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## **FINANCIAL STRATEGY AND RESOURCES 2023/24**

**Report by Acting Chief Financial Officer**  
**SCOTTISH BORDERS COUNCIL**

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**23 February 2023**

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### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to recommend the financial strategy to be followed by the Council next financial year, confirm resources available to the Council following the publication of the Local Government Finance Settlement and identify the financial constraints and major risks to be addressed.**
- 1.2 The report also outlines the process supporting the construction of the draft revenue and capital Financial Plans for 2023/24 as well as draft plans for future years.
- 1.3 The Council 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 principal pressures identified are due to the anticipated continuing constraints on external revenue and capital funding from central government, the unprecedented level of inflationary increases experienced in 2022/23 and extending in to 2023/24, the ongoing uncertainty around national pay negotiations and the increasing pressures from demographics, particularly the increasing numbers of older people requiring care services and children requiring to be looked after and accommodated out with the authority.
- 1.4 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.
- 1.5 The report highlights that total revenue resources of £343.761m are available to Elected Members assuming the Council accepts the 2023/24 settlement offer from Scottish Government. The settlement gives Councils full flexibility to set the Council Tax rate that is appropriate for their local authority area for 2023/24 with no cap on Council Tax increases. The impact of potential variations in the Council Tax is shown in the tables in paragraph 7.2 and 9.1.
- 1.6 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. This approach has been developed for financial year 2023/24 with a 10 year revenue financial strategy being included for approval elsewhere on this

agenda. This brings the long term planning horizon for both revenue and capital in line at 10 years.

- 1.7 Financial year 2023/24 represents the first year of the current Administration's revenue 5 year financial plan for the Council. It is anticipated members will continue to adopt a longer term approach to financial planning. Estimates will continue to be updated annually as the detail of the financial settlement from Scottish Government becomes known.
- 1.8 Council was presented with a report on the 16th February 2023 to consider the impact for the Council of changing the statutory accounting treatment for Service Concession Arrangements (SCAs) as set out in Finance Circular 10/2022. The flexibility permits Councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made over the life of the asset rather than the life of the contract. This results in a one-off accounting credit to the Council and ongoing annual savings for a period of time. The 2023/24 budget proposals presented reflect benefits from adopting this change in accounting treatment.
- 1.9 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 continues to reshape the transformation programme ensuring individual projects are more cross-cutting and focused on joined up business process review.
- 1.10 This report also seeks approval of the financial strategy for the Council covering the period 2023/24 – 2027/28. The strategy provides the overall framework for the financial management of the Council and covers the revenue budget, capital investment plan, treasury management arrangements and the recommended policy on reserves.
- 1.11 A risk based approach has once again been used to set the level of recommended balances to be held in contingency.

## **2 RECOMMENDATIONS**

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

- (a) notes the estimated revenue resources for 2023/24 to 2027/28;**
- (b) notes the estimated capital resources for 2023/24 to 2032/33 and the requirement to adhere to the prudential code for capital borrowing;**
- (c) notes the flexibility provided through the LGFS process giving Councils full flexibility to set the Council Tax rate that is appropriate for their local authority area for 2023/24,**
- (d) approves the financial strategy set out in section 4.6 (a) to (i) of this report, including the recommendation to maintain unallocated reserves at £8.448m for 2023/24, having considered the risk register highlighted in Appendix 1; and**
- (e) proceeds to consider the proposed Financial Plan for 2023/24.**

### **3 THE REVENUE FINANCIAL PLANNING PROCESS 2023/24 TO 2027/28**

- 3.1 Financial year 2023/24 represents the first year of the current Administration's 5 year financial plan for the Council, covering the period 2023/24 to 2027/28. 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. This approach was enhanced for 2022/23 with the introduction of the 10 year Revenue Financial Strategy to align revenue and capital in planning over a 10 year timeframe. This longer term strategy has been developed further for 2023/24.
- 4.2 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 in line with the approved digital strategy and the Council Plan included elsewhere on the agenda. This further transformational change will focus in the first instance on delivering financial and service benefits through investment in digital solutions through significant investment in digital transformation as agreed as part of the CGI contract extension. Delivery of SBC's digital transformation programme is being prioritised with a focus on digitally enabling the frontline workforce, enabling data driven decision making and process automation.
- 4.3 It is recognised that COVID-19 has had a profound effect on the Council's finances since 2019/20. The budget in 2022/23 has continued to be impacted by additional costs, reduced income and delays in the delivery of savings associated with previously approved transformation plans. The monitoring report approved by the Executive Committee on the 14 February 2023 highlighted an impact of £9.833m in 2022/23. This pressure has reduced from that experienced in 2021/22, however ongoing financial implications may continue into 2023/24.
- 4.4 The financial strategy for 2023/24 is designed 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 as set out in the Council Plan;
  - (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 change programme.
- 4.5 This strategy seeks to ensure that the Council's budget is targeted so that it meets a number of strategic aims. While ongoing recovery from the COVID-19 pandemic is crucial, there are a number of different policy issues which also require to be addressed including the need to ensure the budget:- provides the best possible stimulus to the local economy, provides adequate resources to respond to the current inflationary pressures being experienced, 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.
- 4.6 The recommended high level financial strategy to be followed over the period 2023/24 – 2027/28 is therefore, to:-
- (a) ensure the long term stability of the Council 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 £21.082m (2023/24) 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) to recognise the challenges faced by the organisation maintain unallocated reserves of £8.448m, 2.5% of net revenue expenditure for 2023/24 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 2023.

<b>Table 1 Funds and Balances</b>	<b>1 April 2023 (est £m)</b>
<b>Specific Funds</b>	
Corporate Property Repairs and Renewals Fund	0
Plant and Vehicles Renewals Fund	6.347
Pitch & Play Park Replacement fund	1.381
Insurance Fund	1.354
Capital Fund excl. Developer Contributions	1.506
<b>General Fund – Earmarked</b>	
Devolved School Management	2.633
Earmarked Departmental Reserves (incl. Recovery Fund)	21.595
Allocated reserves	6.427
<b>General Fund – Non-Earmarked</b>	8.448
<b>Total</b>	<b><u>49.691</u></b>

- 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 2023/24 and future years. This approach seeks to quantify the risks facing the Council's finances, including underlying inflation, over optimistic savings assumptions, over optimistic assumptions regarding future Government grant funding, delays in delivery of transformation plans, unconfirmed future pay and pension cost increases, the failure by managers to enact effective budgetary control, severe weather events, the impact of COVID-19 on the wider economy, potential legal and contractual claims and unplanned emergencies in approving an appropriate level of unallocated balances. The risk register has been refreshed with the support of the Council's Chief Officer Audit & Risk to align it with risk reporting across the Council. Further risk review work will be

undertaken during 2023 as part of enhancements to meet the Council's revised Risk Management Policy.

- 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 £8.448m in 2023/24. The unallocated balance projected at the 31<sup>st</sup> March 2023 equates to 2.5% of net revenue expenditure and is sufficient to cover 59% of the financial risks identified in the finance risk register should they be realised.

## **6 THE AGGREGATE EXTERNAL FINANCE (AEF) SETTLEMENT 2023/24**

- 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; and
- (c) Ring-fenced grants which must be used for specified purposes.

- 6.2 The updated Local Government Finance Settlement, received on the 10th January 2023, confirmed revenue resources of £13.229 billion nationally in 2023/24, the implications for the Council budget are set out in section 7 below.

## **7 REVENUE RESOURCES**

- 7.1 The Settlement for 2023/24 confirmed the following resources would be provided by the Scottish Government to the Scottish Borders:
- (a) Revenue Support Grant of £205.841m and Non Domestic Rates distributions of £37.818m along with Specific Grant of £14.106m, providing total grant support of £257.765m to the Council;
  - (b) The total specific grant of £14.106m has been confirmed to fund Early Learning & Childcare (£10.929m), the Pupil Equity Fund (£1.919m), Criminal Justice Social Work (£1.257m) and Gaelic (£0.001m);
  - (c) Funding over and above the Settlement is still awaited to fund the following Scottish Government priorities (national funding figures provided). Teachers Induction Scheme (£37.6m), Discretionary Housing Payments (DHP) (£85.9m), Gaelic (£0.103m), Customer First top-up (£1.41m), Educational Psychology trainees (£0.45m)

and Real Living Wage (£100m). All these budgets will be created during 2023/24 when funding is confirmed;

(d) The development of the 2023/24 budget has seen close cooperation and joint financial planning between the Council, NHS Borders and the Integration Joint Board (IJB). Key aspects of the budget in this area include a Health and Social Care fund of £8.047m that is once again to be transferred from the NHS to Council via the 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 provide Councils with a further £95m nationally in 2023/24, ring-fenced for deployment on IJB services:

- £100m nationally for Real Living Wage which has been held back pending an agreed distribution methodology;
- £15m for Personal & Nursing Care (£0.526m for SBC); and
- Less £20m one-off funding provided in 2022/23 to fund Interim Care which has been removed from the 2023/24 settlement (-£0.473m for SBC).

7.2 The revenue resources available to the Council based on an increase in Council Tax of 1%, 2%, 3%, 4% and 5% in each financial year are shown below in Table 2. The following Table 3 provides the total revenue resources available to the Council based on an increase in Council Tax of 5% for 2023/24 at £343.761m.

Table 2

Council Tax Income Financial Plan 2023/2024	% Increase	2023/24 (Provisional) £000's	2024/25 (Provisional) £000's	2025/26 (Provisional) £000's	2026/27 (Provisional) £000's	2027/28 (Provisional) £000's
Forecast Council Tax Income at Increase	5%	£73,038	£77,284	£81,771	£86,514	£91,526
Impact of 5% pa increase		£3,462	£7,143	£11,066	£15,245	£19,692
Incremental increase			£3,681	£3,923	£4,179	£4,447
Forecast Council Tax Income at Increase	4%	£72,344	£75,825	£79,469	£83,282	£87,276
Impact of 4% pa increase		£2,768	£5,684	£8,764	£12,013	£15,442
Incremental increase			£2,916	£3,080	£3,249	£3,429
Forecast Council Tax Income at Increase	3%	£71,653	£74,384	£77,214	£80,148	£83,187
Impact of 3% pa increase		£2,077	£4,243	£6,509	£8,879	£11,353
Incremental increase			£2,166	£2,266	£2,370	£2,474
Forecast Council Tax Income at Increase	2%	£70,960	£72,955	£75,002	£77,101	£79,254
Impact of 2% pa increase		£1,384	£2,814	£4,297	£5,832	£7,420
Incremental increase			£1,430	£1,483	£1,535	£1,588
Forecast Council Tax Income at Increase	1%	£70,268	£71,541	£72,832	£74,141	£75,471
Impact of 1% pa increase		£692	£1,400	£2,127	£2,872	£3,637
Incremental increase			£708	£727	£745	£765
Forecast Council Tax Income at Increase	0%	£69,576	£70,141	£70,705	£71,269	£71,834



Table 3

	2023/24 £'000	2024/25 (Provisional) £'000	2025/26 (Provisional) £'000	2026/27 (Provisional) £'000	2027/28 (Provisional) £'000	Total £'000
<b>Aggregate External Finance</b>						
General Revenue Support	205,841	208,435	208,435	210,585	210,585	1,043,881
Ring fenced grants	14,106	13,330	13,330	13,330	13,330	67,426
Health & Social Care Partnership	8,047	8,127	8,207	8,289	8,289	40,959
Non-domestic Rates	37,818	37,818	37,818	37,818	37,818	189,090
	265,812	267,710	267,790	270,022	270,022	1,341,356
Funding for new schools through Learning Estate Investment Programme	0	1,346	3,187	2,892	2,492	9,917
Earmarked Balance (including £2.6m from SG for 2022/23 Pay Award)	3,503	0	0	0	0	3,503
Reserves	726	0	0	0	0	726
Service Concessions	682	3,991	3,660	760	0	9,093
Council Tax (Band D £1,356.11 in 2023/24 - 5% increase)	71,809	75,269	78,892	82,682	86,651	395,303
Second Homes Council Tax	1,229	1,278	1,329	1,382	1,437	6,655
<b>Total</b>	<b>343,761</b>	<b>349,594</b>	<b>354,858</b>	<b>357,738</b>	<b>360,602</b>	<b>1,766,553</b>

## 8 RESOURCING ESTIMATES 2023/24 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 2023/24. In planning resources over the next 5 years through the revenue plan and 10 years through the Long Term Financial Strategy, 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 be provided on a flat cash basis 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, particularly in relation to digital developments.
- 8.4 Council was presented with a report on the 16th February 2023 to consider the impact for the Council of changing the statutory accounting treatment for Service Concession Arrangements (SCAs) as set out in

Finance Circular 10/2022. The flexibility permits Councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made over the life of the asset rather than the life of the contract. This results in a one-off credit to the Council and ongoing annual savings for a period of time. The 2023/24 budget proposals presented reflect benefits from this change in accounting treatment.

- 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. They recommend that this approach be extended to encompass greater use of scenario planning over a longer period. In response Council officers developed a Long Term Revenue Financial Strategy as part of the 2022/23 budget with an updated strategy for 2023/24 provided elsewhere on this agenda.

## 9 COUNCIL TAX

- 9.1 The settlement gives Councils full flexibility to set the Council Tax rate that is appropriate for their local authority area for 2023/24. 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.

Table 4

<b>3% Increase</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
Charge 22/23	861.02	1,004.52	1,148.03	<b>1,291.53</b>	1,696.93	2,098.74	2,529.25	3,164.25
23/24 prices (3% inc)	886.85	1,034.66	1,182.47	<b>1,330.28</b>	1,747.84	2,161.71	2,605.13	3,259.19
Annual Increase	25.83	30.14	34.44	<b>38.75</b>	50.91	62.97	75.88	94.94
Monthly Increase	2.15	2.51	2.87	<b>3.23</b>	4.24	5.25	6.32	7.91
Weekly Increase	0.50	0.58	0.66	<b>0.75</b>	0.98	1.21	1.46	1.83
<b>4% Increase</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
Charge 22/23	861.02	1,004.52	1,148.03	<b>1,291.53</b>	1,696.93	2,098.74	2,529.25	3,164.25
23/24 prices (4% inc)	895.46	1,044.70	1,193.95	<b>1,343.19</b>	1,764.80	2,182.68	2,630.41	3,290.82
Annual Increase	34.44	40.18	45.92	<b>51.66</b>	67.87	83.94	101.16	126.57
Monthly Increase	2.87	3.35	3.83	<b>4.31</b>	5.66	6.99	8.43	10.55
Weekly Increase	0.66	0.77	0.88	<b>0.99</b>	1.31	1.61	1.95	2.43
<b>5% Increase</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
Charge 22/23	861.02	1,004.52	1,148.03	<b>1,291.53</b>	1,696.93	2,098.74	2,529.25	3,164.25
23/24 prices (5% inc)	904.07	1,054.75	1,205.43	<b>1,356.11</b>	1,781.78	2,203.68	2,655.72	3,322.47
Annual Increase	43.05	50.23	57.40	<b>64.58</b>	84.85	104.94	126.47	158.22
Monthly Increase	3.59	4.19	4.78	<b>5.38</b>	7.07	8.74	10.54	13.19
Weekly Increase	0.83	0.97	1.10	<b>1.24</b>	1.63	2.02	2.43	3.04

- 9.2 The Table above shows the impact of a 3%, 4% and 5% increase in the Council Tax alongside the annual, monthly and weekly 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 the Chartered Institute of Public Finance and Accountancy (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 Investment Strategy from 2019/20. As such Scottish Borders Council's Capital Investment 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:

	<b>£m</b>
2023/24	21.082
2024/25	22.641
2025/26	23.625
2026/27	24.327
2027/28	24.426

The increase in loans charges over the period in the early years is primarily driven by the construction of 3 new secondary schools, 2 new primary schools and two new care facilities.

## 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 letter. The draft settlement confirms general capital grant of £15.629m will be provided to the Council in 2023/24.

### 11.2 Scottish Government – Capital Grants

The Council's Capital settlement for 2023/24 also includes £7.847m for the Hawick flood protection scheme. In addition the settlement confirms an allocation in the specific capital grant for cycling walking and safer streets of £0.507m for 2023/24. The proposed plan assumes total specific grants from Scottish Government of £19.906m over the 10 year period to 2032/33.

### 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 £6.1m 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 principal. The estimate is reviewed on a regular basis to determine assets available for disposal and their likely disposal value and timing.
- (b) The Plan assumes £2.1m 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 £111.953m. 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.

#### **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 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.
- (c) A fund has been established by the Council to allow play facilities to be replaced at the end of their useful life. The replacement life is dependent upon the type of play 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 £229m. 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 £474.357m. The following table summarises the total resources for the proposed Capital Plan.

Table 5

	3 year operational £'000	7 year strategic £'000	Total £'000	Est. External Funding £'000	Est. SBC Contribution £'000
Specific Grants from Scottish Government	18,177	1,729	19,906	19,906	0
Other External Grants & Contributions	51,951	23,647	75,598	75,598	0
Development Contributions	5,501	600	6,101	6,101	0
Capital Receipts	2,135	600	2,735	0	2,735
General Capital Grant	34,190	77,763	111,953	0	111,953
Plant & Vehicle (P&V) Replacement - P&V Fund	6,000	14,000	20,000	20,000	0
Synthetic Pitch Replacement Fund	1,881	2,838	4,719	4,719	0
Funded From Revenue	3,852	0	3,852	3,852	0
Borrowing	174,543	54,950	229,493	0	229,493
					0
<b>Total</b>	<b>298,230</b>	<b>176,127</b>	<b>474,357</b>	<b>130,176</b>	<b>344,181</b>

## **12 IMPLICATIONS**

### **12.1 Financial**

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

### **12.2 Risk and Mitigations**

Revenue Plan

- (a) The Council faces a number of risks in setting its Revenue Financial Plan for five years 2023/24 - 2027/28. 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 Scottish 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 £8.448m in financial year 2023/24.
- (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.

### **12.3 Integrated Impact Assessment**

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.

### **12.4 Sustainable Development Goals**

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

### **12.5 Climate Change**

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 **Data Protection Impact Statement**

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

12.8 **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 The Council Management Team has fully supported the revenue and capital financial planning process.

13.2 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)**

Name	Designation and Contact Number
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**Background Papers:**

**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.

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