
FINANCIAL STRATEGY AND RESOURCES 2019/20

Report by the Chief Financial Officer

SCOTTISH BORDERS COUNCIL

28 February 2019

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 2019/20 following publication of the local government finance settlement on the 17 December 2018 and subsequent funding notification from Scottish Government for 2019/20 on the 31st January 2019.**
- 1.2 The report recommends the financial strategy to be followed by the Council next year and identifies the financial constraints and major risks to be addressed.
- 1.3 The report also outlines the process supporting the construction of the draft revenue and capital Financial Plans for 2019/20 as well as draft plans for future years.
- 1.4 The Corporate Management Team has worked with political groups to support Members set a corporate revenue and capital budget, meeting identified pressures facing the Council. These pressures have arisen from a variety of factors. The principle pressures identified are due to the anticipated continuing constraints on external revenue and capital funding from central government, the impact of national pay negotiations, the increasing pressures from demographics, particularly the increasing numbers of very elderly people requiring care services, as well as inflation.
- 1.5 The budget development process has been conducted to ensure that the financial plans of the Council are aligned with its business and people planning objectives and the level of resources available.
- 1.6 The report highlights that total revenue resources of £283.238m are available to Elected Members assuming the Council accepts the 2019/20 settlement offer from Scottish Government along with a 3% increase in the Council Tax rate approved by Council on 20th December 2018 based on the parameters set out in the LGFS. Subsequently the Cabinet Secretary wrote to Council Leaders on the 31st January 2019 explaining he is now willing to allow Councils to vary Council Tax by up to 4.79% in 2019/20. The impact of other potential variations in the Council Tax is shown in the tables in paragraph 7.2 and 9.1.

- 1.7 The benefits, in terms of financial stability and effective change management, derived from adopting a longer term corporate approach to the revenue and capital planning process are widely accepted. Financial year 2019/20 represents the second year of the revenue 5 year financial plan for the Council agreed in February 2018. It is anticipated members will continue to adopt a longer term approach to financial planning and consequently the estimated resources available over the following four financial years are also shown. These estimates will continue to be updated annually as the detail of the financial settlement from Scottish Government becomes known. It is anticipated from 2020/21 that a three year settlement will be provided from Scottish Government assisting long term financial planning.
- 1.8 Regular monitoring reports submitted to the Executive Committee during 2018/19 have identified that there are significant savings which have not yet been delivered on a permanent basis. The Corporate Management team has therefore considered a revised approach to organisational change under the banner of 'Fit for 2024' which will reshape the transformation programme ensuring individual projects are more cross-cutting and focused on joined up business process review. A paper elsewhere on the agenda provides details of the new approach recommended.
- 1.9 In line with previous Audit Scotland recommendations scenario planning has once again been used to model a range of scenarios with regard to Scottish Government grant, Council Tax increases and estimated future inflation. This analysis is included at Appendix 2.
- 1.10 This report also seeks approval of the financial strategy for the Council covering the period 2019/20 – 2023/24. 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 the recommended policy on reserves.
- 1.11 The approach to the development of the 2019/20 budget has been aligned with the financial planning process in the NHS reflecting the increasing maturity of the Integration Joint Board (IJB) and the requirement to deliver shifts in the balance of care across the partnership from acute to community settings.
- 1.12 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, 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:

- (a) notes the estimated revenue resources for 2019/20 to 2023/24;**
- (b) notes the estimated capital resources for 2019/20 to 2028/29 and the requirement to adhere to the prudential code for capital borrowing;**
- (c) notes the flexibility provided by the Cabinet Secretary to allow Council Tax to be increased by up to 4.79% in 2019/20;**
- (d) approves the financial strategy set out in section 4.4 (a) to (h) of this report having considered the risk register highlighted in appendix 1;**
- (e) proceeds to consider the Administration's proposed Financial Plan for 2019/20 including the council taxes to be paid in respect of all chargeable dwellings to fund these plans as part of the budget motion.**

3 THE REVENUE FINANCIAL PLANNING PROCESS 2019/20 TO 2023/24

- 3.1 Financial year 2019/20 represents the second year of the 5 year financial plan for the Council first agreed in February 2018 with this updated plan covering the period 2019/20 to 2023/24. A corporate approach has again been pursued with a focus on aligning the financial, business and people planning elements of the Council's Corporate Plan.

4 FINANCIAL STRATEGY

- 4.1 The Council along with all public bodies faces significant challenges as it aims to provide the best possible services within the resources available. The adoption of a longer term timeframe for financial planning has previously enabled the Council to plan the delivery of service changes across financial years through modernising services, investing in new technology, and in developing a range of strategic partnerships to provide longer term benefits. Despite the annual nature of the financial settlement this longer term approach has enabled the required changes to be delivered in a planned manner, mitigating the need for reactive cuts to services. It is understood that Scottish Government plans to move towards three year settlements from 2020/21 which will greatly assist the financial planning process.
- 4.2 The financial strategy for 2019/20 is therefore designed to further this approach and to ensure that:
- (a) resources are raised to meet approved service levels in the most effective manner;
 - (b) officers manage the effective deployment of those resources in line with the Council's corporate objectives and priorities;
 - (c) the revenue and capital plans approved by Council provides stability in resource planning, and;
 - (d) the changes required to services are delivered in a properly planned manner through the Council's Fit for 2024 programme.
- 4.3 This strategy continues to recognise the need to ensure that the Council's budget is targeted so that it meets a number of strategic aims. The Council recognises it has a duty to provide the most effective possible stimulus to the wider economy, protect the environment, look after those who are most vulnerable in society and work with community planning partners to intervene as early as possible to reduce future demand for public services. This can be best achieved through stopping anticipated problems arising or by addressing issues that are likely to escalate early on and assisting communities and individuals to help themselves wherever possible. This approach recognises the important need to continue to maximise efficiency and providing good value for money to local taxpayers over the long term.

- 4.4 The recommended high level financial strategy to be followed over the period 2019/20 – 2023/24 is therefore once again to:-
- (a) set a prudent, sustainable budget in line with available resources;
 - (b) continue to invest in infrastructure that will raise standards, improve quality of life for local communities and reduce future demand for services;
 - (c) set a capital programme which keeps debt within prudent sustainable limits as set out in the treasury strategy,
 - (d) provide for loans charges of £20.358m (2019/20) to finance capital investment recognising the long term implications of capital borrowing. This figure is planned to rise in future years reflecting the Council's capital plans;
 - (e) maximise income while keeping fees charged to service users at an affordable level;
 - (f) continue to invest in new ways of working and efficiency projects to deliver long term financial savings and service benefits;
 - (g) focus on preventative revenue and capital spend; and,
 - (h) recognising the challenges faced by the organisation, maintain unallocated reserves of £6.315m for 2019/20 as outlined in section 5 below and in line with the assessed risk register in appendix 1.

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 2019.

Table 1 Funds and Balances	1 April 2019 (Estimated) £m
Statutory Funds	
Corporate Property Repairs and Renewals Fund	0
Plant and Vehicles Renewals Fund	5.415
Insurance Fund	1.119
Capital Fund Excl Development Contributions	1.165
General Fund – Earmarked	
Devolved School Management	0.690
Specific Departmental Reserves	3.740
Allocated reserves	2.627
General Fund – Non-Earmarked	6.315
Total	21.071

- 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 external auditors.
- 5.3 A Corporate Financial Risk Register has again been used as the basis for setting reserve levels in 2019/20 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 legal and contractual claims and unplanned emergencies in approving 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 unallocated 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 an appropriate transparent rationale for 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 £6.315m in 2019/20. The unallocated balance projected at the 31st March 2019 equates to 2.23% of net revenue expenditure and is sufficient to cover 54% of the risks identified in the finance risk register should they be realised.

6 THE AEF SETTLEMENT 2019/20

- 6.1 Mainstream support for Local Government from the Scottish Government is collectively known as Aggregate External Finance (AEF) and comprises:-
- (a) General Revenue Funding to support expenditure on the complete range of Council Services;
 - (b) A distribution of funding from the National Non-Domestic Rates Pool;
 - (c) Ring-fenced grants which must be used for specified purposes.
- 6.2 The impact of the 2019/20 Local Government Finance Settlement received on the 17th December and reported to Council on the 20th December 2018 was updated on the 31st January following a letter received from the Cabinet Secretary to Councils via COSLA. This

letter followed the Budget Bill Stage 1 debate in Parliament and detailed a package of further measures covering local taxation and local government finance to further support the draft 2019/20 Local Government Finance Settlement.

- 6.3 The updated Settlement also included an additional £90m for local government in Scotland in 2019/20 and a restatement of commitment that Scottish Government will fund the costs of ongoing teachers' pay negotiations in full. The Borders share of the additional £90m funding is £1.99m which reduces the 2.3% reduction in 2019/20 core revenue grant reported at the Council meeting on the 20th December 2018 by 1%, to a reduction of 1.3%. The letter also confirmed that previous assumptions that Councils needed to budget to fund 33% of the additional costs associated with employer contributions for Teacher pensions could be reduced to 21%. This reduced requirement to budget for projected cost increase resulted in a benefit of £0.265m for this Council. The assumed financial impact from these two amendments is £2.255m from 2019/20.
- 6.4 This additional funding is accompanied by a range of other measures that the Cabinet Secretary for Finance is proposing to implement as set out below:
- To consult, in 2019, on the principles of a locally determined tourist tax, prior to introducing legislation to permit local authorities to introduce a transient visitor levy, if it is appropriate for local circumstances;
 - To support an agreed amendment from the Scottish Greens to the Transport (Scotland) Bill that would enable those local authorities who wish to use such a power, to introduce a workplace parking levy;
 - To devolve Non-Domestic Rates Empty Property Relief to local authorities in time for the next revaluation;
 - Support for the recommendation of the Commission on Local Tax Reform that the present council tax system must end. In order to make progress the Scottish Government will convene cross-party talks on its replacement with a view to publishing legislation, should cross-party agreement on a replacement be reached, by the end of this Parliament, with that legislation taken forward in the following Parliament;
 - An increase in the core local government settlement of £90m (£1.990m for SBC);
 - Continue to provide an earmarked £160 million from the Scottish Government for H&SC investment to support social care and mental health services – including those under the direction of Integration Authorities– whilst, as part of this package, allowing local authorities the flexibility to offset their adult social care allocations to Integration Authorities in 2019-20 by 2.2% compared to 2018-19,

i.e. by up to £50 million across all local authorities to help them manage their own budget;

- The approved IJB budget for 18/19 was £45.829m before the Health and Social Care fund is passed to the IJB in full. The flexibility provided by the Cabinet Secretary would allow the Council to reduce core funding up to 2.2% equating to £1.008m. The requirement to pass on the full share of £160m equating to £2.496m has been built into the budget. The IJB are also required to deliver ongoing efficiency savings of £1.02m in the draft budget.
- Provide local authorities with the flexibility to increase the Council tax by 3% in **real terms**, which equates to 4.79% next year. SBC Council Tax was set at 3% in December 2018 reflecting the parameters set out in the December settlement. A further flexibility now exists to vary Council Tax by a further 1.79% equating to £1.080m;
- Bringing forward a three year funding settlement for local government from 2020-21 budget onwards.
- There is an intention to bring forward as early as possible (early in the new financial year) changes to legislation which will allow Councils to vary loans fund repayments for advances made before 1 April 2016.

7 REVENUE RESOURCES

- 7.1 The updated Settlement for 2019/20 confirmed resources from the Scottish Government through:
- (a) Revenue Support Grant of £167.589m and Non Domestic Rates of £36.624m, providing total grant support of £204.213m;
 - (b) Total specific grant has been confirmed to fund Early Learning & Childcare (£6.398m), the Pupil Equity Fund (£1.754m), Community Justice Social Work (£1.177m) and Gaelic (£0.001m);
 - (c) Funding over and above the Settlement is still awaited to fund the Teachers Induction Scheme, 1+2 Languages, Discretionary Housing Payments (DHP), Free Personal Care under 65, Mental Health, Scottish Assessors – Barclay Review and Customer First top-up. All these budgets will be created during 2019/20 when funding is confirmed;
 - (d) The development of the 2019/20 budget has seen closer cooperation and joint financial planning between the Council, NHS Borders and the IJB. Key aspects of the budget in this area include a Health and Social Care fund of £7.347m that is once again to be transferred from the NHS to Council via the Integration Joint Board (IJB). This funding has previously been delegated on a permanent recurrent basis to the Council's Social Care function by the IJB. A further

adjustment has been made to the local government settlement to directly provide Councils with a further £160m nationally in 2019/20 to fund:

- the expansion of Free Personal Care & Nursing Care to those under 65 (£30m is yet to be distributed),
- continued implementation of the Carers (Scotland) Act (£10m distributed with an SBC share of £0.231m),
- school counselling services (£12m yet to be distributed) and;
- further investment in Integration (£108m distributed with an SBC share of £2.496m).

7.2 The total revenue resources available to the Council based on an increase in Council tax of 3% for 2019/20 are shown in table 1 at £283.238m. Financial implications of Council Tax increases of 4% and 4.79% are also shown below.

Table 1

	2019/20 £'000	2020/21 (Provisional) £'000	2021/22 (Provisional) £'000	2022/23 (Provisional) £'000	2023/24 (Provisional) £'000	Total £'000
Aggregate External Finance						
General Revenue Support	167,589	168,026	166,035	164,064	163,088	828,802
Assumed SG grant reductions 1% years 2 & 3, then 0.5%	0	(1,991)	(1,971)	(976)	(966)	(5,904)
Ring fenced grants	9,330	7,576	7,576	7,576	7,576	39,634
Health & Social Care Partnership	7,347	7,347	7,347	7,347	7,347	36,735
					0	
Non-domestic Rates	36,624	36,624	36,624	36,624	36,624	183,120
	220,890	217,582	215,611	214,635	213,669	1,082,387
Council Tax (Band D £1,184.52 - increase of 3% in each year)	62,348	64,627	66,727	68,827	70,700	333,229
Total	283,238	282,209	282,338	283,462	284,369	1,415,616
Council Tax (Band D £1,196.02 - increase of 4% in each year)	62,948	65,227	67,327	69,427	71,300	336,229
Total	283,838	282,809	282,938	284,062	284,969	1,418,616
Council Tax (Band D £1,205.11 - increase of 4.79% in each year)	63,428	65,707	67,807	69,907	71,780	338,629
Total	284,318	283,289	283,418	284,542	285,449	1,421,016

8 RESOURCING ESTIMATES 2020/21 AND BEYOND

- 8.1 At present the Scottish Government has only confirmed a one year Settlement and therefore has only published draft AEF figures for 2019/20. There has, however, been a commitment from the Scottish Government to provide a three year funding settlement for local government from 2020/21 budget onwards; and to develop a rules based framework for local government funding in partnership with COSLA that would be introduced for the next Parliament. 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. The assumption for planning purposes is that AEF resources will reduce by 1% in 2020/21 and 2021/22 with an assumed reduction of 0.5% in the final 2 years of the plan. These estimates exclude any transfers for new statutory burdens.
- 8.2 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 an essential discipline.
- 8.3 Regular monitoring report submitted to the Executive Committee during 2018/19 have, however, identified that there are significant savings which have not yet been delivered on a permanent basis. The management team has therefore considered a revised approach to transformation under the banner of 'Fit for 2024' which will reshape the transformation programme ensuring individual projects are more joined up, cross-cutting and focused on joined up business process review. A paper elsewhere on the agenda provides details of the new approach recommended.
- 8.4 It should be noted that the 2019/20 figures from Scottish Government remain draft until the local government finance order is approved by Parliament. Any further amendments to the draft figures published will be reported to Council with an assessment of the financial implications.
- 8.5 The benefits of longer term financial planning have previously been promoted by Audit Scotland in the overview report for Local Government in Scotland. Audit Scotland have highlighted the good practise previously adopted by the Council in adopting medium term 5 year financial planning. The report recommended that this approach be extended to encompass greater use of scenario planning over a longer period. In response Council officers have once again modelled variations in the assumed level of Scottish Government grant, Council Tax increases and estimated inflationary increases in cost pressures over the 10 year period commencing 2019/20. This analysis is included at Appendix 2.
- 8.6 This analysis highlights a range of potential financial outcomes which would if realised require the Council to identify revenue savings of between £42m and £76m over the next 10 year period depending on the assumptions used. The range of scenarios modelled highlights the need for robust cost control and the continuation of a programme of strategic transformational change to ensure the Council can respond appropriately to these challenges.

9 COUNCIL TAX

- 9.1 As noted in paragraph 6.4 the Settlement for 2019/20 provides flexibility for Councils to increase Council Tax by up to 3% in real terms, which equates to 4.79% in 2019/20. The Table below shows the impact of various increases in the Council Tax. 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.

3% Increase (£)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Charge 18/19	766.68	894.46	1,022.24	1,150.02	1,510.99	1,868.78	2,252.11	2,817.54
19/20 prices - 3%	789.68	921.29	1,052.91	1,184.52	1,556.33	1,924.85	2,319.69	2,902.08
Annual Increase	23.00	26.83	30.66	34.50	45.33	56.06	67.57	84.52
Monthly Increase	1.92	2.24	2.56	2.88	3.78	4.67	5.63	7.04

4% Increase (£)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Charge 18/19	766.68	894.46	1,022.24	1,150.02	1,510.99	1,868.78	2,252.11	2,817.54
19/20 prices - 4%	797.35	930.24	1,063.13	1,196.02	1,571.44	1,943.53	2,342.21	2,930.25
Annual Increase	30.66	35.77	40.89	46.00	60.44	74.75	90.09	112.70
Monthly Increase	2.56	2.98	3.41	3.83	5.04	6.23	7.51	9.39

4.79% Increase (£)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Charge 18/19	766.68	894.46	1,022.24	1,150.02	1,510.99	1,868.78	2,252.11	2,817.54
19/20 prices -4.79%	803.40	937.30	1,071.21	1,205.11	1,583.38	1,958.30	2,360.00	2,952.51
Annual Increase	36.72	42.84	48.96	55.08	72.38	89.51	107.88	134.96
Monthly Increase	3.06	3.57	4.08	4.59	6.03	7.46	8.99	11.25

- 9.2 The table above shows the impact of a 3%, 4% and 4.79% increase in the Council Tax alongside the annual and monthly increases that would be associated with these uplifts in Council Tax bills.

10 CAPITAL RESOURCES

- 10.1 In setting its Capital Plan, the Council 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.
- 10.2 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.

- 10.3 The requirements of the Prudential Code were updated in December 2017 including the recommendation that Councils publish a capital strategy for 2019/20. As such Scottish Borders Council's Capital Strategy is included elsewhere on this agenda as part of the suite of financial planning papers.
- 10.4 The borrowing requirements associated with the proposals are anticipated to be fully financed by the Loans Charges revenue budget of:

	£m
2019/20	20.358
2020/21	21.103
2021/22	21.214
2022/23	21.474
2023/24	22.119

- 10.5 These are the recommended figures that should be reflected in the revenue budget to finance the proposed capital programme and are reflected in the Treasury strategy shown elsewhere Council agenda. Future increases in capital expenditure will require corresponding increases in the loans charges budget.

11 CAPITAL FUNDING ASSUMPTIONS

11.1 Capital Settlement

A General Capital Grant is issued to each Local Authority in Scotland as part of the Settlement process. Overall the level of capital grant has increased by £1.6m in 2019/20 when compared to previous assumptions. This arises primarily from repayment of £1.4m from the £150m top sliced from the national capital settlement in 2016/17.

11.2 Scottish Government –Capital Grants

The draft settlement confirms capital grant of £19.483m in 2019/20 which includes £2.718m for the Hawick flood protection scheme. In addition the settlement confirms the continuation of the specific capital grant for cycling walking and safer street of £0.188m in 2019/20. The proposed plan assumes specific grants of £50m over the 10 year period.

11.3 Other External Capital Grants & Contributions

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.

11.4 Development Contributions

- (a) Development 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 development 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 £1.189m of development contributions over the next 10 year period.

11.5 **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 £4.567m of capital receipts being generated over first 3 years of the plan. The assumptions around the deliverability of these will be subject to ongoing review.

11.6 **General Capital Grant future years**

The total estimated Capital Grant over the period of the Plan is estimated at £155.365m, an increase of £13.541m from the previous Plan. Although indicative grant figures have not been provided for future years the assumption in the Plan is that the 2019/20 level, adjusted for the £150m national top slice referred to in paragraph 11.1 will be maintained. There is a risk that the assumptions for future years may be over or under estimated.

11.7 **Replacement Funds**

- (a) A fund was established by the Council in 2004 to ensure resources 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 assumes purchases of £2m per annum over the period of the Plan which will be fully funded.
- (b) A Fund was established by the Council in 2016 to ensure resources were available to provide for the replacement of carpets on synthetic pitches. The plan is based on assumed replacement lives of 10 years for each facility.

11.8 **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) The proposed revenue budget to support capital through loans charges is set out in paragraph 10.4. Decisions to increase future capital borrowing will require permanent increases, funded by savings elsewhere or the generation of additional income, in 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 £93.6m borrowing an increase of £18.9m 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 is a risk however 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.

11.9 The total capital funding available is £346.135m. The following table summarises the total resources for the proposed Capital Plan.

	3 year operational £000's	7 year strategic £000's	Total £000's	Est. External Funding £000's	Est. SBC Contribution £000's
Specific Grants from Scottish Government	37,817	12,184	50,001	50,001	0
Other External Grants & Contributions	15,112	515	15,627	15,627	0
Development Contributions	389	800	1,189	1,189	0
Capital Receipts	4,567	400	4,967	0	4,967
General Capital Grant	47,565	107,800	155,365	0	155,365
Plant & Vehicle Replacement - P&V Fund	6,000	14,000	20,000	20,000	0
Synthetic Pitch Replacement Fund	517	3,658	4,175	4,175	0
Borrowing	59,246	35,565	94,811	1,200	93,611
Total	171,213	174,922	346,135	92,192	253,943

12 IMPLICATIONS

12.1 Financial Implications

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

12.2 Risk and Mitigation

Revenue Plan

- (a) The Council faces a number of risks in setting its Revenue Financial Plan for five years 2019/20 - 2023/24. The main identified risks are set out in the appendix 1. The Council faces significant financial challenges, not least the requirement to deliver ongoing savings to balance the revenue and capital plan each year and fund on going pressure from the demographic change facing the Borders population. The maintenance of reserves to manage such risks is an essential element of any sound financial strategy and the recommended level of reserves, to act as a contingency is £6.315m in financial year 2019/20.

- (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 2019/20 funding order. Any adjustment to the Scottish Government's 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 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 financial risk to the Council.
- (d) The key risks associated with the Council's revenue and capital plans will be monitored on a regular basis within the regular monitoring reports submitted to the Council's Executive Committee.

12.3 **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.

12.4 **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.

12.5 **Carbon Management**

There are no effects on carbon emissions.

12.6 **Rural Proofing**

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

12.7 **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.

13 CONSULTATION

- 13.1 Corporate Management Team has fully supported the revenue and capital financial planning process.
- 13.2 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and any comments have been reflected in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

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Background Papers:

Previous Minute Reference:

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