
LONG TERM FINANCIAL STRATEGY (REVENUE)

Report by Acting Chief Financial Officer

SCOTTISH BORDERS COUNCIL

23 February 2023

1 PURPOSE AND SUMMARY

- 1.1 This report provides Council with a Long Term Revenue Financial Strategy (LTFS) document including detailed financial modelling to supplement the 2023/24 Financial Plan.**
- 1.2 The Council first adopted a five year planning period for revenue in 2013/14. This strategy now adopts a ten year look forward, aligning the time frame for revenue planning with the ten year period already adopted for planning the capital investment programme.
- 1.3 The approach to longer term financial planning is advocated as good practice by Audit Scotland. This approach has allowed the Council to deliver balanced budgets in each year since 2013/14 and to plan effectively for the financial consequences of multi-year transformational change across the Council. Since adopting a longer term planning horizon the Council has successfully delivered £78m of savings on a permanent basis, assisting significantly with financial sustainability. Adopting a consistent 10 year revenue planning horizon will further assist the Council to plan service and strategic change appropriately and ensure the financial implications of the Council Plan are properly considered, affordable and reflected in future budgets.

2 RECOMMENDATIONS

- 2.1 It is recommended that Scottish Borders Council approves the long term financial strategy at Appendix 1 to assist revenue financial planning over a 10 year period from 2023/24.**

3 LONG TERM STRATEGY

- 3.1 Since 2013/14 the Council has adopted a 5 year approach to medium term revenue planning and a 10 year timeframe for the Capital Plan. The Long Term Financial Strategy extends the strategic revenue planning period over 10 years. The approach to longer term financial planning is advocated as good practice by Audit Scotland.
- 3.2 This strategy 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. As such the long term financial strategy is a key tool helping the Council to deliver essential services to the communities of the Borders.
- 3.3 The strategy will 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.
- 3.4 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, exploiting new technology, developing further commercial opportunities where possible, and engaging effectively with the people of the Borders.
- 3.5 For this Long Term Financial Strategy, 2023/24 represents year 1, the base year. The Council's medium term financial plan will cover the 5 year period to 2027/28 and this longer term financial plan projects issues forward to 2032/33 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. A number of key variables have been considered in preparing the 10 year plan as shown below:

- Anticipated 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

- Loans charges – the revenue cost of borrowing to support investment through the Capital Plan including the recent Service Concessions Arrangement where PPP debt has been reprofiled over the life of the asset rather than the life of the contract.
- National policy decisions which will impact on Local Government in the future such as the National Care Service.

This is not an exhaustive list of variables, however the issues identified are considered to be the core issues which require to be considered.

- 3.6 The full Long Term Financial Strategy document along with detailed assumptions on key variables and supporting financial models are attached at Appendices 1, 2 and 3 to supplement the 2023/24 financial plan.
- 3.7 The analysis provided in Appendix 3 highlights a range of potential financial outcomes. 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. In a development from previous years the scenarios now examine a wider range of inflation projections modelling their impact on the Council's finances.

4 IMPLICATIONS

4.1 Financial

There are no financial implications beyond those contained in the report and appendices.

4.2 Risk and Mitigations

The major risks associated with this report are that the assumptions made do not materialise. This risk is mitigated in the financial modelling supporting the strategy through the use of sensitivity analysis which includes mid case, most favourable and least favourable positions. These assumptions will be flexed over time as greater clarity emerges on the impact of the Local Government settlement in future years, Council priorities, emerging national priorities and the objectives of the new Corporate Plan.

4.3 Integrated Impact Assessment

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

4.4 Sustainable Development Goals

There are no significant effects on the economy, community or environment.

4.5 Climate Change

No effect on carbon emissions are anticipated from the recommendation of this report.

4.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

4.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

4.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the Schemes of Administration or Delegation as a result of this report.

5 CONSULTATION

5.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director People, Performance and Change, the Clerk to the Council and Corporate Communications are being consulted and any comments received will be reported to the meeting.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference:

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