



Scottish Borders Council

**LONG-TERM FINANCIAL  
STRATEGY (REVENUE)**

**2026/2027 – 2035/2036**

## EXECUTIVE SUMMARY

The Scottish Borders Council's Long-Term Financial Strategy (Revenue) (LTFS) is an important element of the Council's Financial Planning process. It underpins the long-term sustainability of the Council and ensures that the financial implications of the economic climate and current service delivery can be properly considered and reflected in future budgets. The primary objective of the strategy is to forecast potential income and expenditure over the longer term to provide an anticipated future revenue position at a strategic level. This allows the Council to plan effectively, helping to ensure it continues to live within its means, balancing anticipated expenditure and planned new developments against the funding we estimate to raise through Government grants, Non-Domestic Rates, Council Tax and fees and charges. The Long-Term Financial Strategy (Revenue) is therefore a key tool in helping the Council to deliver its Vision for 2033 as set out in the Council Plan.

The Long-Term Financial Strategy (Revenue) expands the Council's financial plans for revenue income and expenditure from the detailed 5-year provisional budget contained within the Financial Plan to a high level 10-year outlook and is aligned with our planned investment in assets and infrastructure as set out in the Council's Capital Investment Strategy and 10-year Capital Plan. The assumptions within the LTFS are updated annually as part of the budget setting process undertaken by the Council to ensure it retains a forward view of the financial challenges ahead.

The Council's approach to Financial Planning has enabled the Council to successfully 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 whilst delivering over £90m of savings. This approach has enabled a planned, holistic approach to service redesign and reducing costs, mitigating the need for reactive cuts to services.

It has become increasingly challenging to deliver savings on a recurrent basis and in order to remain sustainable the Council will need to reduce in size, making significant changes to its operating model, not just through investment in digital technologies, but through a robust review of current services including their delivery models to ensure that these are relevant to, and provide the best value for, the communities and people that it serves. This will require effective engagement with our partners and communities and a strong focus on our agreed priorities. The Council continues to integrate its approach to people, business, asset and financial planning processes ensuring these are fully aligned to clear priorities set out in the Council Plan. The Council Plan will continue to be developed and defined in a co-productive way fully involving local communities, our community planning partners and the third sector.

The Council's Change Fund was created to enable transformational work to be undertaken where upfront costs would otherwise be a barrier to change. A loan is made from the fund for qualifying projects, which are paid back over an agreed period using the generated savings. Once paid back, the council will reap the full benefit of the savings. So far 11 projects have benefitted from this fund. In November 2024, the Accounts Commission published a favourable Best Value report on The Council's transformation programme which noted the Council's strong track record in delivering savings and notes the creation of the Change Fund. [Best Value: Scottish Borders Council](#)

The Long-Term Financial Strategy (Revenue) seeks to support the future planning of change by identifying some of the key challenges facing the Council in the longer term and recognising the

opportunities we have to address them; this provides an indication of the scale of change required to remain financially sustainable.

This strategy supports the Council to deliver the following outcomes:

- A forecast balanced budget in each of the 10 years of the Plan, assuming that savings required to balance the plan will be delivered on a recurring basis;
- Permanent delivery of savings through transformational change allowing the Council to remain financially sustainable;
- Borrowing funded through revenue, in line with investment detailed in the Capital Plan;
- Maintain reserves; and
- Utilise the Change Fund to enable transformational work.

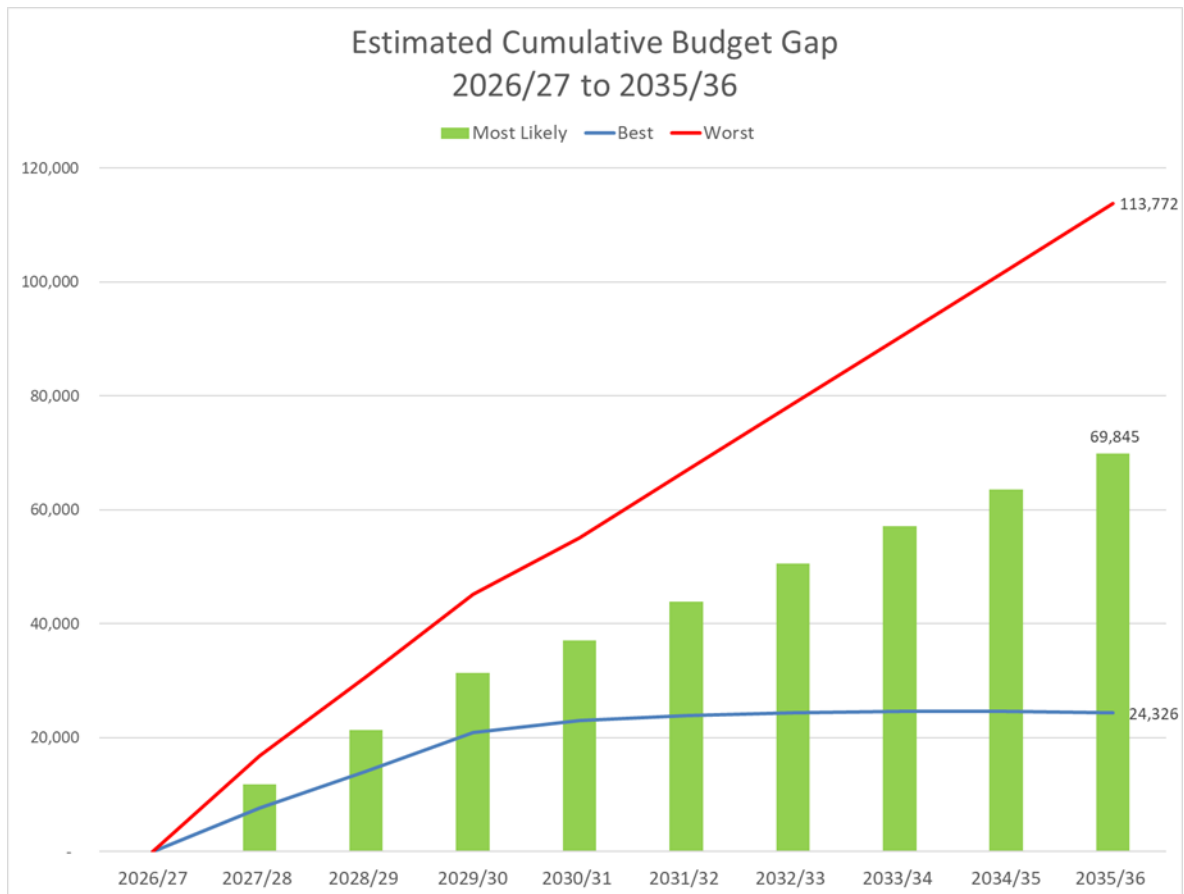
The Council recognises that it must continue to modernise in the face of resource constraints, changing demographics, rising expectations, calls for greater community involvement in decisions over the design and delivery of public services and the ongoing reform of the Scottish Public Sector. With limited resources and increasing pressure on Council services it is clear we need to continue to adapt and change the Council to be more efficient, more responsive to the citizens and communities of the Scottish Borders and more sustainable. We therefore need to adopt a co-productive approach that fully involves communities in decisions over place based and online service redesign from the outset, ensuring an approach that supports and empowers them when a different model of service delivery is proposed. A draft Community Engagement Strategy was approved in April 2024 which sets out how we plan to engage with Communities and why it's important for the Council to understand the needs of the communities.

The Long-Term Financial Strategy (Revenue) supports the Council to ensure it remains financially sustainable over the longer term by living within our means and prioritising those things that are most important. The Council does this by adopting new ways of working, ensuring the Council is operating as efficiently as possible, exploiting new technology, developing commercial opportunities where possible and engaging effectively with the people of the Scottish Borders to improve their quality of life and their experience of engaging with the Council.

Within this document several key assumptions are reviewed over a 10-year period to determine the potential financial requirements of the future. 2026/27 represents year 1. To model the cumulative effect of variations to the key assumptions, the strategy looks at three scenarios.

- 1) the assumed position, where years 1 to 5 reflect the Council's medium-term plan and a mid-case position is taken for years 6-10,
- 2) the most favourable position, where additional Scottish Government funding and Council tax income effectively fund pressures in later parts the plan.
- 3) the least favourable position which assumes reducing funding from Scottish Government and increasing pay and non-pay pressures.

The gap between assumed funding and expenditure in each scenario represents the permanent savings required to ensure the Council operates within resources available. The estimated funding gaps of the 3 scenarios are illustrated in the graph below, this shows that in the assumed position, with a flat cash settlement and mid-case Council tax increases an annual budget gap of £70m would arise by 2035/36.



This document is used to inform future decision making and financial planning. Many of the challenging decisions and actions necessary to ensure the financial sustainability of the Council will require clear vision, effective partnership working, good communication and the buy in of communities through initiatives like **#yourpart**.

## CONTEXT

The Long-Term Financial Strategy (Revenue) is part of a suite of strategic management plans including:

- Council Plan
- Council's Financial & Transformation plans
- Capital Investment Strategy
- Treasury Management Strategy
- Digital Strategy
- Anti-poverty Strategy
- Climate Change route map
- Procurement Strategy
- Community Engagement 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. To do this, the Council needs to ensure that it has a sound financial base, robust governance arrangements, efficient processes that are joined up and automated wherever possible, effective transformation plans, strong Information and Communications Technology (ICT) infrastructure and capabilities, well maintained operational premises, and a well-trained and motivated workforce.

The Long-Term Financial Strategy (Revenue) projects forward the approach taken with 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 timeframe.

It is recognised that future projections will contain a degree of uncertainty. The Council has therefore reviewed a range of different potential outcomes with a best, worst and mid-range scenario and has assumed that a mid-case scenario is the most likely outcome. This is intended to provide a strategic indicator of the future financial position for the Council.

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 and therefore the assumptions are refreshed on an annual basis. It is crucial, however, that in planning the future model of public service delivery in the Scottish 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 a 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 Council recognises that it must continue to 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 continue to adapt and change the Council to be more efficient, more responsive to the citizens and communities of the Scottish Borders, and, more sustainable. We therefore need to adopt a co-productive approach that fully involves communities in decisions over place based and online service redesign from the outset, ensuring an approach that supports and empowers them when a different model of service delivery is proposed.

The Council is clear that it wants the Scottish Borders to be a place where people can grow and develop into highly skilled, happy and healthy citizens; an attractive destination for visitors, has a stronger, greener and more inclusive economy which revitalises our town centres ensuring that local businesses and social enterprises thrive. Collaborating with regional partners to maximise digital investment opportunities for Scottish Borders to become a Smart Rural Region will provide high-quality, online connectivity for our homes, businesses, and communities.

## Savings deliverable from transformational and operational change

The delivery of savings through transformational change remains a cornerstone of the Council's financial sustainability for the future. Since **2013/14** the Council has delivered over **£90m** of recurring savings through a medium-term planning approach supported by extensive efficiency savings and transformation activity.

However it is becoming increasingly challenging to deliver savings on a recurrent basis and in order to remain sustainable the Council must continue to make significant changes to its operating model, not just through investment in digital technologies, but through a robust review of current services including their delivery models to ensure that these are relevant to, and provide the best value for, the communities and people that it serves. This requires effective engagement with our partners and communities and a strong focus on agreed priorities.

The Council's Transformation Programme supports services to enable change to ensure the Council remains financially sustainable. Future transformational change will require to focus on investment in digital technologies, increased automation, productivity, customer self-service and a reduction in the Council's extensive property footprint. Further information on how the Council will approach changing its services can be found within the Transformation Programme.

In 2025/26 the Council created a Change Fund to enable transformational work to be undertaken where upfront costs would otherwise be a barrier to change. Approved projects receive a loan from the fund which is paid back over an agreed period using the generated savings. Once paid back, the council will reap the full benefit of the savings.

## Investment in modernisation of the Council

The Council has, over the last number of years, recognised the importance of investment in services to support communities in the best possible way. This investment to modernise the Council will continue, with a focus on improving productivity, within the resources available, to focus on:

- IT investment to drive automation of processes to deliver revenue savings and maintain a secure and reliable operating environment
- Enabling data driven decision making through investment in technology to increase efficiency and improve service delivery

- Investment in handheld technology and support systems to transform the front-line delivery of services, reduce the administrative burden and allow professional staff to be focused on key tasks that only they can undertake.
- Investment in new, more efficient plant and vehicles to improve service delivery and address climate change, replacing ageing, polluting vehicles with modern electric vehicles where possible
- Investment in new buildings and improvement in the fabric and condition of existing buildings to improve service delivery and energy efficiency

Investment in modernising the Council must continue to be weighed against the savings required to fund this modernisation and any ongoing financial impact of the investment.

## National policy decisions which will impact on Local Government

National policy decisions impacting on Local Government such as the National Care Service, Council Tax Reform and Reducing Class Contact Time for Teaching staff bring further long-term uncertainty to the plan. The Council will also be impacted by the political priorities of both the UK and Scottish Governments. Developments in these national decisions will be followed closely by COSLA and Directors of Finance to ensure implications for Local Government can be reflected in local planning as soon as possible. Within all the scenarios it is assumed that these policy changes will be fully funded by Scottish Government.

The Council is clear that it operates within a wider economic context and therefore in realising this vision several key issues and risks must be considered.

## KEY INFLUENCES AND RISKS

The Long-Term Financial Strategy (Revenue) has considered several key macro-economic issues, some of which are out with the Council's control and those internal issues which the Council can influence. Both external and internal influences need to be considered with key variables modelled to guide Council decisions about the future. These influences (especially the external factors) pose a risk to the financial sustainability of the Council.

### External Influences (out with 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 Scottish Borders;
- Supply chain issues associated with the wider economy;
- Size of working age population;
- Impacts on the cost of living; and
- Fiscal & wider taxation policies.

Climate related issues such as:

- Climate change;
- Flooding; and
- 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; and
- Ageing population.

National Policy Changes

- Policy changes arising from Scottish Government and other organisations.
- New Political priorities

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

- Working to clear corporate priorities as set out in the Council Plan;
- Transformational change programme to improve outcomes and delivery of savings;
- 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 in line with the Council's Digital Strategy;

- 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;
- Optimising the Council's treasury function and ensuring the financing of the capital programme remains affordable to the Council in the longer term;
- Council Tax levels; and
- Strong culture of financial management and commercial thinking.

## KEY VARIABLES INFLUENCING THE PLAN

The following key variables have been considered in preparing the 10-year revenue plan:

- Anticipated levels of funding from Scottish Government;
- Council Tax rates and associated income;
- Assumptions on inflation, including pay increases;
- Opportunities for increased commercialisation to raise additional income including fees & charges and increased grant funding opportunities;
- Assumptions on additional Loans charges – the revenue cost of borrowing to support investment through the Capital Plan.

This is not an exhaustive list of variables but includes the key issues to be considered in providing 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.

## Anticipated Scottish Government funding levels

Scottish Government funding through Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) accounts for around **80%** of the Council's funding.

The policy intent set out in the Scottish Government's Programme for Government, the Scottish Spending Review, the economic climate and the pressures being experienced in the Health Service budget drive a broad expectation that resources for local government services will continue to be constrained for the foreseeable future.

The current assumptions in the mid case scenario are that there will be a flat cash settlement each year in the core Grant Aided Expenditure (GAE) from Scottish Government. Each 1% deviation from this flat cash position accounts for around £2.5m of movement in funding.

Should a future reduction in Government grant materialise, options for bridging the resultant budget gap would be to accelerate and expand savings plans, defer expenditure plans, revise future assumptions around Council Tax income or apply reserves.

The Scottish Government has historically provided one year funding settlements to Local Authorities which has impacted on the ability to plan over the longer term with certainty. A multi-year funding settlement from Scottish Government remains an aspiration for local government. This year the Scottish Government budget was accompanied by the results of the Scottish Spending Review, providing a very high-level forward planning horizon of three years for revenue and four years for capital showing a reduced level of funding available to Local Government.

For financial year 2026/27 a one year settlement was provided in January 2025. This information was around a month later than in previous years due to the delay the UK budget.

## Council Tax income levels

Council Tax income accounts for around **20%** of Council funding. Current assumptions reflected in the mid case plan assume an 8.5% increase in Council Tax in **2026/27**, a 5% increase in years 2027/28 to 2030/31 and a 3% increase thereafter.

In **2026/27**, each **1%** increase in the Council Tax raises **£0.8m** of additional funding for the Council.

The mid case assumption for increases in Council Tax attempts to maintain the Council's spending power in future years in the face of increasing inflation while recognising the demands on household budgets and moves further towards parity with other Local Authorities. In 2025/26, Scottish Borders' Council Tax rates remained the 7<sup>th</sup> lowest in Scotland and the 5<sup>th</sup> lowest in mainland Scotland.

The Scottish Government is consulting on the Future of Council Tax in Scotland in order to seek views on how the Council Tax system in Scotland can be made fairer and more up to date. Any change to the current system has the potential to significantly impact on the Council's finances. In the absence of firm plans to reform Council Tax and on the assumption, there will be no detrimental impact on individual authorities, the longer-term model assumes the current system will continue during the 10-year period considered within this document.

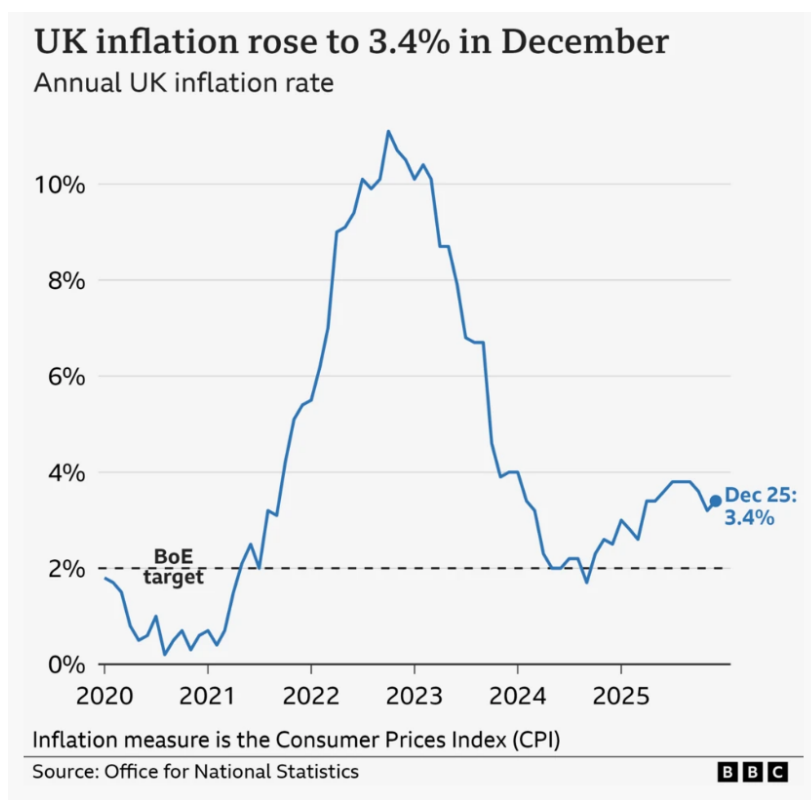
## Assumptions on inflation

Pay agreements for Council staff are negotiated at a national level. A 2 year pay deal was agreed for Scottish Joint Council (SJC) staff and Chief Officers with inflationary increases of 4.5% for 2025/26 and a further 3.5% for 2026/27 being approved. Teachers' salaries have been agreed to July 2027 (4% from 1 August 2025, an additional 0.25% from 1<sup>st</sup> April 2026, and a further 3.25% from August 2026). Councils are normally expected to fully fund pay inflation through existing resources although Scottish Government has supported some of the recent increases with additional funding.

Assumptions for increases in pay in the mid case scenario over the 10-year period from **2026/27** reflect an assumed 3% annual increase for the period to 2030/31, reducing to 2% for the remainder of the plan. As future pay agreements are confirmed, these assumptions will be updated in the model. Every **1%** increase in the Council's pay bill for SJC, SNCT and Chief Officer staff, costs circa **£2m**.

Consumer Price Index (CPI) and Retail Price Index (RPI) inflationary increases are assumed for a range of contractual commitments and purchasing of materials within the 3 scenarios.

Shown below is UK inflation over the last 5 years. The latest figures available show inflation increased to 3.4% in December 2025. Inflationary increases have a negative impact on the Council's budget position as service spending power reduces.



## Opportunities for increased commercialisation

Increasing commercialisation within the Council continues to be a focus from **2026/27** with services actively seeking opportunities to generate additional revenue and take a more commercial approach to running services. The Council is increasing productivity through the use of digital and data in Infrastructure and Environment including through the use of In cab technology in Waste Vehicles and Fleetwave system in fleet. Leveraging external funding has allowed the council to develop office and industrial spaces in Tweedbank, Coldstream and Eyemouth, supporting the local economy and generating rental income for the Council.

The Council is also generating additional income from the services provided by registrars, this also positively impacts the economy of Scottish Borders as a destination venue.

Fees & Charges continue to be benchmarked against comparator authorities to ensure the Council's charging is in line with levels applied elsewhere and to determine whether the introduction of charging for new services may be appropriate. Fees and Charges are set in line with the Council's External Charging policy which sets out broad principles to govern the charging of services.

Any additional income opportunities including fees & charges and grant funding opportunities will have a beneficial impact on the Council's financial position over the next 10 years.

## Assumptions on increased demand for services

The Council operates key services such as Adult Social Care which are subject to increased demographic demand from an ageing local population which has created a significant financial pressure during 2025/26. Close monitoring on the demand for services and budget control measures is required to ensure the Council is effectively allocating resources across the Council in line with need and priority whilst operating within the funding envelope available.

Children & Families Social Work services have seen an unprecedented demand since the COVID-19 pandemic with a significant increase in the number of children and young people and their families from the Scottish Borders requiring support and additional care. Their needs, which in a growing number of these cases are becoming more complex requiring specialist provision, are currently having to be met out with the Scottish Borders resulting in significant additional cost to the Council. Work is underway to find solutions based within our communities to provide support and care for these children, young people and their families in a suitable and sustainable way. Focus is being given to Early Intervention and Prevention along with targeted intervention and responses to address needs across homes, family support and education. So far this has resulted in over 30 Children returning to the Borders in the last 2 years. In partnership with the Vardy Foundation, residential and care provisions are being developed to ensure that the needs of children & young people can be met within the Borders allowing them to “live, learn and be cared for” in their community.

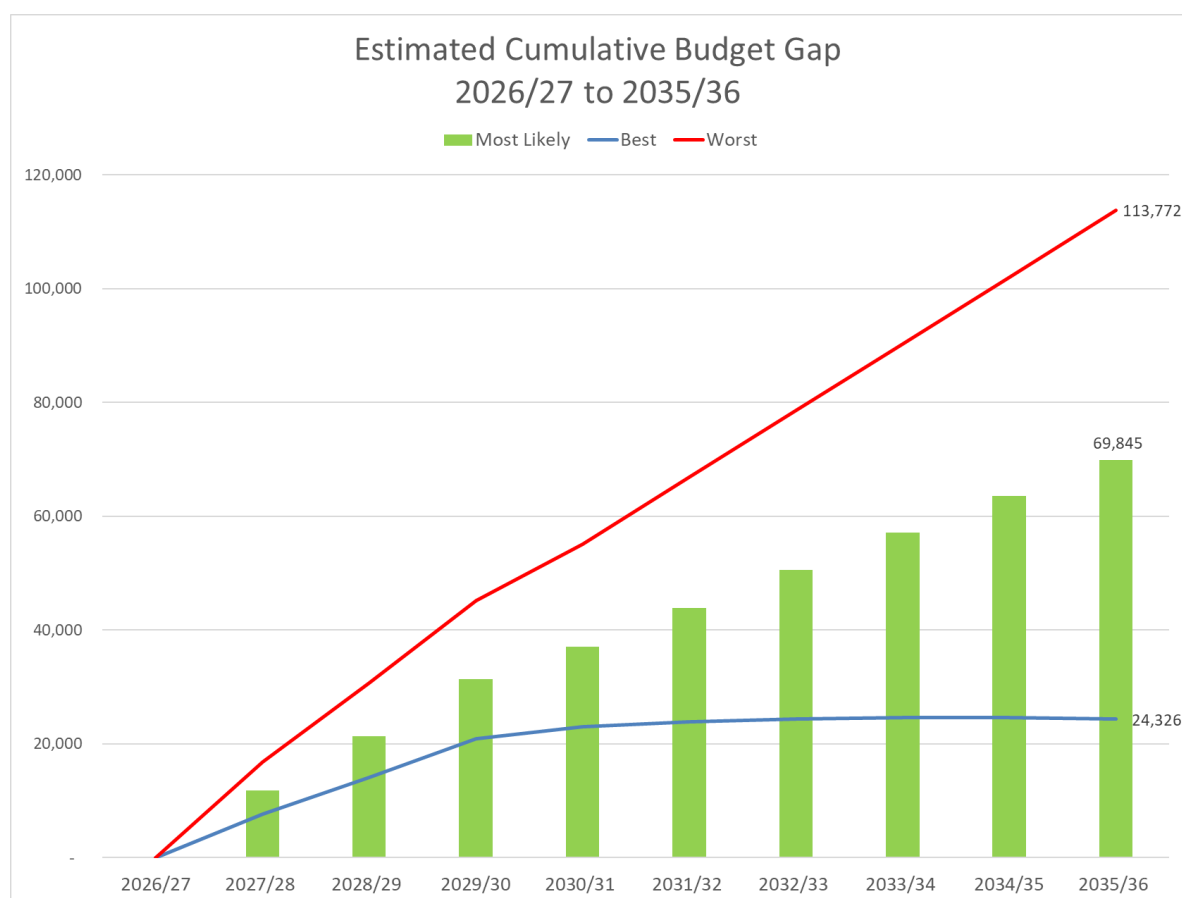
## Loan Charges - borrowing to support investment through the Capital Plan

The Council adopts a strategic approach to its Treasury Management activities and projects the costs of funding its Capital programme through its Treasury Management Strategy. The cost of capital projects has gone up as both the cost of construction and the cost to borrow money have significantly increased since projects were initially approved. The Council continues to seek to minimise the costs of capital financing over the short, medium and long term, however the Council is now in a position, that having utilised all cash reserves, it needs to borrow to fund Capital investment, as detailed within the Capital Plan.

The Council created a Treasury Reserve through underspends in the loans Charges budget in previous years which arose because of prudent cashflow and treasury decisions. This reserve will allow smoothing of borrowing costs over the life of the 5-year Financial Plan which stops spikes in payments destabilising the overall financial plan. Additional budget requirements are reflected in the 5-year revenue plan and continue for years 6-10 in the 10-year revenue strategy, as detailed in the Treasury Management Strategy, to reflect resources required to fund the current Capital Plan.

## CONCLUSION

The 3 scenarios which have been created based on the information above are illustrated in the graph below. The most **favourable position**, as shown by the blue line, indicates a requirement to make circa **£24m** savings in the next 10 years with anticipated funding and pressures largely netting off in later years of the plan. The **mid case scenario**, which we assume to be the most likely case, is shown by the green columns below and requires savings of **c£70m** to be delivered over the next 10 years. The **least favourable** scenario, shown as the red line, which shows no increase to current funding, results in a requirement for savings of over **£114m** in the next 10 years.



This Long-Term Financial Strategy (Revenue) continues to build on previous practice adopted by the Council and takes a 10-year view of the financial and operating environment facing the Council. The plan aligns the 10-year Capital programme with a 10-year revenue look forward. This longer-term approach is recommended as good practice by Audit Scotland and should be seen as one of a range of tools to help the Council plan effectively as it moves forward. The inherent uncertainty of the future operating environment facing the Council is recognised, however, it is felt that by looking forward, anticipating potential issues and examining a range of scenarios the Council will be better placed to respond to future challenge

## Appendix 1: Detail contained within the Mid Case Scenario (assumed position)

Scottish Borders Council

Long Term Financial Plan 2026/27 to 2035/36 - Mid Case Scenario

	2026/27 £'000	2027/28 (Provisional) £'000	2028/29 (Provisional) £'000	2029/30 (Provisional) £'000	2030/31 (Provisional) £'000	2031/32 (Provisional) £'000	2032/33 (Provisional) £'000	2033/34 (Provisional) £'000	2034/35 (Provisional) £'000	2035/36 (Provisional) £'000
Scottish Government Funding	313,447	310,478	308,144	306,512	304,880	304,880	304,880	304,880	304,880	304,880
Health & Social Care Partnership	8,454	8,623	8,795	8,971	9,150	9,333	9,520	9,710	9,904	10,102
<b>Aggregate External Finance from Scottish Government</b>	<b>321,901</b>	<b>319,101</b>	<b>316,939</b>	<b>315,483</b>	<b>314,030</b>	<b>314,213</b>	<b>314,400</b>	<b>314,590</b>	<b>314,784</b>	<b>314,982</b>
Funding for new schools through LEIP programme	3,873	3,364	3,064	3,064	3,064	3,064	3,064	3,064	3,064	3,064
Reserves	1,200	2,375	1,570	0	0	0	0	0	0	0
Council Tax	91,026	96,314	101,887	107,779	114,004	117,383	120,863	124,446	128,136	131,936
<b>Total</b>	<b>418,000</b>	<b>421,154</b>	<b>423,460</b>	<b>426,326</b>	<b>431,098</b>	<b>434,660</b>	<b>438,327</b>	<b>442,100</b>	<b>445,984</b>	<b>449,982</b>
	2026/27 £'000	2027/28 (Provisional) £'000	2028/29 (Provisional) £'000	2029/30 (Provisional) £'000	2030/31 (Provisional) £'000	2031/32 (Provisional) £'000	2032/33 (Provisional) £'000	2033/34 (Provisional) £'000	2034/35 (Provisional) £'000	2035/36 (Provisional) £'000
<b>Base Budget</b>	<b>400,143</b>	<b>418,000</b>	<b>421,154</b>	<b>423,460</b>	<b>426,326</b>	<b>431,098</b>	<b>434,660</b>	<b>438,327</b>	<b>442,100</b>	<b>445,984</b>
<b><u>Budget Pressures</u></b>										
Permanent virements	135	0	0	0	0	0	0	0	0	0
Workforce budget adjustments	10,410	6,901	7,028	7,240	7,457	4,971	4,971	4,971	4,971	4,971
Non-pay and department specific inflation	1,824	4,798	2,470	2,526	2,459	2,459	2,459	2,459	2,459	2,459
Service Specific priorities & National policy changes	13,709	3,397	2,579	3,355	766	3,100	3,100	3,100	3,100	3,100
<b>Total Pressures</b>	<b>26,078</b>	<b>15,096</b>	<b>12,077</b>	<b>13,121</b>	<b>10,682</b>	<b>10,530</b>	<b>10,530</b>	<b>10,530</b>	<b>10,530</b>	<b>10,530</b>
<b>Savings required to balance the plan</b>	<b>(8,221)</b>	<b>(11,942)</b>	<b>(9,771)</b>	<b>(10,255)</b>	<b>(5,910)</b>	<b>(6,968)</b>	<b>(6,864)</b>	<b>(6,757)</b>	<b>(6,646)</b>	<b>(6,532)</b>
<b>Total Net Expenditure</b>	<b>418,000</b>	<b>421,154</b>	<b>423,460</b>	<b>426,326</b>	<b>431,098</b>	<b>434,660</b>	<b>438,327</b>	<b>442,100</b>	<b>445,984</b>	<b>449,982</b>
<b>Funding</b>	<b>418,000</b>	<b>421,154</b>	<b>423,460</b>	<b>426,326</b>	<b>431,098</b>	<b>434,660</b>	<b>438,327</b>	<b>442,100</b>	<b>445,984</b>	<b>449,982</b>

