

# SCOTTISH BORDERS COUNCIL - LONG TERM FINANCIAL STRATEGY 2022/2023 – 2031/2032

## Executive Summary

The Scottish Borders Council Long Term Financial Strategy (LTFS) is an important component of the Financial Planning process. It underpins the longer term sustainability of the Council and ensures that the financial implications of the Corporate Plan are properly considered, affordable and reflected in future budgets. The primary objective of the Plan is to ensure the Council continues to live within its means, balancing expenditure against the income raised through Government grant, Non-Domestic Rates, Council Tax and fees and charges. As such the long term financial strategy is a key tool helping the Council to deliver essential services to the communities of the Borders.

This strategy seeks to build on previous financial modelling undertaken to assess the potential financial impact on Scottish Borders Council of service delivery priorities in the medium to longer term. To date the Council's forward financial plans have focused on the medium term, over a 5 year period for revenue income and expenditure, with a 10 year look forward adopted for our planned investment in assets set out in the Council's published Capital Strategy.

The adoption of a medium term approach 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 its strategic partnerships to provide longer term benefits.

This approach has enabled the required changes to services to be delivered in a more planned, holistic manner, mitigating the need for reactive cuts to services.

This medium term approach is central to the Council's Fit for 2024 transformation programme which is now fully embedded within the budget process with the delivery of cross cutting savings integral to balancing the budget.

It is now intended to extend the approach to encompass a longer term 10 year look forward that will seek to identify the challenges facing the Council and the opportunities we have to address them. In doing so the Council will seek to better integrate its approach to people, business, asset and financial planning processes and ensure these are fully aligned to clear priorities set out in a refreshed Corporate Plan. These priorities will be developed and defined in a co-productive way fully involving local communities, our community planning partners and the third sector.

In developing the Long Term Financial Strategy, a number of key assumptions are applied. For this first version, 2022/23 represents year 1 base year, with 2023/24 – 2026/27 reflected in the Council's Revenue Financial Plan. This strategy now forecasts a further 5 years giving a longer term 10 year view of the revenue and capital budget.

## Appendix 1

The strategy supports the Council to deliver the following outcomes:

- A forecast balanced budget in each of the 10 years of the Plan, assuming that required savings to balance the plan will be delivered on a recurring basis
- Delivery of savings through transformational change allowing significant investment in service improvements
- Borrowing funded through revenue, in line with investment detailed in the Capital Plan

The development and production of this strategy signals how the Council is looking to the future including anticipated commitments, aspirations and corresponding income streams.

The Council recognises that it must modernise in the face of resource constraints, changing demographics, rising expectations, calls for greater community involvement in decisions over the design and delivery of public services and the ongoing reform of the Scottish Public Sector.

With limited resources and increasing pressure on Council services it is clear we need to adapt and change the Council to be more efficient, more responsive to its citizens and more sustainable. We also need to recognise that we have not always succeeded in engaging effectively with all our communities and they in turn have not always accepted, the need for change. We therefore need to adopt a co-productive approach that fully involves communities in decisions over service redesign from the outset and ensure an approach that supports and empowers them when a different model of service delivery is implemented.

The strategy set out in this document will therefore be used to guide the Council to inform future decision making and financial planning. Many of the challenging decisions and actions necessary will require clear vision, effective partnership working, good communication and the buy in of communities through initiatives like #playyourpart.

This strategy seeks to ensure the Council addresses these challenges and remains financially sustainable over the longer term by living within our means, prioritising those things that are most important, adopting new ways of working, ensuring the Council is operating as efficiently as possible, exploiting new technology, developing further commercial opportunities where possible and engaging effectively with the people of the Borders to improve their quality of life and their experience of engaging with the Council.

The changes required must be understood in the context of the wider financial position of the Council, our transformation plans, wider public policy, the landscape of public service delivery in Scotland within which we operate and new national approaches such as Participatory Budgeting/Community Choices.

## Context

The LTFS is part of a suite of strategic management plans including:

- Corporate Plan
- Council's Financial & Transformation plans
- Capital Investment Strategy
- Treasury Strategy
- Procurement Strategy

As well as transforming the services the Council provides, and the way in which they are provided, the Council must also ensure that it is sustainable for the future. In order to do this, the Council needs to ensure that it has a sound financial base, good governance arrangements, efficient processes that are joined up and automated wherever possible, effective transformation plans strong ICT infrastructure and capabilities, well maintained operational premises, and a well-trained and motivated workforce.

The LTFS projects forward the approach already taken to the medium term financial plan which is developed over a 5 year timescale and aims to identify the financial impact of known, anticipated and potential events and requirements over a 10 year time-frame.

It is recognised that future projections covering this length of time will naturally contain some degree of uncertainty and the strategy therefore sets out clearly the assumptions made. In doing so the Council has reviewed a range of different scenarios with a best, worst and mid-range scenario and has assumed that a mid-case scenario will apply as the most likely outcome.

The level of uncertainty and risk increases as the amount of influence the Council has over events reduces and the timespan of the projection increases. It is crucial, however, that in planning the future model of public service delivery in the Borders that the Council takes this long-term view, models the range of outcomes which may occur and accepts the inherent uncertainties in future planning. By considering this range of outcomes it is felt that this will give the Council the best chance of optimising its future service delivery model and responding to the changes required.

The key to future sustainability is to develop a range of deliverable options and solutions which can be adapted quickly to reflect changing circumstances.

Flexibility and agility are needed when conditions and outcomes are uncertain. In order to do this, the Council must have clear priorities, policies and plans supported by robust information and evidence so that financial resources can be targeted in the most effective way.

The Council is clear that it wants the Borders to be a place where people want to live and learn; an attractive destination for visitors, with high quality job opportunities and infrastructure which provides the conditions for local businesses to thrive in a smart rural region. This includes the provision of high-quality, online connectivity for our homes, businesses and communities.

The Council is also clear, however, that it operates within a wider economic context and therefore in realising this vision a number of key issues and risks have to be considered.

## Key Influences and Risks

The Long Term Financial Strategy has considered a number of key macro-economic issues, some of which are out with the Council's control, and those internal issues which the Council has the ability to influence. Both external and internal influences need to be considered with key variables modelled to guide Council decisions about the future.

### External Influences (outwith the Council's control)

Economic changes such as:

- Interest rate fluctuations
- Level of grant funding from Scottish Government
- National Pay agreements and wider price inflation
- Unemployment levels in the Borders
- Supply chain issues associated with the wider economy

Climate related issues such as:

- Climate change
- Flooding
- Storm damage

Public Health issues including:

- The health and wellbeing of the local population
- Further financial and economic impacts from COVID-19 and potential future pandemics

### Internal Influences (within the Council's control)

- Working to clear corporate priorities as set out in the Corporate Plan
- Transformational change programme to improve outcomes
- Effective people planning
- Asset management plan to optimise the Council's property estate
- Use of robust performance data to drive improvement
- Use of digital technology and automation to improve services and reduce costs
- The Council's commitment to net zero and resultant actions required to reduce the carbon footprint
- Community engagement, partnership working and co-production of future service delivery models
- Community Empowerment including Participatory Budgeting/Community Choices with a Council commitment that communities will be enabled to make and influence decisions at a local level equating to 1% of the Council's budget
- Optimising the Council's treasury function and ensuring the financing of the capital programme remains affordable to the Council in the longer term

## Key Variables influencing the Plan

For this Long Term Financial Strategy, 2022/23 represents year 1 base year. The Council's medium term financial plan covers the period to 2026/27 and this longer term financial plan projects forward to 2031/32 giving a longer term 10 year view of the revenue budget. This strategy thereby aligns the planning horizon for revenue with the approach already adopted for capital. The following key variables have been considered in preparing the 10 year plan:

- Scottish Government funding levels
- Council Tax income levels
- Opportunities for increased commercialisation to increase income including fees & charges and increased grant funding opportunities
- Assumptions on inflation including pay increases
- Assumptions on increased demand for services such as in Health & Social Care services
- Investment in modernisation of the Council such as:
  - IT investment to drive revenue savings and ongoing costs to maintain a secure and reliable operating environment
  - investment in plant and vehicles to improve service delivery and addressing climate change, replacing ageing vehicles with modern electric vehicles where possible
  - investment in buildings to improve service delivery and energy efficiency
- Savings deliverable from transformational change including investment in digital technologies, increased automation and a reducing property footprint
- National policy decisions which will impact on Local Government in the future such as a potential National Care Service.

This is not an exhaustive list of variables which need to be considered, however the issues identified are considered to be the core issues which require to be considered. If these are followed and refined in the future, this will provide the Council with a robust approach to ensuring that the Council remains financially and operationally sustainable, and in doing so ensuring that it meets its statutory obligations, its policy aspirations and the needs of local communities.