
FINANCIAL STRATEGY AND RESOURCES 2021/22

Report by Executive Director Finance & Regulatory Services

SCOTTISH BORDERS COUNCIL

19 March 2021

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 2021/22 following publication of the Local Government Finance Settlement (LGFS) on the 1st February 2021 and the subsequent approval of the Local Government Finance Order approved by Parliament on the 10th March 2021.**
- 1.2 The report recommends the financial strategy to be followed by the Council next financial 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 2021/22 as well as draft plans for future years.
- 1.4 The Corporate Management Team has supported Members to 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 uncertainty around national pay negotiations, the increasing pressures from demographics, particularly the increasing numbers of older people requiring care services, as well as general 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 £314.657m are available to Elected Members assuming the Council accepts the 2021/22 settlement offer from Scottish Government. The Council agreed on the 25th February 2021 to freeze Council Tax at the 2020/21 rates and accept funding of £1.955m provided by Scottish Government for this purpose this funding being broadly comparable to a 3% increase.
- 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 2021/22 represents the fourth year of the revenue 5 year financial plan for the Council first 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.

- 1.8 The Council approved a revised approach to organisational change under the banner of 'Fit for 2024' when the budget was set for 2019/20 in February 2019. This approach is reshaping the transformation programme ensuring individual projects are more cross-cutting and focused on joined up business process review. The Fit for 2024 programme has been a strong driver in developing financial plan proposals for the 5 year period of the plan.
- 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 2021/22 – 2025/26. 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 2021/22 budget has been prepared against a background of significant financial uncertainty caused by the COVID-19 pandemic. The impact of COVID-19 on wider society has been profound. This in turn has significant implications for the Council's finances and its service delivery model. It is anticipated that these impacts will continue to be felt for some time to come, even once lockdown restrictions are raised. The Council's financial strategy has been adapted accordingly using the best information available at this time.
- 1.12 A risk based approach has once again been used to set the level of recommended balances to be held in contingency recognising the uncertainty caused by the Pandemic.

2 RECOMMENDATIONS

2.1 It is recommended that Council:

- (a) notes the estimated revenue resources for 2021/22 to 2025/26;**
- (b) notes the estimated capital resources for 2021/22 to 2030/31 and the requirement to adhere to the prudential code for capital borrowing;**
- (c) approves the financial strategy set out in section 4.5 (a) to (i) of this report, including the recommendation to maintain unallocated reserves at £6.315m for 2021/22, having considered the risk register highlighted in appendix 1;**
- (d) proceeds to consider the proposed Financial Plan for 2021/22; and**
- (e) notes that a freeze on Council Tax at current levels was approved by Council on 25th February 2021.**

3 THE REVENUE FINANCIAL PLANNING PROCESS 2021/22 TO 2025/26

3.1 Financial year 2021/22 represents the fourth year of the 5 year financial plan for the Council first agreed in February 2018 with this updated plan covering the period 2021/22 to 2025/26. 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. The Fit for 2024 programme is now embedded within the budget process and delivery of cross cutting savings proposed by the programme are integral to balancing the budget in the period to 2024. It is recognised that further transformational change will be required beyond 2024.
- 4.2 It is recognised however that COVID-19 has had a profound effect on the Council's finances. The budget in 2020/21 has been impacted by additional costs, reduced income and delays in the delivery of savings associated with previously approved transformation plans. The monitoring report submitted to Executive Committee on the 9 February 2021 highlighted an impact of £28m in 2020/21. Many of these costs are one off in nature but a significant element will require to be addressed in compiling the 2021/22 budget. The Fit for 2024 transformation programme remains crucial to the delivery of service change and financial efficiencies.
- 4.3 The financial strategy for 2021/22 is therefore designed to address the impact of COVID 19 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 provide 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.

- 4.4 This strategy seeks to ensure that the Council's budget is targeted so that it meets a number of strategic aims. While recovery from the COVID-19 pandemic is crucial, there are a number of different policy issues which require to be addressed including the need to ensure the budget:- provides the best possible stimulus to the local economy, responds appropriately to the wider Climate Emergency declared by the Council in 2020, looks after those who are most vulnerable in our society and targets resources through early intervention and prevention programmes to reduce future demand for public services. This approach will be crucial in continuing to support communities to respond and recover from COVID-19.
- 4.5 The recommended high level financial strategy to be followed over the period 2021/22 – 2025/26 is therefore, to:-
- (a) ensure the long term stability of the Organisation by setting a prudent, sustainable budget in line with available resources;
 - (b) continue to invest in education, community infrastructure and inclusive economic growth that will raise standards, address the threat of high unemployment levels where possible, improve quality of life for local people and encourage active, healthy lifestyles;
 - (c) work with community planning partners to invest in early intervention and prevention programmes to reduce future demand for services;
 - (d) continue to work with local RSL's deploying the affordable housing budget to provide safe warm homes through the Strategic Housing Improvement Plan;
 - (e) set a capital programme which keeps debt within prudent sustainable limits as set out in the treasury strategy;
 - (f) provide for loans charges of £19.466m (2021/22) 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;
 - (g) maximise income while keeping fees charged to service users at an affordable level;
 - (h) continue to invest in transformation projects that deliver long term financial savings and service benefits; and
 - (i) recognising the challenges faced by the organisation, particularly in relation to responding to and recovering from COVID-19, maintain unallocated reserves of £6.315m, just over 2% of net revenue expenditure for 2021/22 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 2021.

Table 1 Funds and Balances	1 April 2021 (est £m)
Statutory Funds	
Corporate Property Repairs and Renewals Fund	0
Plant and Vehicles Renewals Fund	7.622
Insurance Fund	1.551
Capital Fund Excl Developer Contributions	1.200
General Fund – Earmarked	
Devolved School Management	0.000
Specific Departmental Reserves	7.413
Allocated reserves	2.524
General Fund – Non-Earmarked	6.315
Total	<u>26.625</u>

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 2021/22 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 2021/22. The unallocated balance projected at the 31st March 2021 equates to 2% of net revenue expenditure and is sufficient to cover 49% of the risks identified in the finance risk register should they be realised.

6 THE AEF SETTLEMENT 2021/22

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 Local Government Finance Settlement, received on the 1st February 2021 was accompanied by a letter from the Cabinet Secretary for Finance Kate Forbes confirming that the Scottish Government will work in partnership with local government to implement the budget and the joint priorities in return for the full funding package worth £11.6 billion nationally. The correspondence confirmed funding levels along with criteria around the settlement as set out below:

- £59 million revenue to support the final tranche of increased funding for the expansion in funded Early Learning and Childcare (ELC) entitlement to 1,140 hours;
- £90 million to compensate councils who choose to freeze council tax levels;
- In addition to the £100 million available in 2020-21, a further £72.6 million to be transferred from the health portfolio to the Local Authorities in-year for investment in health and social care and mental health services that are delegated to Integration Authorities under the Public Bodies (Joint Working) (Scotland) Act 2014. This brings the total transferred from the health portfolio to support health and social care integration to £883.6 million in 2021/22. The additional £72.6 million for local government comprises a contribution to continued delivery of the real Living Wage (£34 million), uprating of free personal and nursing care payments (£10.1 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£28.5 million);
- The ongoing £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- Continued provision in support of Teachers Pay (£156 million) and Pensions (£97 million);

- An additional £7.7 million support for inter-island ferries bringing the total to £19.2 million;
- £5.3 million for Barclay implementation costs;
- £10 million additional capital funding for Flood Risk schemes; and
- The distribution of the additional COVID-19 consequentials of £259 million for 2021-22 for general ongoing pandemic pressures has been included in the Local Government Finance (Scotland) Order 2021 and the accompanying Local Government Finance Circular following agreed with COSLA after the Settlement letter was received on 1st February 2021.

6.3 The Finance and Constitution Committee debated Stage 2 and 3 of the Budget Bill on 8th and 9th March 2021. Further revenue funding over and above the initial settlement was agreed as follows:

- £100m to provide a Pandemic Support Payment to support people, in particular families, on low incomes
- £17m to extend the concessionary travel scheme to under-22 year olds
- £49.75m in 2021/22 to support the phased the roll-out of free school meals for all primary pupils, starting with P4
- Revised public sector pay policy to provide an increased cash underpin of £800 for those earning up to £25,000, and 2% for those earning over £25,000 up to £40,000
- £120m for mental health services – as yet, it is unclear how much, if any, of this will relate to Local Government
- £60m for Education support (learning loss/catch up)
- £20m additional funding for in-class support for children, provided as a top up to Pupil Equity Fund (PEF)
- Baselineing of the £90m that was made available in 2021/22 for councils who are freezing council tax.

6.4 Following approval of the Scottish Government's budget by Parliament on the 10th March, the Council's share of £90m made available in 2021/22 to freeze Council Tax (£1.955m) has been reflected permanently in the budget. It should be noted that the remaining additional funding set out in section 6.3 above will be reflected in the budget during 2021/22 as individual Council allocations are confirmed.

7 REVENUE RESOURCES

7.1 The Settlement for 2021/22 confirmed the following resources would be provided by the Scottish Government to the Scottish Borders:

- (a) Revenue Support Grant of £199.653m, including the SBC share of £90m to support a freeze on Council Tax and £72.6m nationally to support H&SC integration. Taken together with Non Domestic Rates distributions of £33.571m, this provides providing total grant support of £233.224m to the Council;
- (b) Further one-off COVID-19 funding of £5.7m has been provided for general ongoing pandemic pressures during 2021/22;
- (c) Total specific grant has been confirmed to fund Early Learning & Childcare (£12.146m), the Pupil Equity Fund (£1.764m), Community Justice Social Work (£1.256m) and Gaelic (£0.001m);

- (c) Funding over and above the Settlement is still awaited to fund the Teachers Induction Scheme, Discretionary Housing Payments (DHP), Gaelic, Customer First top-up and School Child Burials. All these budgets will be created during 2021/22 when funding is confirmed;
- (d) The development of the 2021/22 budget has seen close 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 £7.733m 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 £72.6m nationally in 2021/22 to fund:
- a contribution of £34m to the continued delivery of the real Living Wage (£0.787m for SBC);
 - uprating of free personal and nursing care payments by £10.1m (£0.349m for SBC); and
 - implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill costing £28.5m (£0.659m for SBC).

7.2 Scottish Borders Council received a £1.955m share of £90m provided nationally by Scottish Government to compensate Councils who choose to freeze Council Tax levels.

Table 1

	2021/22 £'000	2022/23 (Provisional) £'000	2023/24 (Provisional) £'000	2024/25 (Provisional) £'000	2025/26 (Provisional) £'000	Total £'000
Aggregate External Finance						
General Revenue Support	182,531	188,060	183,495	183,679	183,311	921,076
Council Tax freeze funding for 2021/22	1,955	1,955	1,955	1,955	1,955	9,775
Assumed one-off COVID-19 funding	5,700	(5,700)	0	0	0	0
Assumed SG grant reductions 1% years 2-5	0	(2,236)	(2,190)	(2,192)	(2,189)	(8,807)
Ring fenced grants	15,167	15,167	15,167	15,167	15,167	75,835
Assumed additional funding for H&SC for demographics		3,371	2,374	1,824	1,816	9,385
Health & Social Care Partnership	7,733	7,849	7,927	8,006	8,086	39,601
Non-domestic Rates	33,571	33,571	33,571	33,571	33,571	167,855
	246,657	242,037	242,299	242,010	241,717	1,214,720
Earmarked Balance	1,562	0	0	0	0	1,562
Council Tax (Band D £1,253.91 in 2021/22 - 3% inc from	65,261	67,862	70,493	73,219	76,048	352,883
Second Homes Council Tax	1,177	1,211	1,247	1,285	1,323	6,243
Total	314,657	311,110	314,039	316,514	319,088	1,575,408

8 RESOURCING ESTIMATES 2021/22 AND BEYOND

8.1 At present the Scottish Government has only confirmed a one year Revenue Settlement and therefore has only published draft AEF figures for 2021/22. In planning resources over the next 5 years the Council has

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 each future year of the 5 year 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 revenue 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 The Council approved a revised approach to organisational change under the banner of 'Fit for 2024' when the budget was set for 2019/20 in February 2019. The Fit for 2024 programme has been a strong driver in developing financial plan proposals for the 5 year period of the plan.
- 8.4 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 2021/22. This analysis is included at Appendix 2.
- 8.5 This analysis highlights a range of potential financial outcomes which would if realised require the Council to identify revenue savings of between £39m and £72m 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 CAPITAL RESOURCES

- 9.1 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.
- 9.2 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.
- 9.3 The requirements of the Prudential Code were updated in December 2017 including the recommendation that Councils publish a capital strategy from 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.

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

	£m
2021/22	19.466
2022/23	21.001
2023/24	23.280
2024/25	23.938
2025/26	23.938

The significant increase in loans charges over the period is driven by the construction of 3 new secondary schools and two new care facilities.

10 CAPITAL FUNDING ASSUMPTIONS

10.1 Capital Settlement

A General Capital Grant is issued to each Local Authority in Scotland as part of the Settlement letter. The draft settlement confirms general capital grant of £11.061m will be provided to the Council in 2021/22. Overall the level of capital grant has decreased by £4.1m next year when compared to the Council's planning assumptions for next year. The Cabinet Secretary for Finance, subsequently set out the capital allocations for local government as presented in "Investing for Jobs: Capital Spending Review 2021-22 to 2025-26", published on 4 February 2021. The letter provided an outline five-year indicative allocation for general capital grant and other specific funding streams provided through the local government finance settlement. The five-year indicative allocation provided has confirmed that the core General Capital Grant will remain at a flat cash level from the confirmed 2021/22 grant level through to 2025/26 and the Council planning assumptions have therefore been revised downwards.

- 10.2 The Finance and Constitution Committee debated Stage 2 and 3 of the Budget Bill on 8th and 9th March 2021. As well as revenue funding further capital funding has also been confirmed. An additional £40m capital for green recovery - £15 million for active travel, £10 million for energy efficiency, £10m for biodiversity (grants for a wider range of projects) and £5 million to support emissions reduction in the agriculture sector. Local Government capital allocations have been impacted, with a re-profiling of both the town centres and bridges funding announced on 16 February. Instead of the full £82m (as previously announced) being provided in 2021/22 (£50m and £32m respectively), these funds will be spread over 2 years to enable the £40m announced at Stage 2 of the Budget Bill as follows:

	2021-22	2022-23
Town Centres / 2-minute neighbourhoods	£30m	£20m
Local Bridge Maintenance	£12m	£20m

The final confirmation of the phasing of this funding and individual allocations to Councils may require adjustments to be made to the Council's Capital Plan.

10.2 **Scottish Government – Capital Grants**

The Council's Capital settlement for 2021/22 also includes £20.588m for the Hawick flood protection scheme. In addition the settlement confirms an increase in the specific capital grant for cycling walking and safer streets to a budget of £0.506m from 2021/22. The proposed plan assumes total specific grants from Scottish Government of £47m over the 10 year period to 2031/32.

10.3 **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.

10.4 **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 £1.179m of development contributions over the next 10 year period.

10.5 **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 £2.030m 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.

10.6 **General Capital Grant future years**

The total estimated Capital Grant over the period of the Plan is estimated at £110.610m, a decrease of £39.457m from the previous Plan. Should resources vary from current projections in future years this may require the associated borrowing levels, phasing and prioritisation of projects within the Capital Plan to be revisited.

10.7 **Replacement Funds**

- (a) A fund was established by the Council in 2004 to ensure resources were in place for the continued replacement of its plant and vehicle 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.

10.8 **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 9.4. 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 £258m, an increase of £56m 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.

10.9 The total capital funding available is £580.121m. 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	42,447	4,421	46,868	46,868	0
Other External Grants & Contributions	67,531	61,094	128,625	128,625	0
Development Contributions	379	800	1,179	1,179	0
Capital Receipts	2,030	0	2,030	0	2,030
General Capital Grant	33,183	77,427	110,610	0	110,610
Plant & Vehicle Replacement - P&V Fund	6,000	14,000	20,000	20,000	0
Synthetic Pitch Replacement Fund	880	3,877	4,757	4,757	0
Funded From Revenue	8,000	0	8,000	8,000	0
Borrowing	148,893	109,159	258,052	0	258,052
Total	309,343	270,778	580,121	209,429	370,692

11 IMPLICATIONS

11.1 Financial Implications

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

11.2 Risk and Mitigation

Revenue Plan

- (a) The Council faces a number of risks in setting its Revenue Financial Plan for five years 2021/22 - 2025/26. 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, fund on going pressure from the demographic change facing the Borders population and address challenges from ongoing COVID-19 response and recovery. 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 2021/22.
- (b) 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.
- (c) Within the Capital Plan overly optimistic project management resulting in unrealistic assumptions about time, costs and risks involved continues to pose a risk. This is being mitigated by more intense scrutiny at the initiation phase and reviewing lessons learned from previous projects.
- (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.

11.3 Equalities

An integrated impact assessment (IIA) 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.

11.4 **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.

11.5 **Carbon Management**

There are no effects on carbon emissions.

11.6 **Rural Proofing**

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

11.7 **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.

12 CONSULTATION

12.1 Corporate Management Team has fully supported the revenue and capital financial planning process.

12.2 The Chief Legal Officer (Monitoring officer), the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and comments have been reflected in this final report.

Approved by

David Robertson

Signature

Executive Director Finance & Regulatory Services

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Background Papers: Scottish Borders Council, 25th February 2021

Previous Minute Reference: [insert last Minute reference (if any)]

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.