319,663**

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 - 2021/22
Pressures Summary

The Financial Planning process provides additional budget to cover inflation and cost pressures outwith the control of departments as follows.

Manpower Adjustments	2017/18 £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	Total £'000
	1,714	2,825	2,216	2,613	2,188	11,556
Description of Proposal	A key cost increase within the Council is manpower, these budget increases cover the nationally agreed pay awards in each financial year and entitlement to increments (annually for teachers and biennially for SJC staff). Pay awards are currently assumed at 1% for 2017/18 and assumed as 1.5% in each subsequent year.					

Non-pay & Department Specific Inflation	2017/18 £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	Total £'000
	1,487	1,562	1,278	1,779	1,100	7,206
Description of Proposal	Non-pay inflation and Service Specific inflation covers corporate inflationary pressures in energy costs, Insurance, Licenses, inflation of specific contracts and specific costs and materials essential to the operation of Council Services for example Landfill Tax, contract inflation, food inflation and the inflationary impact to the 3 High School PPP Contract.					

Cost of continuing and demographic pressures	2017/18 £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	Total £'000
	1,914	0	0	0	0	1,914
Description of Proposal	Inflation required to provide for the increased cost of continuing current services and demographic pressures to support increasing numbers of older people and an increased number of adults with learning and / or physical disabilities.					

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 - 2021/22
Pressures Summary

Service Specific Priorities & National Policy changes	2017/18 £'000	2018/19 (Provisional) £'000	2019/20 (Provisional) £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	Total £'000
	5,275	3,066	(1,042)	372	27	7,698
Description of Proposal	Service specific priorities reflect unavoidable pressures within Services such as revenue consequences of capital projects such as new schools and pitches and other unavoidable cost increases including the impact of the ICT Contract across the contract life. National policy changes are provided for such as Apprenticeship Levy, Attainment Scotland Fund, Criminal Justice and Rates Revaluations.					

Total Pressures	10,390	7,453	2,452	4,764	3,315	28,374

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 - 2021/22
Pressures Detail

Budget Pressure	Service Area	Category	2016/17 Base £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total	Notes & basis of calculation
Pay Inflation and On-costs	Corporate	Manpower		1,288	1,784	1,642	1,639	1,985	8,338	1% pay award year 1, 1.5% years 2-5
Increments	Corporate	Manpower		426	1,041	574	974	203	3,218	Reflects biennial agreement for non-teaching Staff increments.
Total Manpower Pressures				**1,714**	**2,825**	**2,216**	**2,613**	**2,188**	**11,556**	
Insurance	Corporate	Non Pay Inflation	1,309	23	23	24	24	24	118	Estimated inflationary increases
Utilities	Corporate	Non Pay Inflation	3,348	208	196	206	214	214	1,038	Estimated inflationary increases
Rates	Corporate	Non Pay Inflation	6,196	101	102	103	105	105	516	Estimated inflationary increases
Licences	Corporate	Non Pay Inflation	2,862	59	60	61	62	62	304	Estimated inflationary increases
Property Maintenance fund	Corporate	Non Pay Inflation	2,176	46	46	47	49	50	238	Estimated inflationary increases
Commercial Rent income	Corporate	Non Pay Inflation	(1,225)	(19)	(20)	(20)	(20)	(20)	(99)	Estimated inflationary increases
Total Corporate Inflation Pressures				**418**	**407**	**421**	**434**	**435**	**2,115**	
Citizens Advice (CAB) inflation	Housing	Departmental inflation		2	2	2	2	2	10	Inflated by CPI
Borders Care and Repair Contract	Housing	Departmental inflation		2	2	2	2	2	10	Inflated by CPI
Live Borders Inflation	Chief Executive	Departmental inflation	6,606	83	0	0	0	0	83	Utility and manpower inflation
IT Contract Inflation (manpower)	Chief Executive	Departmental inflation	5,112	21	0	0	0	0	21	Utility and manpower inflation
Increase in foster care fees & Allowances	Children & Young People	Departmental inflation	1,842	36	37	37	37	0	147	Per agreed increases
Accommodated / Looked after Children	Children & Young People	Departmental inflation	5,101	65	66	66	66	0	263	In line with national trends
Movement in ASN school based staff	Children & Young People	Departmental inflation	6,367	55	55	55	55	0	220	In line with national trends
Children with severe / vcomplex needs	Children & Young People	Departmental inflation	1,905	33	34	34	34	0	135	In line with national trends
Unitary Charge PPP Schools	Children & Young People	Departmental inflation	8,296	169	172	176	181	181	879	As per PPP contract
SB Cares Contract Inflation	Adult Services	Departmental inflation	16,100	238	413	248	420	248	1,567	SB Cares manpower increases
Free Personal & Nursing Care	Adult Services	Departmental inflation	1,127	11	11	11	12	0	45	Agreed inflation applied
COSLA Residential Care Home Contract	Adult Services	Departmental inflation	7,322	73	74	75	75	75	372	Agreed inflation applied
Bus Contracts (renewal)	Planning & Reg. Services	Departmental inflation	2,196	0	139	0	304	0	443	Contracts due for re-tender (10% inflation)
Road Fuel	ALL	Departmental inflation	2,063	21	21	21	22	22	107	Agreed inflation applied
Aggregates and Bitumen	Commercial Services	Departmental inflation	441	0	4	5	5	5	19	Agreed inflation applied
Vehicles & Spare Parts	Commercial Services	Departmental inflation	1,267	0	13	13	13	13	52	Agreed inflation applied
Winter Maintenance (Salt)	Neighbourhood services	Departmental inflation	691	0	14	14	15	15	58	Agreed inflation applied
Catering (Food)	Commercial Services	Departmental inflation	1,237	150	28	28	29	29	264	Reduced inflation assumption
Landfill Tax	Neighbourhood services	Departmental inflation	3,352	110	70	70	73	73	396	LandFill tax increase
Total Departmental Inflation Pressures				**1,069**	**1,155**	**857**	**1,345**	**665**	**5,091**	

Budget Pressure	Service Area	Category	2016/17 Base £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total	Notes & basis of calculation
Older People demographic increases	Adult Services	Demographic pressure	20,966	237	343	348	348	348	1,624	Identified pressure funded through partnership
Increased young adults with learning / physical disabilities	Adult Services	Demographic pressure	18,750	250	250	250	250	250	1,250	Identified pressure funded through partnership
Social Care Service Pressures - SCF	Adult Services	Demographic pressure	51,771	1,914	0	0	0	0	1,914	To be allocated as per service requirements
Health & Social Care Integration	Adult Services	Demographic pressure	51,771	(487)	(593)	(598)	(598)	(598)	(2,874)	Committed Partnership budget
Total Demographic Pressures				**1,914**	**0**	**0**	**0**	**0**	**1,914**	
Synthetic Sports Pitches	Chief Executive	Service Priority	0	53	45	0	0	0	98	Revenue consequences of capital spend
Duns Primary School	Children & Young People	Service Priority	1,066	217	0	0	0	0	217	Completion Feb 2017 (£38k in for 16/17)
Langlee Primary School	Children & Young People	Service Priority	843	63	38	0	0	0	101	Completion May 17 (Assume Aug 17 entry)
Broomlands Primary School	Children & Young People	Service Priority	760	40	24	0	0	0	64	Completion Dec 17 (Assume 1/1/18 entry)
Leader Valley School	Children & Young People	Service Priority	0	17	0	0	0	0	17	Completion Feb 17 (Rates / utility costs)
New Kelso High School	Children & Young People	Service Priority	2,839	48	144	0	0	0	192	Completion Nov 17 (Assume 1/1/18 entry)
New Kelso High School	Commercial Services	Service Priority	0	69	206	0	0	0	275	Property maintenance costs
Gala Transport Interchange	Planning & Reg. Services	Service Priority	165	(5)	(5)	(10)	(10)	0	(30)	Revenue pressure from new facility
Electricity - service Pressure	Commercial Services	Service Priority	275	60	0	0	0	0	60	Reversing an over-stated 16/17 saving
Rates	Corporate	Service Priority	99	75	0	0	0	0	75	Rates pressure car parks, vacant property
ER/VS - Redundancy Costs	Corporate	Service Priority	418	0	(351)	0	0	0	(351)	Per 2016/17 financial plan
IT Transformation	Corporate	Service Priority	N/A	692	3,005	(1,082)	332	(23)	2,924	To reflect IT contract in place
Total Service Priority Pressures				**1,329**	**3,106**	**(1,092)**	**322**	**(23)**	**3,642**	
Local Government Election	Democratic Services	National Policy change	0	90	(90)	0	0	0	0	Estimated net cost of local election to SBC
Workforce Development	Children & Young People	National Policy change	147	(147)	0	0	0	0	(147)	End of funding stream
Attainment Scotland Fund	Children & Young People	National Policy change	0	1,830	0	0	0	0	1,830	Fully funded through specific grant
Criminal Justice Social Work	Adult Services	National Policy change	0	1,123	0	0	0	0	1,123	Fully funded through specific grant
Apprenticeship Levy	Corporate	National Policy change	0	600	0	0	0	0	600	Per national policy
Rates Revaluation	Corporate	National Policy change	5,203	350	0	0	0	0	350	Impact from rates revaluation exercise
Employee Benefits	Corporate	National Policy change	N/A	100	0	0	0	0	100	Following Autumn statement
Water Rates Valuation	Corporate	National Policy change	789	0	50	50	50	50	200	Transition plan to be confirmed
Total National Policy change Pressures				**3,946**	**(40)**	**50**	**50**	**50**	**4,056**	
Total Pressures				**10,390**	**7,453**	**2,452**	**4,764**	**3,315**	**28,374**	

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 to 2021/22
Making best use of our People

Management review of professional and support services		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref : MB1	**Corporate**	N/A	(746)	(601)	0	0	0	(1,347)
Description of Proposal	Following changes to service delivery requirements a full review of staffing is underway to explore more integrated and streamlined professional, managerial and administrative support for front line services to ensure the optimum deployment of staff resources across service delivery models. Officers will seek to manage this reduction through natural staff turnover, redeployment, new service developments, and the current ER/VS scheme where possible. This is a development to the proposal previously agreed within the 2016/17 Financial Plan.							

Changes to working practices		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: MB2	**Corporate**	N/A	(650)	(648)	0	0	0	(1,298)
Description of Proposal	Per the 2016/17 Financial Plan, a programme of work is underway to assess how the Council can deploy its workforce in the most efficient and effective ways. Changes in working practices resulting from this review will generate savings in 2017/18 and 2018/19 of the Financial Plan. This will involve more flexible working patterns and the deployment of resources to deliver services in line with service demand.							

Delivery of an Inclusion for All model		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: MB3	**Children & Young People**	2,747	(357)	0	0	0	0	(357)
Description of Proposal	The existing delivery model to support children requiring additional support has been redesigned with the emphasis being on an Inclusion for All model. The service will deliver the full year impact of proposals agreed as part of the 2016/17 Financial Plan (£357k). There are no further staffing implications required to deliver this saving.							

Learning Delivery review		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: MB4	**Children & Young People**	3,853	(724)	(50)	0	0	0	(774)
Description of Proposal	A full review of the learning delivery framework including Education support services, cessation of teachers salary conservation scheme per national agreement, a review of outdoor education including the transfer of the sailing and fishing facility, a review of the school library service to implement a different delivery model and a harmonisation of the devolved school management scheme bringing budget allocations into line with other local authorities.							

Strategic Planning of Teaching staff		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: MB5	**Children & Young People**	56,000	0	(750)	(500)	0	0	(1,250)
Description of Proposal	Teacher numbers will be preserved at 2016/17 levels in 2017/18 - meeting Government targets. In 2017/18 this will be subject to further review with a proposed revision of teacher number allocation within the Devolved School Management Scheme.							

Review of current day services and staffing models - Adults		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: MB6	**Adult Services**	3,489	0	(290)	(400)	0	0	(690)
Description of Proposal	With the successful implementation of Self Directed Support (SDS) fewer people are choosing centre based day services. A review will therefore include options for universal and community-based services.							

Cleaning Services		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: MB7	**Commercial Services**	2,731	(310)	(20)	0	0	0	(330)
Description of Proposal	Review of cleaning service provision to create a modernised service in our properties, including schools; maintaining the frequency of cleaning in hygiene areas (toilets and kitchens).							

Review of Children & Young Peoples Service		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: MB8	**Children & Young People**	N/A	0	(476)	0	0	0	(476)
Description of Proposal	A further review of all aspects of provision within the Children & Young People's Service with a particular focus on the links between universal and targeted services.							

Total Making best use of our People	**(2,787)**	**(2,835)**	**(900)**	**0**	**0**	**(6,522)**

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 to 2021/22
Working with our Partners

Alternative models of service delivery		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: WP1	**Corporate**	N/A	(1,167)	(312)	(152)	25	0	(1,606)
Description of Proposal	Per the 2016/17 Financial Plan, improved efficiency and increased income from enhanced trading opportunities are being delivered through SBCares for the delivery of Care services, together with seeking alternative and more cost effective delivery models for the Roads service within the Council. Reduction to costs following integration of Customer Services, Welfare Benefits and Housing staff and a review of how these services are delivered. This will initially focus on internal restructuring following determination of scale and scope of future service provision. Longer term the Council will explore the options for the future delivery of these services.							

Commissioned Services		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: WP2	**Corporate**	41,344	(750)	0	0	0	0	(750)
Description of Proposal	Targeted efficiencies to be achieved from review and negotiation with providers around current commissioned services arrangements within Children & Young People (£175k), Adult Services (£375k), council wide grants (£200k). This is a development to the proposal previously agreed within the 2016/17 Financial Plan.							

Efficiencies in Culture & Sport funding		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: WP3	**Chief Executive's**	6,606	(526)	(466)	(357)	0	0	(1,349)
Description of Proposal	As a development to the previously agreed 2016/17 Financial Plan, reduced funding would be provided to Culture and Sports Trusts. Realising these savings will require a joint approach from SBC and Live Borders. This proposal is subject to support for ER/VS from the Council and the provision of capital investment to support increased income generation in Halls in the first year.							

Total Working with our Partners	**(2,443)**	**(778)**	**(509)**	**25**	**0**	**(3,705)**

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 to 2021/22
Looking after The Borders

Asset Management		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: LB1	**Commercial Services**	N/A	(261)	(943)	(903)	(103)	0	(2,210)
Description of Proposal	Work is underway to implement a revised asset management strategy that best supports the future delivery of Council services more cost effectively. Includes energy efficiency measures, estate rationalisation, locality planning, taking full account of revised future service delivery models, including the provision of education, increased flexible working and the co location of Council Services and community planning partner services wherever possible. This is a development to the proposal previously agreed within the 2016/17 Financial Plan.							

Waste Management Plan		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: LB2	**Neighbourhoods**	9,347	(200)	0	0	0	0	(200)
Description of Proposal	Continuing development of the Waste Management Plan which may consider areas such as a review of; working patterns, waste facilities including Community Recycling Centres, kerbside collection services, route optimisation, PR and communications, service level agreements, fees and charges including how these services are delivered and waste analysis assessments. This is a development to the proposal previously agreed within the 2016/17 Financial Plan.							

Review of Public Toilet provision		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: LB3	**Neighbourhoods**	323	(141)	(100)	0	0	0	(241)
Description of Proposal	This is a development to the proposal previously agreed within the 2016/17 Financial Plan and introduces a charging model for the provision of some public toilets from 2017/18. In future years a longer term strategy regarding the provision of facilities capable of delivering further improvements to service provision including partnership arrangements will be brought forward.							

Bus Subsidies		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: LB4	**Commercial Services**	1,531	(200)	0	0	0	0	(200)
Description of Proposal	A review of the subsidised bus network to ensure that travellers needs are met through the more efficient use of resources, creative collaboration with communities and the business sector, and the retendering of bus contracts. Full year implementation of proposals to review the subsidised bus network.							

Review of School Estate		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: LB5	**Children & Young People**	72,802	0	(550)	(450)	0	0	(1,000)
Description of Proposal	Review of the School Estate following appropriate consultation, this may involve the closure of some under occupied buildings and substantial investment in the remainder of the Estate.							

Capitalise roads expenditure		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: LB6	**Commercial Services**	6,500	(500)	0	0	0	0	(500)
Description of Proposal	This reflects the revenue saving of capitalising the Roads investment made as part of the 2016/17 Financial Plan. This does not reduce the investment in Roads as £500k budget has been provided within the accompanying Capital Plan.							

Total Looking after the Borders	**(1,302)**	**(1,593)**	**(1,353)**	**(103)**	**0**	**(4,351)**

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 to 2021/22
Business Process Transformation

ICT Investments in new technology leading to reduced running costs and improved efficiency in back-office support services.		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: BP1	**Corporate**	15,022	(1,229)	(1,175)	(975)	(500)	0	(3,879)
Description of Proposal	Per the 2016/17 Financial Plan an ICT investment programme is planned that will realise productivity gains and savings across all areas of Council activity. The provision of better ICT solutions will support business process re-engineering to improve efficiency and productivity across the Council but likely to focus in a number of key functional areas including Financial administration, HR and Procurement.							

Commercial opportunities and Procurement		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: BP2	**Corporate**	N/A	(162)	(143)	(143)	(143)	0	(591)
Description of Proposal	Effective contract management and related procurement activity will aim to generate cashable efficiencies through enhanced information sharing, ensuring best value from supply chain through contract management and supplier relationships and enhancing commercial activities. This will be delivered through the benefits of the new ERP system, compliance measures and appropriate demand management mechanisms. This is a development to the proposal previously agreed within the 2016/17 Financial Plan.							

Reduction in loans charges		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: BP3	**Corporate**	20,485	(300)	0	0	0	0	(300)
Description of Proposal	A reduction in loans charges as a result of the repayment of specific consents to borrow in 2017/18. This proposal was previously agreed within the 2016/17 Financial Plan.							

Out of Area Placement savings		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: BP4	**Children & Young People**	5,637	0	(400)	(400)	0	0	(800)
Description of Proposal	With the delivery of an "Inclusion for All" strategy and the opening of Leader Valley School, savings are expected in our out of area placement cost from 2018/19. This will be delivered by working with young people to access opportunities within the community, and by building capacity within the community, including making better use of the voluntary sector which will lead to a reduced spend. The priority will be to ensure children are educated in the most appropriate setting. This proposal was previously agreed within the 2016/17 Financial Plan.							

Review of Older People service to reflect demand		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: BP5	**Adult Services**		(237)	0	0	0	0	(237)
Description of Proposal	More effective deployment of Social Worker and Care staff to support client needs to deliver a more efficient delivery model to support Older People.							

Review of Street Lighting provision (SLEEP project)		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: BP6	**Commercial Services**	1,517	(245)	(181)	(7)	(7)		(440)
Description of Proposal	The Council maintains 19,000 street lights which previously utilised old Sodium lighting technology. The street lighting energy and maintenance costs of these lights are in excess of £950k p.a. A 5 year capital investment programme is now well advanced to replace the existing Sodium street lighting lanterns with more energy efficient LED lights. To date 6,000 lights have been replaced . These use around 60% less electricity, require less maintenance and will lead to the savings shown in Street Lighting expenditure. The project will also reduce the Council's Carbon Footprint and help to minimise future Carbon tax liabilities. The LED installation rate is running ahead of schedule and the project will be complete 1 year ahead of schedule in 2018/19. This is a development of the previously agreed proposal within the 2016/17 Financial Plan.							

Increased use of technology - Adults Review of care packages - Adults		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: BP7	**Adult Services**	10,139	(50)	(100)	0	0	0	(150)
Description of Proposal	Increased investment in technology through funding from the Integrated Care Fund. Technology, such as medication carousel dispensers can provide increased independence for individuals and result in reduced reliance on homecare.							

Corporate Transformation		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: BP8	**Various**	N/A	0	(1,129)	(500)	(575)	(1,195)	(3,399)
Description of Proposal	Extend the Corporate Transformation programme in future years to target further operational efficiencies through new ways of working, better service alignment, partnership working and use of new technology.							

Review of care packages - Adults		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: BP9	**Adult Services**	29,946	(110)		0	0	0	(110)
Description of Proposal	A review of current care packages in both Older People and Adults with Learning Disabilities to generate savings of £110k. Achieved through assessing and reviewing packages of care to best meets the needs of the individual, including the use of community resources and Self Directed Support (SDS).							

Total Business Process Transformation	**(2,333)**	**(3,128)**	**(2,025)**	**(1,225)**	**(1,195)**	**(9,906)**

Scottish Borders Council
Draft Revenue Financial Plan 2017/18 to 2021/22
Maximising Resources

Maximising Income		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: MR1	**Corporate**	N/A	(451)	(315)	(221)	(99)	(99)	(1,185)
Description of Proposal	Following on from the Council's Fees & Charges policy which was approved by Executive in November 2012, all fees and charges have been reviewed to ensure that they comply with this policy and fully recover all the costs incurred, where appropriate, in delivering each service while remaining fair, equitable and consistently applied. Fees and charges have been increased by a minimum of 3% in 2017/18 unless there is a service reason not to do so and were approved by Council on 22nd December 2016. The resulting increased income comes from areas including Rental Properties, Planning Fee Income, Fleet Management Income, School lets, Music Tuition, Bordercare Inflation and the generation of advertising revenue from SBConnect.							

2nd Homes Council Tax		**Base Budget 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Ref: MR2	**Other**	855	(114)	0	0	0	0	(114)
Description of Proposal	Policy change to increase Council Tax charge for second homes from 90% to 100% following a change in legislation. A full report to 22 December 2016 Council meeting was approved.							

Trade Waste Fees & Charges		Base Budget 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ref: MR3	**Neighbourhood Services**	1,188	(45)	(105)	0	0	0	(150)
Description of Proposal	Continuing development of the Waste Management Plan can deliver £150k increase in Fees & charges. This proposal follows an exercise to benchmark fees & charges with other comparable local authorities. Current charges are below market rate and this proposal will increase them over a 2 year period and see increased working with business Gateway and Economic Development to support local Business in reducing their waste.							

Total Maximising Resources	**(610)**	**(420)**	**(221)**	**(99)**	**(99)**	**(1,449)**

Draft Capital Financial Plan
2017/18 - 2026/27

Scottish Borders Council
Capital Plan 2017/18 - 2026/27

CAPITAL INVESTMENT PROPOSALS	OPERATIONAL PLAN			Total Operational Plan	STRATEGIC PLAN							Grand Total	Specific Project Funding	Net Cost to SBC Capital
	2017/18 £'000	2018/19 £'000	2019/20 £'000	£'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	£'000	£'000	£'000
PLACE DEPARTMENT														
Road & Transport Infrastructure	8,756	9,639	8,392	**26,787**	8,069	8,081	17,291	14,892	6,836	7,611	7,657	**97,224**	*(5,666)*	**91,558**
Flood and Costal Protection	1,956	2,459	12,498	**16,913**	16,253	8,653	550	550	550	550	550	**44,569**	*(34,819)*	**9,750**
Waste Management	5,674	580	425	**6,679**	90	50	50	51	53	53	54	**7,080**	*(5,139)*	**1,941**
Land and Property Infrastructure	3,928	2,981	3,092	**10,001**	2,867	2,868	2,909	2,910	2,912	2,913	2,913	**30,293**	*(393)*	**29,900**
Total Place Department	**20,314**	**15,659**	**24,407**	**60,380**	**27,279**	**19,652**	**20,800**	**18,403**	**10,351**	**11,127**	**11,174**	**179,166**	***(46,017)***	**133,149**
PEOPLE DEPARTMENT														
School Estate	12,439	6,159	6,671	**25,269**	7,070	12,100	12,680	6,510	7,890	3,090	3,090	**77,699**	*(25,616)*	**52,083**
Social Care Infrastructure	50	201	253	**504**	254	255	116	92	59	61	62	**1,403**	*0*	**1,403**
Sports Infrastructure	384	290	654	**1,328**	290	443	648	659	670	2,082	763	**6,883**	*(3,323)*	**3,560**
Culture and Heritage	1,312	536	760	**2,608**	1,798	99	0	0	0	0	0	**4,505**	(2,890)	**1,615**
Total People Department	**14,185**	**7,186**	**8,338**	**29,709**	**9,412**	**12,897**	**13,444**	**7,261**	**8,619**	**5,233**	**3,915**	**90,490**	***(31,829)***	**58,661**
CHIEF EXECUTIVE DEPARTMENT														
Pitches Programme	137	1,168	19	**1,324**	0	0	0	0	0	0	0	**1,324**	*(300)*	**1,024**
Economic Regeneration	3,100	3,402	633	**7,135**	120	184	184	220	156	100	100	**8,199**	*(1,000)*	**7,199**
Chief Executive Other	2,729	3,540	3,828	**10,097**	1,076	1,079	948	1,031	886	841	1,056	**17,014**	*(3,200)*	**13,814**
Total Chief Executive Department	**5,966**	**8,110**	**4,480**	**18,556**	**1,196**	**1,263**	**1,132**	**1,251**	**1,042**	**941**	**1,156**	**26,537**	***(4,500)***	**22,037**
Waste Collection vehicles - Non P&V Fund	0	1,100	300	**1,400**	0	0	0	300	300	0	0	**2,000**	*(1,200)*	**800**
Plant & Vehicle Replacement - P&V Fund	2,000	2,000	2,000	**6,000**	2,000	2,000	2,000	2,000	2,000	2,000	2,000	**20,000**	*(20,000)*	**0**
Emergency/Unplanned Schemes	300	300	300	**900**	300	300	300	300	300	300	300	**3,000**	*0*	**3,000**
Planned Programming Adjustments	(3,993)	2,100	1,893	**0**								**0**	*0*	**0**
TOTAL CAPITAL INVESTMENT PLAN	**38,772**	**36,455**	**41,718**	**116,945**	**40,187**	**36,112**	**37,676**	**29,515**	**22,612**	**19,601**	**18,545**	**321,193**	***(103,546)***	**217,647**

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CAPITAL INVESTMENT PROPOSALS	OPERATIONAL PLAN 2017/18 £'000	OPERATIONAL PLAN 2018/19 £'000	OPERATIONAL PLAN 2019/20 £'000	Total Operational Plan £'000	STRATEGIC PLAN 2020/21 £'000	STRATEGIC PLAN 2021/22 £'000	STRATEGIC PLAN 2022/23 £'000	STRATEGIC PLAN 2023/24 £'000	STRATEGIC PLAN 2024/25 £'000	STRATEGIC PLAN 2025/26 £'000	STRATEGIC PLAN 2026/27 £'000	Grand Total £'000	Specific Project Funding £'000	Net Cost to SBC Capital £'000
PLACE DEPARTMENT														
Road & Transport Infrastructure														
Galashiels Developments - GIRR 5	340	5		**345**								**345**		**345**
Galashiels Developments -GIRR 1-3 claims	150	100	200	**450**								**450**		**450**
Roads & Bridges- Including Ramp and Winter Damage/Slopes	5,060	5,360	6,610	**17,030**	7,410	7,410	6,910	6,410	6,342	7,114	7,160	**65,786**		**65,786**
Lighting Asset Management Plan	200	250	300	**750**	200	200	200	200	200	200	200	**2,150**		**2,150**
Street Lighting Energy Efficiency Project	2,100			**2,100**								**2,100**		**2,100**
Accident Investigation Prevention Schemes Block	50	50	50	**150**	50	50	50	50	50	50	50	**500**		**500**
Cycling, Walking & Safer Streets	156	198	207	**561**	199	211	221	232	244	247	247	**2,162**	*(2,162)*	
A72 Dirtpot Corner - Road Safety Works	200	1,916		**2,116**								**2,116**		**2,116**
Selkirk Town Centre (Streetscape works)	400			**400**								**400**	*(100)*	**300**
Innerleithen - Walkerburn - shared access route	61	265		**326**								**326**	*(150)*	**176**
Union Chain Bridge	25	450		**475**								**475**		**475**
Reston Station Contribution		1,045	1,025	**2,070**								**2,070**	*(1,240)*	**830**
Engineering Minor Works	14			**14**								**14**	*(14)*	
Peebles Bridge					210	210	9,910	8,000				**18,330**	*(2,000)*	**16,330**
	8,756	**9,639**	**8,392**	**26,787**	**8,069**	**8,081**	**17,291**	**14,892**	**6,836**	**7,611**	**7,657**	**97,224**	***(5,666)***	**91,558**
Flood and Coastal Protection														
Selkirk Flood Protection	485			**485**								**485**	*(388)*	**97**
Hawick Flood Protection	945	1,945	11,948	**14,838**	15,703	8,103						**38,644**	*(30,914)*	**7,730**
Flood Scheme Preparation	367	350	350	**1,067**	350	350	350	350	350	350	350	**3,517**	*(3,517)*	
General Flood Protection Block	159	164	200	**523**	200	200	200	200	200	200	200	**1,923**		**1,923**
	1,956	2,459	**12,498**	**16,913**	**16,253**	**8,653**	**550**	**550**	**550**	**550**	**550**	**44,569**	***(34,819)***	**9,750**

Roads & Transport Infrastructure	
Galashiels Developments	This programme of work continues to deliver Galashiels Inner Relief Road (GIRR) Phases.
Roads & Bridges block	(including Ramp and Winter Damage/Slopes) - this relates to capital maintenance and refurbishment works relating to the road and bridge infrastructure in the Scottish Borders.
Lighting Asset Management Plan	General Lighting Block - allocation for the routine column, cabling and lamp upgrade programme.
Street Lighting Energy Efficiency Project	A project which will improve 16,000 Scottish Borders lights & associated street furniture by replacing them with an energy efficient LED light source
Accident Investigation Prevention Schemes Block	Minor schemes to address problems at identified accident cluster sites.
Cycling, Walking & Safer Streets	Continuation of Specific Scottish Government Funding to encourage more walking and cycling, especially schools and to connect communities.
A72 Dirtpot Corner -Road Safety Works	Road improvement scheme to provide a fit for purpose carriageway configuration and improve safety at Dirtpot Corner.
Selkirk Town Centre (Streetscape works)	Project to enhance the area around the Market Place through more effective traffic management, partly supported by funding from the Selkirk Conservation Area Regeneration Scheme (CARS)
Innerleithen - Walkerburn - shared access route	Extension of the Peebles - Innerleithen shared access route by a further 1.5 miles alongside the River Tweed.
Union Chain Bridge	Funding of £0.55m has been assumed to match with the current Northumberland County Council (the lead authority) estimate. External funding bid for the refurbishment of the oldest surviving iron chain suspension bridge in use in Europe for its 200th anniversary in 2020
Reston Station Contribution	To support the provision of a new station at Reston supported by potential funding from the Scottish Stations Fund. A total contribution towards the project of £2.84m
Engineering Minor Works	Installation of pedestrian links in Hawick
Peebles Bridge	There is a future requirement to provide a new bridge in Peebles to support future development proposed in the Local Development Plan. This project is currently estimated at a cost of £18.3m, of which there is an estimate that £2m from developer contributions will be available. The project is still subject to significant public consultation, the development of full design and cost estimates and, final approval of development proposals.
Flood and Coastal Protection	
Selkirk Flood Protection	80% Scottish Government (confirmed) grant funded major infrastructure project to provide flood protection to property and businesses in Selkirk from risk of flooding.
Hawick Flood Protection	Proposed 80% (partially confirmed) Scottish Government grant funded infrastructure project to protect residential and commercial properties from flood risk within the River Teviot's flood plain in Hawick.
Flood Scheme Preparation	To undertake necessary preparation works for flood schemes
General Flood Protection Block	To deliver natural flood management works, small scale flood and coast protection works.

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	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Waste Management														
Easter Langlee Cell Provision	216	354		**570**								**570**	*(570)*	
Waste Containers	46	48	48	**142**	48	50	50	51	53	53	54	**501**		**501**
Easter Langlee Leachate Management Facility	20	23	377	**420**	42							**462**		**462**
CRC - Improved Skip Infrastructure		146		**146**								**146**		**146**
CRC - Bulky Waste Adjustments	257			**257**								**257**		**257**
New Easter Langlee Waste Transfer Station	5,135	9		**5,144**								**5,144**	*(4,569)*	**575**
	5,674	**580**	**425**	**6,679**	**90**	**50**	**50**	**51**	**53**	**53**	**54**	**7,080**	***(5,139)***	**1,941**
Land and Property Infrastructure														
Play Facilities	52	53	50	**155**	55	56	57	58	60	61	61	**563**		**563**
Drainage - Parks & Open Spaces Block	50	50	50	**150**	50	50	50	50	50	50	50	**500**		**500**
Wilton Lodge Park	101			**101**								**101**	*(93)*	**8**
Parks & Open Spaces - upgrades	129	230	30	**389**								**389**		**389**
Public Conveniences	200			**200**								**200**		**200**
Commercial Property Upgrades	30	50	50	**130**	50	50	50	50	50	50	50	**480**		**480**
Combined Depot Enhancements	124			**124**								**124**		**124**
Asset Rationalisation	795	200	200	**1,195**								**1,195**		**1,195**
Health and Safety Works	635	635	835	**2,105**	835	835	835	835	835	835	835	**7,950**		**7,950**
Building Upgrades	630	630	730	**1,990**	730	730	770	770	770	770	770	**7,300**		**7,300**
Contaminated Land Block	62	38	52	**152**	52	52	52	52	52	52	52	**516**		**516**
Cleaning Equipment Replacement Block	50	50	50	**150**	50	50	50	50	50	50	50	**500**		**500**
Energy Efficiency Works	1,070	1,045	1,045	**3,160**	1,045	1,045	1,045	1,045	1,045	1,045	1,045	**10,475**	*(300)*	**10,175**
	3,928	**2,981**	3,092	**10,001**	2,867	2,868	2,909	2,910	2,912	2,913	2,913	**30,293**	*(393)*	**29,900**
Total Place Department	**9,602**	**3,561**	**3,517**	**16,680**	**2,957**	**2,918**	**2,959**	**2,961**	**2,965**	**2,966**	**2,967**	**37,373**	***(5,532)***	**31,841**

Waste Management	
Easter Langlee Cell Provision	Management and capping of landfill cells at Easter Langlee Landfill Site, Galashiels.
Waste Containers	To supply to new properties or to replace damaged waste containers
Easter Langlee Leachate Management	To implement the solution(s) recommended by the option appraisal currently being undertaken to address the management of the cost and environmental impact of the discharge of leachate water from the Easter Langlee Landfill Site. Work that is underway in the Waste Management Team will inform and may change the scope and phasing of this work once the options have been evaluated.
Community Recycling Centres - Improved Skip Infrastructure	Upgrade of Galashiels Community Recycling Centre skip infrastructure.
Community Recycling Centres -Bulky Waste	Upgrade of infrastructure at CRC sites to allow bulking of waste for onward transport
Easter Langlee Waste Transfer Station	Construction of waste transfer station at Easter Langlee
Land and Property Infrastructure	
Play Facilities	To refurbish Council play areas through replacement or addition of equipment in play areas.
Drainage - Parks & Open Spaces Block	To provide a programme of works to deliver landscape drainage improvements throughout the Borders.
Wilton Lodge Park	Final phase of the capital element of the project to restore the historical features within Wilton Lodge Park, Hawick including the provision of a modern café and bridge, destination playpark, fountain area refurbishment and additional links to the town. 72% funded by Heritage Lottery Funding.
Parks & Open Spaces - Upgrades	New - Additional funding to improve play equipment, drainage and infrastructure within parks and open spaces
Public Conveniences	New - To install coin operation units to agreed Public Conveniences
Commercial Property Upgrades	New - Block to allow for the upgrade of commercial properties owned by the Council.
Combined Deport Enhancements	To provide for a programme of Health and Safety, Environmental and Security upgrades at various depot locations.
Asset Rationalisation	To undertake works and demolition of properties as identified within the asset rationalisation review.
Health & Safety Works	This is a programme of work focused around various capital block allocations to undertake the necessary capital works required to manage the property owned and maintained by the Council. Focus covers health and safety projects, upgrade and replacement works as well as building efficiency improvements to reduce ongoing running costs.
Building Upgrades	
Contaminated Land Block	To enable appropriate measures to be taken to remove unacceptable risks and support the Council in the delivery of its statutory duty in relation to land which is not suitable for its current use because of unacceptable levels of risk to human health and/or the wider environment.
Cleaning Equipment Replacement Block	Allocation for a programme of capital expenditure on larger scale cleaning equipment.
Energy Efficiency Works	Programme of works to improve the energy efficiency of the estate across the Council.

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	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PEOPLE DEPARTMENT														
School Estate														
Duns Primary School	60			**60**								**60**		**60**
Kelso High School	200			**200**								**200**		**200**
School Estate Review	120	2,200	2,120	**4,440**	5,000	9,800	10,230	4,120	5,500	700	700	**40,490**	*(21,899)*	**18,591**
Langlee Primary School	2,929	2		**2,931**								**2,931**		**2,931**
Broomlands Primary School	5,227	377		**5,604**								**5,604**	*(365)*	**5,239**
School Estate Block	2,422	3,580	4,551	**10,553**	2,070	2,300	2,450	2,390	2,390	2,390	2,390	**26,933**	*(1,877)*	**25,056**
Complex Needs - Central Education Base	6			**6**								**6**		**6**
Early Learning & Childcare Block	1,475			**1,475**								**1,475**	*(1,475)*	
	12,439	**6,159**	**6,671**	**25,269**	**7,070**	**12,100**	**12,680**	**6,510**	**7,890**	**3,090**	**3,090**	**77,699**	***(25,616)***	**52,083**
Social Care Infrastructure														
Adult Services Facilities upgrades		150	200	**350**	200	200	59	34				**843**		**843**
Care Inspectorate Requirements & Upgrades	50	51	53	**154**	54	55	57	58	59	61	62	**560**		**560**
	50	**201**	**253**	**504**	**254**	**255**	**116**	**92**	**59**	**61**	**62**	**1,403**		**1,403**
Sports Infrastructure														
Synthetic Pitch replacements	94		364	**458**		153	358	369	380	1,792	473	**3,983**	*(3,323)*	**660**
Sports Trust Plant & Services - Integrated Sport & Culture Trust Property and Other Sports Trusts	290	290	290	**870**	290	290	290	290	290	290	290	**2,900**		**2,900**
	384	**290**	654	**1,328**	290	443	648	659	670	2,082	763	**6,883**	*(3,323)*	**3,560**
Culture and Heritage														
Public Hall Upgrades	90	90		**180**	208	99						**487**		**487**
Jim Clark Museum	902	386		**1,288**								**1,288**	*(699)*	**589**
Sir Walter Scott Court House - Phase 2	40	60	760	**860**	1,590							**2,450**	*(2,000)*	**450**
Sir Walter Scott Court House - Phase 1	280			**280**								**280**	*(191)*	**89**
	1,312	**536**	**760**	**2,608**	**1,798**	**99**						**4,505**	***(2,890)***	**1,615**
Total People Department	**14,185**	**7,186**	**8,338**	**29,709**	**9,412**	**12,897**	**13,444**	**7,261**	**8,619**	**5,233**	**3,915**	**90,490**	***(31,829)***	**58,661**

School Estate	
Duns Primary School & Locality Support Centre	Refurbishment of the former high school to provide a relocated primary school to meet future roll projections and provide a Locality Support Centre in Berwickshire for children and young people with Additional and Complex Needs complimenting the new Central Complex Needs
Kelso High School	Provision of a new Kelso High School to provide a fit for purpose school, secured 100% SFT funding for school building. The project assumes the provision of a synthetic pitch which is anticipated to attract SportScotland match funding. (Only the residual Council contribution is shown)
School Estate Review	Ambitious large scale project to significantly improve the school estate to match current and future demand. This programme assumes the continuation of Scottish Government funding to support school infrastructure.
Langlee Primary School	Provision of new primary school at Langlee, Galashiels including Early Learning and Complex Needs, all within the grounds of the existing school including the demolition of the former school.
Broomlands Primary School	Provision of new primary school at Broomlands, Kelso, including Early Years, all within the grounds of the existing school including the demolition of the former school.
School Estate Block	Programme of works across the school estate to ensure compliance with a range of legislation in relation to Health & Safety, Care Inspectorate, Environmental Health and Insurers and enable improvement of safety in schools.
Complex Needs - Central Education Base	Finalisation of new building for Complex Needs in Earlston
Early Learning & Childcare Block	Upgrade of early learning and childcare facilities, funded from ring fenced Government Grant
Social Care Infrastructure	
Adult Services Facilities Upgrades	To improve the adult services estate following a review of the estate.
Care Inspectorate Requirements	Block to implement requirements identified by Care Inspectorate
Sports Infrastructure	
Synthetic Pitch Replacements	Fund is used to manage the replacement of synthetic pitch surfaces and is "replenished" by departmental revenue budgets over the life of the surface.
Sports Trust Plant & Services - Integrated Sport & Culture Trust and Other Sports Trusts	Capital funding to support the leisure trusts in improving and refurbishing the sports and leisure facilities they run which are owned by the Council.
Culture and Heritage	
Public Halls upgrades	Upgrade works to Council owned public halls
Jim Clark Museum	Transformation of 44 Newton Street into new Jim Clark Museum. Assumed £0.699m external funding from Heritage Lottery, Museums Galleries Scotland.
Sir Walter Scott Court House - Phase 1	Development of the Category A listed property in Selkirk, Phase 1 being the upgrading of the external fabric of the building and is supported by an allocation of grant funding from the Selkirk Conservation Area Regeneration Scheme (CARS). Phase 2 is a major redevelopment of the
Sir Walter Scott Court House - Phase 2	Courthouse and adjacent building to provide a modern and attractive visitors centre which has disability access and modernised and upgraded exhibition areas and displays. This project is subject to the securing of significant external funding.

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	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHIEF EXECUTIVE DEPARTMENT														
Pitches Programme														
Hawick 3G Synthetic Pitch	38			**38**								**38**		**38**
Jedburgh 3G Synthetic Pitch	99	1,168	19	**1,286**								**1,286**	*(300)*	**986**
	137	**1,168**	**19**	**1,324**								**1,324**	***(300)***	**986**
Economic Regeneration														
Central Borders Business Park - Phase 1	3,000	3,000		**6,000**								**6,000**	*(1,000)*	**5,000**
Eyemouth Regeneration		286	513	**799**								**799**		**799**
Newtown St Boswells Village Centre		16	20	**36**	20	84	84	120	56			**400**		**400**
Borders Town Centre Regeneration Fund Block	100	100	100	**300**	100	100	100	100	100	100	100	**1,000**		**1,000**
	3,100	**3,402**	**633**	**7,135**	**120**	**184**	**184**	**220**	**156**	**100**	**100**	**8,199**	***(1,000)***	**7,199**
Chief Executive Other														
ICT Transformation	1,108	473	449	**2,030**	566	599	468	526	381	336	526	**5,432**		**5,432**
Projects out with CGI Contract scope	80	80	80	**240**	80	80	80	80	80	80	80	**800**		**800**
IT Projects - pre CGI Contract	172			**172**								**172**		**172**
Great Tapestry of Scotland - Building	994	2,612	2,924	**6,530**	30							**6,560**	*(3,200)*	**3,360**
Private Sector Housing Grant - Adaptations	375	375	375	**1,125**	400	400	400	425	425	425	450	**4,050**		**4,050**
	2,729	**3,540**	**3,828**	**10,097**	**1,076**	**1,079**	**948**	**1,031**	**886**	**841**	**1,056**	**17,014**	***(3,200)***	**13,814**
Total Chief Executive Department	**5,966**	**8,110**	**4,480**	**18,556**	**1,196**	**1,263**	**1,132**	**1,251**	**1,042**	**941**	**1,156**	**26,537**	***(4,500)***	**22,037**
Other														
Waste Collection vehicles - Non P&V Fund		1,100	300	**1,400**				300	300			**2,000**	*(1,200)*	**800**
Plant & Vehicle Replacement - P&V Fund	2,000	2,000	2,000	**6,000**	2,000	2,000	2,000	2,000	2,000	2,000	2,000	**20,000**	*(20,000)*	
Emergency/Unplanned Schemes	300	300	300	**900**	300	300	300	300	300	300	300	**3,000**		**3,000**
Total Other	**2,300**	**3,400**	**2,600**	**8,300**	**2,300**	**2,300**	**2,300**	**2,600**	**2,600**	**2,300**	**2,300**	**25,000**	***(21,200)***	**3,800**

Sports Infrastructure	
Hawick 3G Synthetic Pitch	Development of 3G pitch Hawick and changing facilities. Initial development part funded by Sports Scotland.
Jedburgh 3G Synthetic Pitch	Development of 3G pitch Jedburgh. Initial development part funded by Sports Scotland.
Economic Regeneration	
Central Borders Business Park - Phase 1	To support the development of a Business Park to maximise the inward investment using the opening of the Borders Railway as a catalyst to provide modern, sustainable business space to support the future growth of the Scottish Borders economy. The preparation of a feasibility study has commenced following match funding support by Scottish Enterprise as part of the South of Scotland Strategic Alliance. The proposed budget is included at £6m, with an assumption of £1m from Scottish Enterprise. This will form the first phase of the potential development of the railhead at Tweedbank and linked to City Deal and Railway blue print.
Eyemouth Regeneration	Regeneration of Eyemouth
Newtown St Boswells Village Centre	To provide an initial development phase for the village centre regeneration, with the potential to lead to a wider programme of regeneration activity in the village centre.
Borders Town Centre Regeneration Fund Block	An indicative budget of £0.1m per annum in the Strategic Plan period has been identified to support the outcome of the Locality/Town review work that is being initiated.
Chief Executive Other	
ICT Programme	Programme of works and projects across the Council for all IT replacement requirements and upgrades.
Projects out with CGI Contract scope	IT works and projects for areas not included within the scope of CGI Contract
IT Projects - pre CGI Contract	Finalisation of IT projects which commenced prior to CGI Contract
Great Tapestry of Scotland - Building	To provide the permanent home for the Great Tapestry of Scotland at Galashiels. This includes the assumption of £3.2m external funding.
Private Sector Housing Grant - Adaptations	To provide grant funding to assist the provision of major adaptation to private sector housing following a needs and priority assessment by
Other	
Waste Collection vehicles - Non P&V Fund	Budget provided through specific funding supported by the Waste revenue budget to provide for the replacement of several refuse lorries
Plant & Vehicle Replacement - P&V Fund	Fund is used to manage the replacement of plant and vehicles and is "replenished" by departmental revenue budgets over the life of the vehicle.

Scottish Borders Council
Capital Plan 2016/17 - 2026/27

CAPITAL FUNDING	OPERATIONAL PLAN			Total Operational Plan	STRATEGIC PLAN							Grand Total
	2017/18	2018/19	2019/20		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
CFCR												
Easter Langlee Cell Provision	(216)	(354)		(570)								(570)
Synthetic Pitch Replacement	(94)			(94)								(94)
Wilton Lodge Park	(20)	0		(20)								(20)
	(330)	(354)	0	(684)	0	0	0	0	0	0	0	(684)
Specific Grants from Scottish Government												
Cycling, Walking & Safer Streets	(156)	(198)	(207)	(561)	(199)	(211)	(221)	(232)	(244)	(247)	(247)	(2,162)
Selkirk Flood Protection	(388)			(388)								(388)
Hawick Flood Protection	(756)	(1,556)	(9,558)	(11,870)	(12,562)	(6,482)						(30,914)
Flood Scheme Preparation	(367)	(350)	(350)	(1,067)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(3,517)
Early Learning & Childcare	(1,475)			(1,475)								(1,475)
School Estate Review	0	0		0	(2,666)	(6,000)	(6,820)	(2,746)	(3,667)			(21,899)
	(3,142)	(2,104)	(10,115)	(15,361)	(15,777)	(13,043)	(7,391)	(3,328)	(4,261)	(597)	(597)	(60,355)
Other External Grants & Contributions				0								
Selkirk Town Centre (Streetscape works)	(100)			(100)								(100)
Innerleithen - Walkerburn - Shared access route	(20)	(130)		(150)								(150)
Jim Clark Museum	(503)	(196)		(699)								(699)
Jedburgh 3G Synthetic Pitch		(300)		(300)								(300)
Wilton Lodge Park	(73)			(73)								(73)
Great Tapestry of Scotland - Building		(1,600)	(1,600)	(3,200)								(3,200)
Sir Walter Scott Court House - Phase 1	(191)			(191)								(191)
Sir Walter Scott Court House - Phase 2	0		(460)	(460)	(1,540)							(2,000)
Central Borders Business Park - Blueprint Funding	0	(1,000)		(1,000)								(1,000)
	(887)	(3,226)	(2,060)	(6,173)	(1,540)	0	0	0	0	0	0	(7,713)
Developer Contributions												
Peebles Bridge				0			(1,000)	(1,000)				(2,000)
Reston Station		(595)	(645)	(1,240)								(1,240)
Engineering Minor works	(14)			(14)								(14)
Broomlands Primary School	(365)	0		(365)								(365)
General inc. school estate	(977)	(100)	(100)	(1,177)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(1,877)
	(1,356)	(695)	(745)	(2,796)	(100)	(100)	(1,100)	(1,100)	(100)	(100)	(100)	(5,496)
Capital receipts	(1,903)	(2,300)	(1,760)	(5,963)	(300)							(6,263)
General Capital Grant	(14,474)	(15,393)	(15,392)	(45,259)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(143,259)
Plant & Vehicle Fund	(2,000)	(2,000)	(2,000)	(6,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(20,000)
Synthetic Pitch Replacement Fund			(364)	(364)		(153)	(358)	(369)	(380)	(1,132)	(473)	(3,229)
Borrowing	(14,680)	(10,383)	(9,282)	(34,345)	(6,470)	(6,816)	(12,827)	(8,718)	(1,871)	(1,772)	(1,375)	(74,194)
TOTAL CAPITAL FUNDING	(38,772)	(36,455)	(41,718)	(116,945)	(40,187)	(36,112)	(37,676)	(29,515)	(22,612)	(19,601)	(18,545)	(321,193)

Appendix 1

Fees

and

Charges

2017/18

All fees & charges are quoted exclusive of VAT. Specific services are subject to VAT as required by HM Customs & Excise. Therefore, where applicable, VAT will be charged in addition to the quoted fee or charge.

SCOTTISH BORDERS COUNCIL FEES & CHARGES Place - Neighbourhood Services - WASTE	2015/16 Charge (excl.vat)	2016/17 Charge (excl.vat)	2017/18 Charge (excl.vat)	Increase %	2018/19 Charge (excl.vat)	Increase %
Waste Services						
Tipping Charges						
Charge per tonne (pro-rata)	£27.00	£29.00	£30.00	3%	£30.00	0%
Soils/Green Waste/Paper & Cardboard	contact 01835-825111 for price					
Green Waste from Mansfield & Eshiels (minimum 1 tonne charge per month).	£34.75	£36.00	£37.00	3%	£37.00	0%
Mixed dry re-cyclate from Mansfield & Eshiels - includes similar materials as those collected at kerbside via Council re-cycling scheme (pro rata)	£16.00	£16.50	£22.50	36%	£28.00	24%
General Waste to Mansfield and Eshiels (pro rata)	£32.25	£35.00	£36.00	3%	£36.00	0%
Administration Charge - charged per invoice. Invoices are collated on a monthly basis.	£0.00	£0.00	£25.00	0%	£25.00	0%
Landfill Tax (Added to tipping charge)[1]						
Charged by weight at site (per tonne, pro-rata)						
Active waste	£82.60	£84.40	£84.40	0%	£84.40	0%
Non active waste	£2.60	£2.65	£2.65	0%	£2.65	0%
Trade General Waste Contract (Bin) [3 4]						
1100 ltr	£791.02	£815.00	£914.00	12%	£1,014.00	11%
660 ltr	£509.79	£526.00	£583.00	11%	£640.00	10%
360 ltr	£253.85	£262.00	£300.00	15%	£338.00	13%
240 ltr		£247.00	£247.00	0%	£247.00	0%
Trade General Waste Sacks						
Industrial and Commercial - per 52 sacks min purchase	£85.28	£93.60	£112.00	20%	£130.00	16%
Trade Recycling Contracts (Bin) [3 4]						
1100 ltr bin rental		£600.42	£679.00	13%	£758.00	12%
660 ltr bin rental		£353.94	£450.00	27%	£547.00	22%
360 ltr bin rental		£126.26	£194.00	54%	£263.00	36%
240 ltr bin rental		£126.26	£155.00	23%	£183.00	18%
Trade Recycling Contracts (Bag) [3 4]						
Minimum (1 bag/week)	£41.00	£43.00	£63.00	47%	£83.00	32%
Small (3 bags/week)	£100.00	£104.00	£122.00	17%	£140.00	15%
Medium (7 bags/week)	£261.00	£269.00	£296.00	10%	£323.00	9%
Large (13 bags/week)	£500.00	£516.00	£531.00	3%	£531.00	0%

Large quantities from commercial producers will be priced on an individual basis, based on quantity & method of collection.

SCOTTISH BORDERS COUNCIL FEES & CHARGES Place - Neighbourhood Services - WASTE	2015/16 Charge (excl.vat)	2016/17 Charge (excl.vat)	2017/18 Charge (excl.vat)	Increase %	2018/19 Charge (excl.vat)	Increase %
Trade Recyclate Bags						
Minimum purchase 26 bags - additional to contract only	£19.50	£20.80	£31.60	52%	£41.60	32%
Food Contracts						
140 ltr bin		£307.32	£317.00	3%	£317.00	0%
23 ltr bin		£70.20	£72.00	3%	£72.00	0%
1 roll of 35 ltr compostable liners (25 liners/roll)		£3.15	£3.25	3%	£3.25	0%
Replacement key for 140 ltr bin		£5.00	£5.15	3%	£5.15	0%
Special Collections - Business						
Per hour - pro-rata[2]	£104.50	£108.00	£111.00	3%	£111.00	0%
Minimum charge (20 minutes) [2]	£36.00	£37.50	£39.00	4%	£39.00	0%
Special Collections - Domestic						
Up to 5 articles (including fridges and freezers)	£26.25	£30.00	£31.00	3%	£31.00	0%
Recycling Permit		£340.00	£350.00	3%	£350.00	0%
Green, Construction and Recycling Permit		£875.00	£901.00	3%	£901.00	0%

[1] Fees set by national agency

[2] Additional labour, plant and machinery charged at dayworks rates

[3] Annual charge based on one collection per week

[4] Includes Bin rental, disposal, service and landfill