

Public Document Pack



SCOTTISH BORDERS COUNCIL THURSDAY, 28 SEPTEMBER, 2017

A MEETING of the SCOTTISH BORDERS COUNCIL will be held in the COUNCIL CHAMBER, COUNCIL HEADQUARTERS, NEWTOWN ST. BOSWELLS on THURSDAY, 28 SEPTEMBER 2017 at 10.00 am

J. J. WILKINSON,
Clerk to the Council,

21 September 2017

BUSINESS																																				
1.	Convener's Remarks.																																			
2.	Apologies for Absence.																																			
3.	Order of Business.																																			
4.	Declarations of Interest.																																			
5.	<p>Minute (Pages 1 - 12)</p> <p>Consider Minute of Scottish Borders Council held on 24 August 2017 for approval and signing by the Convener. (Copy attached.)</p>	2 mins																																		
6.	<p>Committee Minutes</p> <p>Consider Minutes of the following Committees:-</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td>(a) Planning & Building Standards</td><td style="text-align: right;">7 August 2017</td></tr> <tr><td>(b) Executive</td><td style="text-align: right;">15 August 2017</td></tr> <tr><td>(c) Hawick Common Good Fund</td><td style="text-align: right;">15 August 2017</td></tr> <tr><td>(d) Teviot & Liddesdale Locality</td><td style="text-align: right;">15 August 2017</td></tr> <tr><td>(e) Civic Government Licensing</td><td style="text-align: right;">18 August 2017</td></tr> <tr><td>(f) Local Review Body</td><td style="text-align: right;">21 August 2017</td></tr> <tr><td>(g) Police, Fire & Rescue and Safer Comms.</td><td style="text-align: right;">25 August 2017</td></tr> <tr><td>(h) Audit & Scrutiny (Special)</td><td style="text-align: right;">28 August 2017</td></tr> <tr><td>(i) Selkirk Common Good Fund</td><td style="text-align: right;">29 August 2017</td></tr> <tr><td>(j) Peebles Common Good Fund</td><td style="text-align: right;">30 August 2017</td></tr> <tr><td>(k) Tweeddale Locality</td><td style="text-align: right;">30 August 2017</td></tr> <tr><td>(l) Planning & Building Standards</td><td style="text-align: right;">4 September 2017</td></tr> <tr><td>(m) Executive</td><td style="text-align: right;">5 September 2017</td></tr> <tr><td>(n) Duns Common Good Fund</td><td style="text-align: right;">7 September 2017</td></tr> <tr><td>(o) Jedburgh Common Good Fund</td><td style="text-align: right;">13 September 2017</td></tr> <tr><td>(p) Kelso Common Good Fund</td><td style="text-align: right;">13 September 2017</td></tr> <tr><td>(q) Galashiels Common Good Fund</td><td style="text-align: right;">14 September 2017</td></tr> </tbody> </table>	(a) Planning & Building Standards	7 August 2017	(b) Executive	15 August 2017	(c) Hawick Common Good Fund	15 August 2017	(d) Teviot & Liddesdale Locality	15 August 2017	(e) Civic Government Licensing	18 August 2017	(f) Local Review Body	21 August 2017	(g) Police, Fire & Rescue and Safer Comms.	25 August 2017	(h) Audit & Scrutiny (Special)	28 August 2017	(i) Selkirk Common Good Fund	29 August 2017	(j) Peebles Common Good Fund	30 August 2017	(k) Tweeddale Locality	30 August 2017	(l) Planning & Building Standards	4 September 2017	(m) Executive	5 September 2017	(n) Duns Common Good Fund	7 September 2017	(o) Jedburgh Common Good Fund	13 September 2017	(p) Kelso Common Good Fund	13 September 2017	(q) Galashiels Common Good Fund	14 September 2017	5 mins
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	(r) Eildon Locality (Please see separate Supplement containing the public Committee Minutes.)	14 September 2017	
7.	Open Questions		15 mins
8.	Motion by Councillor Haslam (Pages 13 - 28) Consider Motion by Councillor Haslam in the following terms:- “That Scottish Borders Council approves the Administration’s vision “Connected Borders 2017 – 2022” for delivering better communities across the Scottish Borders”. (Copy document attached.)		10 mins
9.	Localities Bid Fund 2017-2018: Process for Determining Funding Applications and Voting Consider report by Service Director Customer and Communities. (Copy to follow.)		15 mins
10.	Scheme of Administration Consider report by Chief Executive. (Copy to follow.)		15 mins
11.	Police Scotland - Scottish Borders Local Police Plan 2017-2020 (Pages 29 - 60) Consider approval of Scottish Borders Local Police Plan 2017-2020. (Copy Plan attached.)		
12.	Scottish Borders Council Final Reports and Accounts 2016/17 Consider the following:-		15 mins
	(a) Audit Scotland - Annual Audit Report 2016-17	(Pages 61 - 92)	
	(b) Chief Financial Officer Report on Annual Accounts 2016-17	(Pages 93 - 98)	
	(c) Scottish Borders Council	(Pages 99 - 212)	
	(d) SBC Common Good Funds	(Pages 213 - 234)	
	SBC Charitable Trusts (e)-(j)		
	(e) SBC Welfare Trust	(Pages 235 - 252)	
	(f) SBC Education Trust	(Pages 253 - 270)	
	(g) SBC Community Enhancement Trust	(Pages 271 - 288)	
	(h) Thomas Howden Wildlife Trust	(Pages 289 - 306)	
	(i) Ormiston Institute	(Pages 307 - 324)	
	(j) SBC Charity Funds	(Pages 325 - 344)	
	(k) Bridge Homes LLP	(Pages 345 -	

		364)	
	(l) SB Supports LLP	(Pages 365 - 384)	
	(m) SB Cares LLP	(Pages 385 - 408)	
	(n) Pension Fund	(Pages 409 - 542)	
13.	Annual Treasury Management Report 2016/17 (Pages 543 - 566) Consider report by Chief Financial Officer. (Copy attached.)		5 mins
14.	Markets in Financial Instruments Directive (MiFID II) (Pages 567 - 570) Consider report by Chief Financial Officer. (Copy attached.)		10 mins
15.	Amendment to Calendar of Meetings (Pages 571 - 572) Consider amendments to Calendar of Meetings for November 2017. (Copy attached.)		
16.	Annual Report of the Chief Social Work Officer 2016/17 (Pages 573 - 612) Consider report by Chief Social Work Officer. (Copy attached.)		10 mins
17.	Any Other Items Previously Circulated		
18.	Any Other Items Which the Convener Decides Are Urgent		
19.	Private Business Before proceeding with the private business, the following motion should be approved:- "That under Section 50A(4) of the Local Government (Scotland) Act 1973 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the relevant paragraphs of Part 1 of Schedule 7A to the aforementioned Act."		
20.	Minute (Pages 613 - 614) Consider private Section of Minute of Scottish Borders Council held on 24 August 2017. (Copy attached.)		1 mins
21.	Committee Minutes Consider private Sections of the Minutes of the following Committees:- (a) Executive 15 August 2017 (b) Hawick Common Good Fund 15 August 2017 (c) Civic Government Licensing 18 August 2017 (d) Peebles Common Good Fund 30 August 2017 (e) Executive 5 September 2017 (Please see separate Supplement containing private Committee Minutes.)		
22.	Common Good Fund and Trust Fund Investments (Pages 615 - 628)		10 mins

	Consider report by Chief Financial Officer. (Copy attached.)	
23.	Proposed Replacement Building at St. Leonard's Park, Hawick (Pages 629 - 634) Consider report by Service Director Assets and Infrastructure. (Copy attached.)	5 mins

NOTES

1. **Timings given above are only indicative and not intended to inhibit Members' discussions.**
2. **Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.**

Please direct any enquiries to Louise McGeoch Tel 01835 825005
email lmcgeoch@scotborders.gov.uk

SCOTTISH BORDERS COUNCIL

MINUTE of MEETING of the SCOTTISH BORDERS COUNCIL held in Council Headquarters, Newtown St. Boswells on 24 August 2017 at 10.00 a.m.

Present:- Councillors D. Parker (Convener), S. Aitchison, A. Anderson, H. Anderson, J. Brown, S. Bell, K. Chapman, K. Drum, G. Edgar, J. A. Fullarton, J. Greenwell, C. Hamilton, S. Hamilton, S. Haslam, H. Laing, S. Marshall, W. McAteer, T. Miers, S. Mountford, D. Paterson, C. Ramage, N. Richards, E. Robson, M. Rowley, H. Scott, R. Tatler, E. Thornton-Nicol, G. Turnbull, T. Weatherston

Apologies:- Councillors M. Ballantyne, E. Jardine, D. Moffat, S. Scott, E. Small

In Attendance:- Chief Executive, Executive Director (R. Dickson), Service Director Assets & Infrastructure, Service Director Children & Young People, Service Director Regulatory Services, Chief Financial Officer, Chief Legal Officer, Chief Officer Audit & Risk, Chief Officer Roads, Clerk to the Council.

1. CONVENER'S REMARKS

- 1.1 The Convener paid tribute to all the staff involved in the new schools programme and in particular Steven Renwick - Project Leader, Lesley Munro - Education Lead, and three staff who were on secondment from Turner Townsend - James Darrie, James Gubbins and James Duffy. Their hard work in delivering the new schools which had just opened and the forthcoming Jedburgh Campus was greatly appreciated.
- 1.2 The Convener commented on the success of Borders athletes in the recent World Paralympic and Athletics Championships. In the Paralympic World Championships, Sammi Kinghorn had won 2 gold and 1 bronze medals in addition to breaking a world record and being recognised as the female athlete of the games. In the Athletics World Championships Guy Learmonth had come 5th in the 800m semi-final and Chris O'Hara had come 12th in the final of the 1500m. These were great ambassadors for the Borders and a Civic Reception was to be organised in particular for those involved in disabled sport.
- 1.3 The Convener advised that Elaine Torrance, current Service Director NHS/Social Work Integration, was retiring from the Council on 15 September. She had been employed by the Council since 1995 and during that time had carried out tremendous work on the Council's behalf. A separate event to mark Elaine's retirement was to be held.

DECISION

AGREED that congratulations be passed to those mentioned above.

2. MINUTE

The Minute of the Meeting held on 27 June 2017 was considered.

DECISION

AGREED that the Minute be approved and signed by the Convener.

3. COMMITTEE MINUTES

The Minutes of the following Committees had been circulated:-

Peebles Common Good Fund	14 June 2017
Tweeddale Locality	14 June 2017
Berwickshire Locality	15 June 2017
Civic Government Licensing	16 June 2017
Local Review Body	19 June 2017

Executive	20 June 2017
Limited Liability Strategic Governance Group	20 June 2017
Lauder Common Good Fund	20 June 2017
Hawick Common Good Fund	20 June 2017
Teviot & Liddesdale Area Forum	20 June 2017
Selkirk Common Good Fund	21 June 2017
Jedburgh Common Good Fund	21 June 2017
Kelso Common Good Fund	21 June 2017
Cheviot Locality	21 June 2017
Pension Fund	22 June 2017
Pension Board	22 June 2017
Community Planning Strategic Board	22 June 2017
Galashiels Common Good Fund	22 June 2017
Eildon Locality	22 June 2017
Planning & Building Standards	26 June 2017
Audit & Scrutiny	28 June 2017
Local Review Body	17 July 2017
Civic Government Licensing	21 July 2017

DECISION

APPROVED the Minutes listed above subject to paragraph 4 below.

4. COMMITTEE RECOMMENDATIONS

- 4.1 With reference to paragraph 7 of the Minute of the Hawick Common Good Fund Sub-Committee held on 24 August 2017, it was recommended that Council agree that the items detailed in Appendix A to the Minute become the Hawick Common Good Moveable Asset Inventory.

DECISION

AGREED that the items detailed in Appendix A to the Minute become the Hawick Common Good Moveable Asset Inventory.

- 4.2 With reference to paragraph 8 of the Audit and Scrutiny Committee held on 28 June 2017, it was recommended that Council approve the revised Local Code of Corporate Governance as detailed in Appendix 1 to that Minute.

DECISION

AGREED to approve the Local Code of Corporate Governance.

5. OPEN QUESTIONS

The questions submitted by Councillors Paterson, Bell, Robson, Drum, H. Anderson, Marshall and A. Anderson were answered.

DECISION

NOTED the replies as detailed in Appendix I to this Minute.

DECLARATION OF INTEREST

Councillor Mountford declared an interest in the following item of business in terms of Section 5 of the Councillors Code of Conduct and left the Chamber during the discussion.

6. VARIATION OF 2003 TRANSFER AGREEMENT BETWEEN SBC AND SBHA

With reference to paragraph 7 of the Minute of 2 March 2017, there had been circulated copies of a report by the Service Director Regulatory Services seeking approval of a variation of the Transfer Agreement between the Council, Scottish Borders Housing Association Limited ("SBHA") and Scottish Borders Building Services Limited dated 23 February 2003 ("the Transfer Agreement"). The report explained that the proposed variation to the Transfer Agreement between the Council and SBHA endorsed the position agreed by Council on 2 March 2017, to permit SBHA to make changes to its Rules in order to future-proof and

strengthen its governance structure by moving to a skills based Board of Management. The variation would delete Clause 6.1.1 of Part A of Schedule 2 of the Transfer Agreement which stated that Council approval was required for any reduction in the level of Local Authority or tenant representation on SBHA's Board of Management. This variation ensured that the Transfer Agreement accurately reflected the position agreed by Council.

DECISION

AGREED to:-

- (a) **approve the variation to delete Clause 6.1.1 of Part A of Schedule 2 of the Transfer Agreement which currently stated:**
“The Association shall - not change the Rules of the Association so as to reduce the level of Local Authority or tenant representation or the ability of tenants to participate in the running of the Association (including, without limitation, the ability of tenants to participate in direct elections for the appointment of tenant Board or Committee Members) without the Council’s prior written consent.”; and
- (b) **authorise the Chief Legal Officer to enter into the required Minute of Variation.**

7. SUPPLEMENTARY GUIDANCE ON HOUSING

There had been circulated copies of a report by the Service Director Regulatory Services seeking approval of the Supplementary Guidance on Housing. The report explained that the Scottish Borders Council Local Development Plan (LDP) was adopted on 12 May 2016. As recommended by the Directorate for Planning and Environmental Appeals following the Examination of the LDP, the LDP required the Council to identify a further 916 housing units within the Scottish Borders in order to address a housing shortfall. The process for identifying sites to accommodate the shortfall was via the production of Supplementary Guidance (SG). A draft SG was produced identifying potential sites following consideration and analysis of a number of options. The draft SG had been subject to public consultation. All representations received during the public consultation had been scrutinised with amendments having been made accordingly and consequently a final version of the SG, as set out in Appendix A to the report, was submitted for Council approval. A summary of consultation representations, a corresponding response by the Planning Officer and the recommendation as to whether or not the sites in question were to be included within the SG was set out in Appendix B. Appendix C confirmed proposed amendments to the SG following the public consultation and Appendix D was an updated database report on all the assessments carried out for the sites considered for inclusion within the SG. It was recommended that Council accept the SG and the proposed sites within it to meet the housing shortfall. Following approval the SG would be referred to Scottish Ministers in order for it to formally become part of the statutory Development Plan. Members discussed the proposals and it was noted that SESplan 2 would contain a lower housing site requirement. The importance of the need for supporting infrastructure and the possibility of using part of the former Kelso High School site for uses other than housing were also mentioned.

DECISION

AGREED to:-

- (a) **approve the Supplementary Guidance on Housing as contained in Appendix A to the report; and**
- (b) **note the updated Environmental Report and the Habitats Appraisal in Appendices E and F to the report.**

8. SCHOOL CLOTHING AND FOOTWEAR GRANTS

There had been circulated copies of a report by the Service Director Children and Young People providing background information relating to child poverty rates locally and nationally and seeking approval to increase the Clothing and Footwear Grant, bringing it into line with the national average payment made by Local Authorities. The report explained that Child

Poverty statistics in Scotland continued to rise and had an impact upon children and young people's health, educational attainment, standards of living and opportunities for social inclusion and participation. The Children and Young People's Directorate and a range of strategic partnership groups had already identified tackling the impact of child poverty as a key priority for session 2017/2018 and had started work in this respect. As part of the above plans and in light of the release of new national statistics relating to school clothing and footwear grants it was proposed that the planned action to look at the cost of uniform and footwear was supported by the immediate proposal to increase the clothing and footwear grant from £45 to £70; providing those families who had received their 2017/2018 grant with an additional allocation of £25. It was also proposed that further 'tackling child poverty' work was carried out as a priority and any budgetary implications were included as part of the budget plans for 2018-19 onwards. Members spoke in support of the proposals and noted the additional work which was planned. The Director undertook to provide Members with Ward specific data.

**DECISION
AGREED to:-**

- (a) increase the Clothing and Footwear Grant from £45 to £70 with immediate effect;**
- (b) arrange to make the increased payment of £25 to those families who had already received the lower payment at the start of school session 2017/2018;**
- (c) develop policy and guidance relating to tackling child poverty issues for children and young people attending early learning and childcare, primary schools and secondary schools in the Scottish Borders; and**
- (d) ensure the policy was taken to Council before March 2018 and was considered within the budget setting process for 2018-2020**

9. MOTION BY COUNCILLOR LAING

Councillor Laing, seconded by Councillor Haslam, moved her Motion as detailed on the agenda in the following terms:-

"We the elected members of Scottish Borders Council welcome and support in principle the proposals of John Finnie MSP that the smacking of children should be banned. It is our position that the "justifiable assault" of children contravenes the UN Convention on the Rights of the Child, is not in step with the Scottish Government's overarching approach to child well-being, and that children should have the same protection under the law as adults."

Councillor Laing spoke in support of her Motion. Councillor Scott, seconded by Councillor Mountford, moved the direct negative. Members discussed the Motion in advance of the vote.

VOTE

On a show of hands Members voted as follows:-

<i>For the Motion</i>	-	<i>19 votes</i>
<i>Against the Motion</i>	-	<i>8 votes</i>

The Motion was accordingly carried.

**DECISION
DECIDED to approve the Motion as detailed above.**

10. MOTION BY COUNCILLOR PATERSON

Councillor Paterson, seconded by Councillor McAteer, moved his Motion as detailed on the agenda in the following terms:-

“That Scottish Borders Council reaffirms its wholehearted commitment to supporting the extension of the Borders Railway from Tweedbank to Hawick and then on to Carlisle via Newcastleton.”

Councillor Paterson spoke in support of his Motion which was unanimously approved.

DECISION

AGREED to approve the Motion as detailed above.

11. **REPRESENTATIVES ON OUTSIDE BODIES**

Members were asked to approve the continued appointment of Councillor Edgar to the Edinburgh, Lothians, Borders and Fife Shadow Joint Committee for roads maintenance. Councillor Edgar was the Council’s representative on the Committee prior to the Election in May.

DECISION

AGREED to approve the re-appointment of Councillor Edgar to the Edinburgh, Lothians, Borders and Fife Shadow Joint Committee for roads maintenance.

12. **PRIVATE BUSINESS**

DECISION

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business detailed in Appendix II to this Minute on the grounds that it involved the likely disclosure of exempt information as defined in Paragraphs 1, 6, 8 and 9 of Part I of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

13. **Minute**

The private section of the Council Minute of 27 June 2017 was approved.

14. **Committee Minutes**

The private sections of the Committee Minutes as detailed in paragraph 3 of this Minute were approved.

15. **Open Question**

A question submitted by Councillor Chapman was answered.

The meeting concluded at 11.50 a.m.

SCOTTISH BORDERS COUNCIL
24 AUGUST 2017

APPENDIX I

Questions from Councillor Paterson

To the Executive Member for Roads and Infrastructure

1. Why has Scottish Borders Council reduced the number of bins in Wilton Lodge Park and in other parks in the Scottish Borders? Surely this Administration will oppose this move when it is defeating the purpose of encouraging members of the public to 'bag it, and bin it'?

Reply from Councillor Edgar

Council Officers have reviewed the bin situation at Wilton Lodge Park and advised that there has been no net reduction in the overall numbers of bins situated in the park over the last five years. Some new bins will also be situated at the site of the café and these will be located when the café opens later this year. These bins are currently being stored at the local depot awaiting installation. Officers also advise that the overall number of litter bins in the Scottish Borders have remained consistent over the last five years with the only changes being to locations or capacity. The Council maintains that everyone should act responsibly when disposing of litter and dog waste by either depositing it in their own waste bins at home or by using one of the many suitable bins that the Council provides and empties on a regular basis.

Supplementary

Councillor Paterson asked if there was not a case for providing more bins if the existing ones were overflowing. Councillor Edgar advised that there was an adequate number of bins and they were emptied regularly. However, if there were problems with individual bins raised then the capacity of those bins could be checked.

2. Could the Executive Member please explain why nothing had been put in place at Lower Mansfield to check the area before the travelling people arrived, and why was nothing put in place to check the area after they had left the area?

Reply from Councillor Edgar

The Council received no prior warning that the travelling people intending occupying the area of open amenity land at Lower Mansfield and were there unable to take any proactive action.

The Council were subsequently advised on 8th August that the travelling people had vacated the land at Lower Mansfield. Council Officers attended the site on 9th August where a photographic record of the area was taken. The Council's Cleaning and Environmental Services teams were asked to make arrangements to have the area cleaned and tidied on 10th August but following discussions with the Police and Legal Services it was agreed that any evidence should be gathered in order to try and establish a link between any of the rubbish and the individuals occupying the site. This involved a joint team of Cleaning, Environmental and Estate Management Officers working together on site on 17th August to carry out the clean-up and the collection of any such evidence.

Supplementary

Councillor Paterson asked what further action could be taken in future given the cost of the clean-up and the number of complaints received. Councillor Edgar advised that regulations governed the actions which the Council could take so nothing further could have been done.

To the Leader

3. Would the Council Leader like to comment on earlier statements that she made with regard to Depute Executive Members – should this not have gone through Council first so that all Councillors could decide if this is required?

Reply from Councillor Haslam

Depute Executive Members are not statutory positions, are not defined within the Council's Scheme of Administration and post holders receive no additional remuneration for this role. These roles are something the Administration agreed and do not require Council Approval.

Supplementary

Councillor Paterson commented on the inappropriate passing of personal information to a Councillor and Councillor Haslam undertook to investigate.

To the Executive Member for Roads and Infrastructure

4. Being Regularly called from a Constituent in Newcastleton who is of the opinion that he definitely going to be getting a green waste collection can the Executive Member please tell the Council when this administration are going to be bringing back a green waste collection to Newcastleton, Ettrick, Yarrow, Clovenfords, Romano Bridge and every other village in the Scottish Borders, will it be short term long term or as I suspect not at all?

Reply from Councillor Edgar

The Council has no plans to reintroduce the kerbside collection of garden waste at the current time.

5. Can the Executive Member please tell the Council if this administration intend to increase the number of Community Wardens that we currently have working in the Scottish Borders from the present 1 you have at the moment?

Reply from Councillor Edgar

While the Council has no current or immediate plans to increase numbers, an evaluation has still to be undertaken on the Pilot project and a full report will be brought to Council in due course.

6. While acknowledging that Scottish Borders Council have been working with Zero Waste Scotland to develop an Options Appraisal that will scope out the cost effective changes needed to move to a compliant collection system, have Zero Waste Scotland completed the Options appraisal for Scottish Borders Council yet?

Reply from Councillor Edgar

The Council continues to liaise with Zero Waste Scotland regarding the kerbside collection options appraisal, which is ongoing at the current time but we expect to conclude this within approximately 12 weeks.

A report will be brought to Council for consideration prior to any changes to the kerbside collection service.

Supplementary

Councillor Paterson asked if the report had been received from Zero Waste Scotland. Councillor Edgar advised that when that report was received a report would be brought to Council.

7. Has there been any reduction in the number of employees that we currently employ to empty bins that are full and overflowing, with used doggy bags?

Reply from Councillor Edgar

The established number of employees has not been reduced in this financial year. However staff vacancies have emerged and remain unfilled at present. Neighbourhood operations continue to maintain the frequency of emptying of the litter bins distributed throughout the Scottish Borders and the cleanliness standards continue to be maintained to a very high standard comparable with previous years

Question from Councillor Bell

1. To the Executive Member for Planning and Environment

I repeatedly read in the press about preparations by the Lynx UK Trust to obtain a licence to introduce Lynx to the UK with a release of animals in the Kielder region. The reports state that there has been consultation with local communities and businesses. As Kielder, in Northumberland, is directly adjacent to the Scottish Borders, as these animals can roam over a significant territory and as there are mixed messages about the impact such a release would have on livestock farmers and on the general public out in the countryside. Has this Council been consulted on a release of Lynx in Kielder or even in our region?

Reply from Councillor Miers

The Lynx UK Trust has submitted an application to Natural England for permission to carry out a trial to reintroduce Lynx into Kielder Forest in Northumberland. Officers understand that the promoters held a public meeting in Newcastleton in November 2016 to discuss this proposal.

It will be for Natural England to determine what steps it takes in considering the licence application, however, it is also understood that they will consult with Scottish Natural Heritage regarding the proposal. Scottish Borders Council has not been informed of, nor consulted on, the proposal by any party and it does not appear that there is a statutory requirement for any party to do so. Officers have however contacted Scottish Natural Heritage to establish how the Council and local communities might contribute to the process.

The Lynx UK Trust have published a press release indicating that no attacks on humans have ever been recorded by a healthy, wild Eurasian lynx anywhere in the world. They have also indicated that they have a very low impact on livestock with lynx in Europe killing, on average, less than one sheep every two years. The Council has not had an opportunity to check the veracity of these statements.

Supplementary

Councillor Bell asked that Councillor Miers request that the Chief Executive contact Lynx UK to obtain details of their proposals so that appropriate consultation could be carried out. Councillor Miers undertook to do this.

2. To the Leader

You obtained under Emergency Powers the authority to sign a Heads of Terms of an Edinburgh & South East Scotland City region Deal. One could surmise that approval in haste facilitated a Deal which is not all that SBC asked for, or could have hoped for. What were the specific circumstances which necessitated the Heads of Terms to be approved in this manner? Why the haste?

Reply from Councillor Haslam

City Deal Partners had worked for almost two years on the proposals and negotiations. All parties were keen to secure a heads of terms of agreement before the UK Government recess. Had the General Election not intervened it is reasonable to conclude the decision may have been made in slower time but by the same date.

The scale of UK Government funding was confirmed very late on – inevitably due to the aforementioned Election. Scottish Government ministers responded quickly to confirm their share of the deal. However by this time Councils were in recess, there was little time available to allow the heads of terms to be signed prior to the UK Government recess.

The difficulty of the process was acknowledged in a letter I and other Council Leaders received on 9 August signed jointly by the Cabinet Secretary Keith Brown and the Secretary of State for Scotland David Mundell in which they said, and I quote:

“We appreciate that the timing became very tight towards the end of the process, and that this did not leave much time to consider the detail of the Heads of Terms. This was due to the scale and complexity of this Deal and the number of interests that we needed to

reconcile in order to obtain agreement across the Governments for the £600M investment. However, both Governments are pleased that the Deal could be agreed before the summer recess and we appreciate the efforts from you and your Council which helped us to deliver that.”

Supplementary

Councillor Bell advised that both East Lothian and West Lothian Councils had considered a report in public on this subject. The Council’s emergency powers report was still classified as private and he asked why a report was not before Council today. Councillor Haslam advised that a special meeting of Council had been considered and that there had been consultation with the Leader of the Opposition on the matter. She confirmed that there would be a report brought to a future Council meeting.

Question from Councillor Robson

To the Executive Member for Roads and Infrastructure

To ask the Executive Member for Roads & Infrastructure how many officers the Council employs whose job is solely dedicated to dealing with matters relating to the reinstatement of roads and footpaths in the Borders by public utilities?

Reply from Councillor Edgar

In undertaking the Council’s role in relation to public utilities and the New Roads & Street Works Act, a number of officers are employed to carry out the duties required by the Act, together with other roads functions. However, the Council does employ one dedicated full time Utility Inspector.

Supplementary

Councillor Robson asked if putting extra resource to check utility company reinstatements might be self-financing as poor quality repairs might be prevented. Councillor Edgar undertook to look at this but again confirmed that other officers were involved in this inspection work.

Question from Councillor Drum

To the Executive Member for Business & Economic Development

There is some talk in the press of a Borderlands Deal, comparable to a City Deal – a Deal whose contents, as signed, have not been debated by this Council. Will you undertake that if SBC are going to commit to a Borderlands Deal that in its final form it is discussed here in this full Council and in public, *before* it is signed on behalf of the Council?

Reply from Councillor Rowley

I am happy to commit to making every effort to ensure that any Borderlands Deal is discussed here in this full Council and in public, *before* it is signed on behalf of the Council. As Members know, however, matters can be taken out of our hands and timescales can mitigate against our best endeavours. Notwithstanding that practical issue it is clearly right and desirable that Council discusses any such Deal in advance of its agreement.

For the avoidance of doubt we have not signed anything in respect of the Borderlands Deal proposals.

Supplementary

Councillor Drum asked if initiatives like the extension of the Borders Railway would be included. Councillor Rowley advised that discussions were at a very early stage but such initiatives would be considered and there was much work to be done over the coming months.

Question from Councillor Heather Anderson

To the Executive Member for Neighbourhoods & Locality Services

In February 2017 the previous SNP led administration earmarked £500,000 to enable participative budgeting to be piloted and at our last full Council meeting on 27 June we agreed the distribution of these funds across our 5 localities. These sums must be spent by end March 2018.

At that meeting the Burnfoot Community Futures project was presented as an example of good practice in achieving genuine community engagement and participative budgeting. Can the Council be advised of the period of time Council staff were engaged in undertaking the necessary community development work to achieve this outcome?

Reply from Councillor Aitchison

The CLD service allocated 0.2 FTE (1 day per week) to the process over a 6 month period. This supported; the formation of a Burnfoot steering committee; the development of communications; community engagement processes; equitable and transparent decision making processes and all planning and preparation for the community day.

This level of resource has to be taken within the context of a small pot of funds and a single, geographically small, community. A Locality approach will involve a greater range of communities, stakeholders and reporting requirements.

Supplementary

Councillor Anderson expressed concern that if the report was not approved until the end of September there would only be 2 further locality committee meetings to distribute the funding and asked if this would jeopardise the chance of success for this project. Councillor Aitchison advised that it was a complex subject but a draft paper had been prepared which included the provision of sufficient administrative resource. He would be consulting with locality committee chairmen and Leader of the Opposition. A communication strategy had also been prepared as he was aware that there were already groups looking for this funding.

Question from Councillor Marshall

To the Executive Member for Neighbourhoods & Locality Services

The council has indicated that it intends to review their approach in order to address their non – cutting of grass areas deemed “Too Steep” for traditional methods.

Can the Executive Member inform us when we will receive an answer to this problem?

And can he also reassure the Borders public that a method of addressing this problem will be implemented during this summer?

Reply from Councillor Aitchison

Neighbourhood operatives are instructed to ensure full compliance with all principles of health and safety. Having reviewed their approach to grass cutting and following assessment it has been determined that traditional cutting methods are not appropriate given the risk to staff and the public in the areas designated as ‘too steep’. Whilst cutting is suspended at some locations, Officers are investigating alternatives to try and deliver cutting at an appropriate level but this may not be delivered during the current season. Please be assured that every effort is being made to identify solutions that can be undertaken safely and sustainably. Consideration of options may be required however to redesign these areas to create visually pleasing locations which are not just grass and therefore reduce otherwise intensive maintenance regimes.

Supplementary

Councillor Marshall appreciated that health and safety requirements needed to be met but people were unhappy with areas becoming like jungles. He asked if it would be possible for private contractors to be hired to carry out the work. Councillor Aitchison advised that there was not a blanket solution to the problem but there were talks with private companies to see if some of the issues could be resolved. He could not give any guarantees that this would be resolved during the current growing season.

Question from Councillor Andy Anderson

To the Executive Member for Transformation and HR

The wording of the current questionnaire regarding the future of the canteen suggests that a decision has already been made to close it.

Can you advise on what other options have been explored to maintain the type of canteen facilities we have now without the current level of subsidy?

Reply from Councillor Mountford

A decision has been taken to review the operational aspects of the staff canteen for two primary reasons. Firstly, the canteen has required a significant & increasing level of financial subsidy, typically in the region of £65,000 per annum (up from £45,000 five years ago). In addition, the Property Asset Rationalisation programme has indicated that the canteen building (originally a temporary unit with an anticipated five year lifespan) has now been in situ for almost 38 years and is showing distress which will require increasing levels of investment to halt further decline. No decisions have been taken with regard to any future catering facility, what format it might take or what location it might occupy. All these items will be fully considered once feedback has been obtained from the survey currently being undertaken to help inform any future proposals. There continues to be full engagement with Trade Unions and catering staff during this process.

Supplementary

Councillor Anderson asked if the fact that the current canteen gave employees a space for employees to get away from their desks be taken into account when considering the options. Councillor Mountford agreed this was a valid point and would see what space might be available.

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CONNECTED BORDERS 2017-2022

The vision of Scottish Borders Council's Administration

“ Our vision
for delivering better
communities ”



CONTENTS

CONNECTED BORDERS 2017-2022

INTRODUCTION	3
01. CONNECTED COMMUNITIES	5
02. COMMUNITIES OF ENTERPRISE	7
03. COMMUNITIES OF BEAUTY	9
04. COMMUNITIES OF WELLBEING	11
05. COMMUNITIES OF CARING	13
06. COMMUNITIES THAT ARE EMPOWERED	15

SCOTTISH BORDERS CONNECTED BORDERS 2017-2022

CONNECTED BORDERS

“ Our vision for delivering better communities ”

This document presents the Administration of Scottish Borders Council's vision for the next 5 years (2017 – 2022). As well as stating the key principles that will guide our work it articulates the type of communities we want to create and the progress that needs to be made in order to achieve a more Connected Borders.

INTRODUCTION

The Scottish Borders in an area of outstanding beauty. As a community we are surrounded by beautiful countryside, historic towns, a manufacturing heritage and close community ties. Challenges include developing and growing as an area while holding these things at the heart of that development, and building on our strengths while ensuring that the vulnerable and marginalised are included and considered in every action that we take. Together we need to ensure that no-one and no community is left behind but that we grow and develop together.

As Administration Councillors we are excited about what the next five years hold for the Borders; there are significant amounts of investment on the horizon to develop our economic base, to build new industry and provide new opportunities. Our communities have the skills, ambition and sense of purpose to lead the Scottish Borders into the future, a future that delivers economic growth and sustainable development, a future that builds our communities into strong, energetic towns and villages.

Our commitments are based on four key principles;

- **Consensus** – all of the councillors in Scottish Borders Council were invited to be involved in developing this vision.
- **Equality** – everyone in the Scottish Borders has the right to be treated equally, with respect and with fairness.
- **Innovation** – we must innovate to meet the needs of our changing economic and social environment.
- **Community** – we are nothing if we are not a community, and our community is our greatest strength.

IN SUMMARY, OVER THE NEXT FIVE YEARS WE WILL BUILD COMMUNITIES THAT ARE:





01. CONNECTED COMMUNITIES

WHY IS THIS IMPORTANT?

Earnings for those working in the Scottish Borders are the lowest of any local authority in Scotland.¹ In order to achieve sustainable growth, communications throughout the Borders must improve. Scottish Borders Council (SBC) needs to invest in our roads and will lobby the Scottish Government to ensure that funds are available to upgrade our infrastructure.

SBC recently received Strategic Timber Transport Funding towards addressing the damage done by the haulage of timber. We want to see this principle extended to other industries which adversely impact our roads and will do this by building stronger partnerships with industry ensuring that these issues are tackled at the start of projects.

The Borders Railway has been a very successful project for the Scottish Borders with over 1.3 million passenger journeys in the first 12 months of operation. When comparing the first six months of 2016 (after the railway opened in September 2015) to the first six months of 2015 (when there was no railway) there was a:²



But we remain ambitious. We want to see the railway extended to Hawick and beyond, with proposals developed for extending the line to Carlisle. The benefits that the railway has brought to Galashiels and Tweedbank can, and should, be extended to other communities in the Borders.

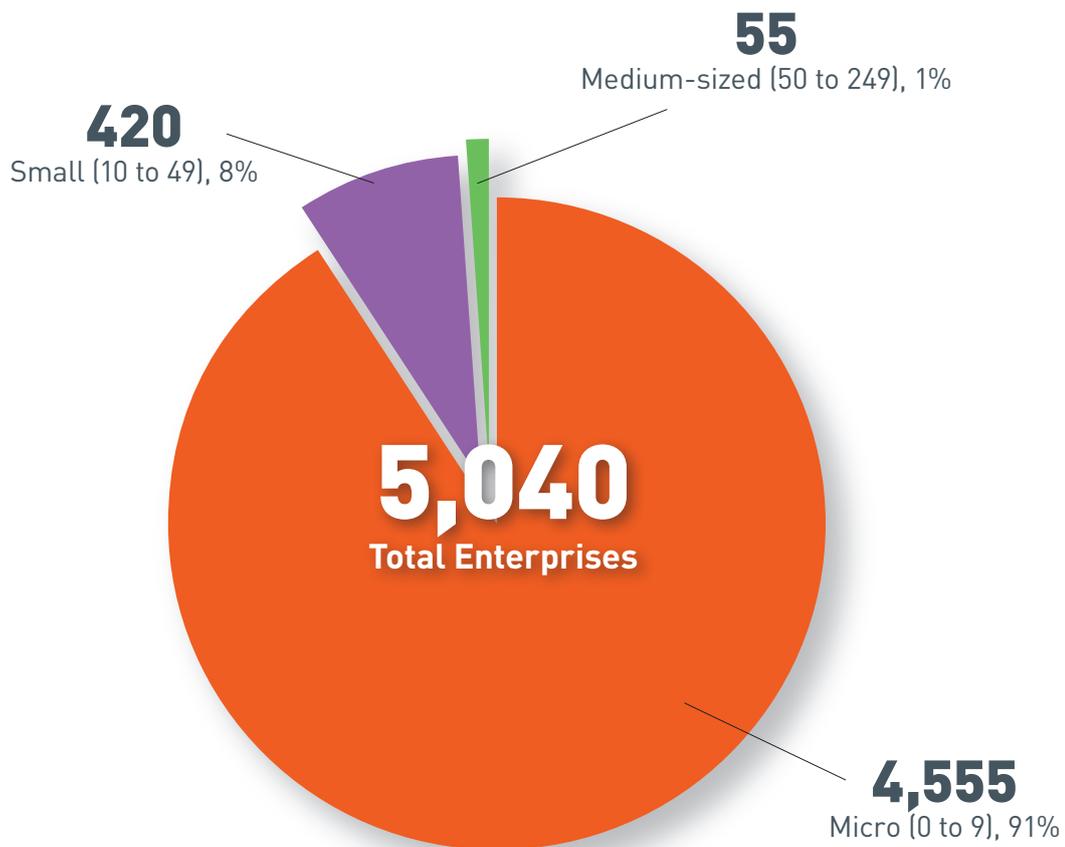
Despite significant investment, many of our residents and businesses often still suffer from exceptionally poor digital connections including poor broadband and patchy/low quality mobile coverage. To build our business base and make the Borders a place people choose to live, work and invest in, our businesses require the best possible access to good connectivity. In 2016 there were 5,040 businesses of which 91% (4,555) were Micro Businesses (0 to 9 employees), 8% were Small Businesses (10 to 49 employees), the remaining 1% of businesses had 50 employees or more.³

¹ Based on median gross weekly earnings, from 2016 Annual Survey of Hours and Earnings (ONS/NOMIS 2017)

² STEAM (Scottish Tourism Economic Activity Monitor)

³ NOMIS - ONS

BUSINESS COUNTS (ENTERPRISE) IN THE SCOTTISH BORDERS IN 2016



We have seen big gains in access to fibre broadband in recent years but some communities – particularly in rural areas - are still missing out. Over the next five years the Council will put pressure on the telecommunications firms and the Scottish Government to ensure that the Borders becomes one of the best connected places to live or do business and a leader in broadband provision in Scotland.

WE WILL:

- Fully support:
 - the case for the feasibility study into the extension of the railway to Hawick and Carlisle, taking into account the Scottish Government's current Borders Transport Corridors Study;
 - the delivery of a local rail service between Edinburgh and Berwick-upon-Tweed including a new station facility at Reston in Eastern Berwickshire.
- Building on SBC's Digital Connectivity Programme, work with the telecommunications industry to improve connectivity and Broadband;
- Protect our roads budget and deliver significant road improvements over the next five years using the Council's Capital programme.



02. COMMUNITIES OF ENTERPRISE

WHY IS THIS IMPORTANT?

There are three main initiatives that will come to fruition over the next five years, impacting on the economic development of the Scottish Borders as a whole:

- The South of Scotland Enterprise Agency, set up on a similar basis to the Highlands and Islands Enterprise will bring a significant investment and support to business;
- The Borderlands Initiative will bring together Northumberland, Carlisle, Cumbria, Dumfries and Galloway and the Scottish Borders to work collaboratively on cross border initiatives such as tourism;
- The South East Scotland City Deal, announced in July this will bring investment to the Borders for business.

These all represent significant investment into the Borders to improve, expand and develop our skills, infrastructure and economic base. Not only will SBC be supporting our existing businesses to grow and develop but we will be encouraging new business and industry to develop in the Borders. We will be working with partners such as the Chamber of Commerce, Social Enterprise Chamber and Federation of Small Business, as well as Business Gateway, to maximise the benefits that will accrue from this investment.

According to the 2011 Census 16% of people aged 16 to 74 in employment work mainly at or from home. Additionally, 22% of the working population who live in the Scottish Borders work out with the Scottish Borders (e.g. Edinburgh or Berwick-Upon-Tweed). We need to ensure that connectivity is as good as it can be for these groups, whether that is digital or physical.

When new sites are identified for development, it is essential that adequate consideration is given for enterprise and economic development as well as residential development. Joined-up thinking is required when it comes to town and community planning, making sure that appropriate services and opportunities are provided for our communities and residents. There is a clear need for smaller communities to have their own designated employment land and the new Local Development Plan will address this.

Social enterprises make a significant contribution to the Scottish economy³, with an estimated Gross Value Added (GVA) of £1.68bn. In 2015 there were 195 social enterprises in the Scottish Borders, about 4% of the total for Scotland (5,000). If the Scottish Borders proportion of the GVA was equal to the proportion of social enterprise, then social enterprises in the Scottish Borders contribute £67.2m to the Scottish Borders economy. There are more social enterprises per 1,000

³ Social Enterprise in Scotland Census 2015 - <http://www.socialenterprisescotland.org.uk/policy/180>

people in the Scottish Borders (1.7) compared to Scotland (1.0). This is a relatively new innovation when it comes to business models and one that as a Council we should explore and build on. Social enterprise companies work for the benefit of all of our communities and we will do all that we can to support them.

WE WILL:

- Work with partners to maximise significant investment in our area through the Borderlands initiative and the Edinburgh and South East Scotland City Region Deal
- Ensure that the developing South of Scotland Enterprise Agency supports new and existing business and attracts investment to our area
- Produce a new Local Development Plan with a focus on delivering land for enterprise and promote this to business to attract new industries to the Scottish Borders
- Encourage new and existing businesses and public sector partners to pay the living wage

³ Social Enterprise in Scotland Census 2015 - <http://www.socialenterprisescotland.org.uk/policy/180>



03. COMMUNITIES OF BEAUTY

WHY IS THIS IMPORTANT?

Our **town centres** are great local assets where we connect with local services and facilities but many face challenges as patterns of retail change and shoppers use online services or large out of town supermarkets. Low 'footfall' in many towns results in some premises being left empty altogether. As a Council we will adapt the Local Development Plan to promote diversification in town centres that encourages new and existing businesses to flourish by making it easier for a greater variety of business types to set up, including specialist retailers, offices, tourist businesses, cafes and restaurants.

The **Borders' built and natural environment** is not just valuable in itself – it is a key economic asset that is vital to attract new jobs and investment in the modern economy. It follows that our economy depends on maintaining and enhancing the quality of our environment, and all new development should have that aim in mind. SBC will aim for the highest standards of design quality in terms of architecture, spacing and context to encourage new building that enhances our surroundings, either reflecting the architectural traditions of the Borders or introducing exciting new designs. SBC will encourage diversity and innovation in design to promote a full range of housing and a continued focus on providing affordable housing. But there should be particular emphasis on those areas that have a low supply but high demand for this type of accommodation.

In recent times, much new housing in the Borders has been built within or adjacent to existing settlements. The new Local Development Plan will aim to encourage smaller developers and new building across the Borders taking account of existing pressures on the infrastructure of existing towns and villages. The emphasis for all development - commercial or residential - will be on its quality of design and the context of its surroundings. The new Local Development Plan will also encourage opportunities to deliver new developments to the highest standards of design. Making the best use of new and existing infrastructure and provide sites for affordable housing.

SBC's Planning Service will continue to work to provide the best possible service to developers and planning applicants, ensuring swift resolution of applications, a clear process, and low costs, particularly for small developers and businesses.

A great part of ensuring our communities retain their beauty and character is to look after our natural environment. The Household Recycling rate for the Borders has increased slightly from 36.3% in Q1 of 2015 to 39.0% in Q4 of 2016. However, the Scottish Borders recycling rate is below the Scottish average of 44% although compares favourably to other similar rural councils.⁴ Future actions include improving access to community recycling centres.

Our Neighbourhood Teams do an outstanding job in keeping our Borders towns looking their best and working with local community groups to deliver festivals and other events. A great deal of time is spent on cutting grass, verges and annual planting. We hope to pilot an initiative whereby the Council works closely with communities to develop a way of managing communal land to increase bio-diversity and improve the whole environment.

The history, culture and activities that we offer are great assets. Tourism is critical for many businesses working and operating in the Borders and as a Council we will do all that we can to enhance and build on this. From considering the signage that is used in our towns, to how this area is marketed both within the UK and abroad we can promote the Scottish Borders as an exciting destination.

WE WILL:

- Diversify our town centres through better use of our planning regulations
- Take an innovative approach to new housing development, encouraging smaller, better placed developments
- Continue to deliver affordable homes in areas that need them the most, guided by the Local Housing Strategy (developed in partnership with Registered Social Landlords)
- Implement a new Waste Management Strategy to improve recycling rates
- Building on SBC's localities work, pilot a biodiversity project to manage communal land, opening it up for more innovative approaches to enhancing our communities

⁴ LGBF - <http://www.improvementservice.org.uk/benchmarking/tool.html>



04. COMMUNITIES OF WELLBEING

WHY IS THIS IMPORTANT?

Education should not only be about schools; we need to consider how our communities develop whether you are 2 or 102. Our Community Learning and Development (CLD) Teams throughout the Borders are doing a fantastic job in listening to our communities and delivering educational opportunities, for example, through developing the Early Years Programme or working with partners to deliver “Men’s Sheds”, and many other projects. This valuable work will continue and grow over the next five years.

As part of this we need to consider our buildings that provide our educational services. Over the next five years we will continue to maintain and deliver an improved schools estate throughout the Borders, ensuring that it is fit for purpose for the next generation. Our flagship project in Jedburgh will be delivered, in partnership with the community, to improve and enhance the educational establishment in that town. However other major Borders towns have high schools that require attention and we will deliver on the Schools Review that is under way. This programme will continue in line with the Council’s commitment to provide centres of excellence for our young people.

Partnership working is the driving force behind ensuring that the Borders remains a **safe place to live, work and visit**. We are committed to resolving the problems that adversely impact the safety and security of our communities working with others to tackle key areas such as the:



We will target substance abuse and its detrimental impact on the health and wellbeing of the vulnerable in our community.

The Borders is acknowledged as one of the safest communities in the country, an enviable position and one that we must fight to retain.

Live Borders was established in April 2016 and has been delivering **sporting and cultural services** since that date. During a period of significant financial pressure, the services that have been delivered on the ground have been maintained to a high standard. Over the next five years we will be working with Live Borders to enhance the cultural focus of our Border towns. The history and depth of our culture and traditions should be cherished and built on. The regeneration of the towns of the Borders has to include cultural regeneration as well as economic regeneration and local plans have to reflect that.

There is a growing network of multi-use paths being developed across the region and we will continue to work with national partners to deliver and increase them to encourage **active travel**. As cycling becomes more and more popular we will work to ensure that significant events such as the Tour of Britain and Tweedlove continue to thrive, bringing major investment, increased tourism and new interest in our region. Key partnerships with local cycling clubs, the Forestry Commission and The Mountain Bike Centre of Scotland are essential to ensuring that the Borders continues to be seen as the UK's premier biking destination.

Over the next five years, this Council will make significant progress in developing services to improve teenage mental health. We will look at models of prevention and treatment and work with partners to deliver improved services in the most relevant context, whether that is in schools or health facilities. We will work to ensure that every young person who requires counselling has access to it, that primary schools are identifying "at risk" young people at an early age, and that our partners are equipped to deliver services that address these issues.

WE WILL:

- Take a "whole community" approach to education (whether you are 2 or 102) to raise attainment, "close the gap" and provide opportunity for everyone
- work with police and local organisations to deliver an extensive project on substance abuse and its impact on mental health
- ensure that our town centre regeneration programme includes an increase in cultural centres as well as an economic focus
- continue to work with Sustrans to deliver multi-use paths across the region
- with partners, deliver improved mental health support to our most vulnerable young people across the Borders

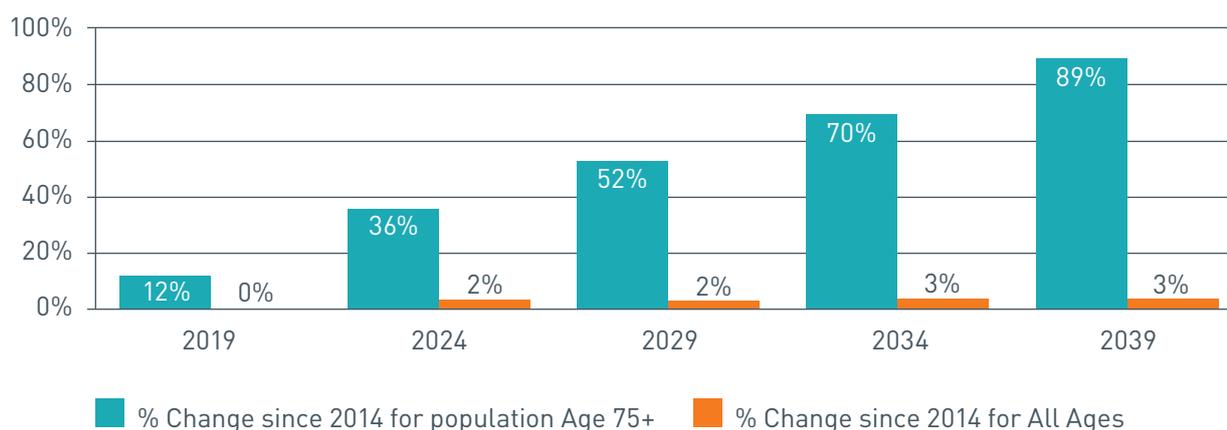


05. COMMUNITIES OF CARING

WHY IS THIS IMPORTANT?

Appropriate care for the elderly is critical as projections suggest that the number of people aged 75+ in the Scottish Borders will increase by 10,353 (89%) between 2014 and 2039, compared to a 3,080 (3%) increase for the total population.

PROJECTED % CHANGE IN POPULATION FOR AGED 75+ COMPARED TO ALL AGES FOR THE SCOTTISH BORDERS, NRS



As a community, we must act now to address this, or we will leave a much bigger issue for future generations to resolve. This is not just an issue for the Council but also for the Third Sector, housing associations, NHS Borders and other partners.

Of particular concern are those elderly people – and their carers - who will be living with dementia. There needs to be a clear patient pathway for those who have been diagnosed with dementia through diagnosis and treatment to a tiered layer of support available when they reach each stage. As a Council we will work with partners to deliver services that will be focused on each person's needs, ensuring that people do not have to struggle to access the care they require and that they can be confident it will be in place when they need it.

Working with partners in the Third Sector, we want to develop plans for prevention and early intervention. There are many fantastic projects that deliver family support, mentoring, education and maternal support. These need to be encouraged, developed and supported to ensure that the needs of our families are being met at an early stage.

WE WILL:

- Ensure that patient pathways are developed for elderly people so the journey of care from first diagnosis to palliative care is clear
- Embed the focus of our family support services to early intervention and mentoring, with a strong focus on early years support and parenting



06. COMMUNITIES THAT ARE EMPOWERED

WHY IS THIS IMPORTANT?

Over the next five years, this Council is committed to being transparent and open. We want communities to engage as much as possible with their local councillors, community councils, community trusts and the many other organisations that exist within our communities, collaborating to build a better Borders.

The Community Empowerment (Scotland) Act 2015 means that communities can have a much greater voice in how councils are run, how services are delivered and how council facilities meet the needs of the local communities in which they are located. This is a welcome and exciting development.

One of the key innovations introduced by the Act is “Participatory Budgeting”, whereby communities will help to decide how funds are spent. This process will be administered by new Area Partnerships (which are replacing Area Forums) and will deliver local decision making and offer a real voice to local community groups. They will have identifiable powers and be able to make a real impact on their local areas.

WE WILL:

- Introduce Area Partnerships to replace Area Forums to bring decision making closer to local communities
- Implement Participatory Budgeting for community projects (through the Area Partnerships) so that communities have a say on what is spent in their local area

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tel: 0300 100 0220

email: membersservices@scotborders.gov.uk



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Scottish Borders Local Police Plan 2017 to 2020

Contents

1. Introduction - 2017-2020 Scottish Borders Local Police Plan
2. All About the Scottish Borders
3. Police Scotland
4. Better Outcomes for Communities
5. Achieving Priorities & Outcomes
6. Measuring Success
7. Contact Us
8. Appendix 1 – Police Performance Indicators
Appendix 2 – Police Roles

1. Introduction

Section 47 of the Police & Fire Reform (Scotland) Act 2012 states that the local police commander must prepare a ‘Local Police Plan’ that sets out policing priorities for that local authority area. The plan must set out the reasons for selecting the priorities and identify how the achievement of those priorities may be measured.

This is the 2017-2020 Local Police Plan for the Scottish Borders.

The introduction of the Community Empowerment (Scotland) Act 2015 has seen Scottish Borders Community Planning Partnership begin the creation of a Local Outcomes Improvement Plan, to be known and referred to as the “Scottish Borders Community Plan”. The Scottish Borders Community Plan focuses on improving outcomes and reducing inequalities that are best addressed through a Borders-wide approach, with community planning partners collectively working together and with local communities. Locality Plans will also be produced, as per the legislation, to identify more localised differences and outcomes.

Components of the Local Police Plan will be incorporated within the Community Plan towards the end of 2017. As well as focusing on our outcomes within this policing plan we will work collaboratively to identify outcomes we need to address within the Locality Plans. Police Scotland is moving away from reporting on performance statistics and concentrating more on meaningful outcomes for our local community.

By targeting inequalities we want to make the Scottish Borders a better place to live in, work in and visit.....

What is an outcome? An outcome is a description of what we want to achieve.

What are inequalities? Inequalities are the differences in life opportunities that are experienced depending on where you live or your individual characteristics.

Not Protectively Marked

The policing priorities in this Local Policing Plan were identified using:

- J Division Strategic Assessment (the information within this document is analysis of risks and threats likely to impact on communities, it is highly sensitive information and cannot be shared within the public domain).
- Results from the Public Consultation Survey “Your View Counts” for the Scottish Borders specifically. (Your View Counts is a new process for public consultation available online 365 days a year at www.scotland.police.uk. The consultation survey can also be obtained through your local police station).
- (1) Scottish Borders Community Plan (currently evolving to replace the Single Outcome Agreement for Scottish Borders 2013 <https://www.scotborders.gov.uk/communityplanning> and,

(2) Reducing Inequalities in the Scottish Borders by 2025 Strategic Plan, June 2016.
https://www.scotborders.gov.uk/downloads/file/2660/reducing_inequalities_strategic_plan
- The Local Authority and a range of local partners were also consulted on the final content of the Local Police Plan.

The process adopted to identify the priorities:

- Examination of the supporting documentation and trends identified from the performance indicators.
- Identifying which priorities were evident within the documentation.
- Establish if they then mirrored any of the National Policing Priorities within Police Scotland’s Annual Policing Plan:
<http://www.scotland.police.uk/about-us/police-scotland/strategic-planning/>
- Ensured that the priority was mirrored in at least two of the documents and ranked by the public as an issue.
- A full Equality and Human Rights Impact Assessment (EQHRIA) has been completed.

2. All about the Scottish Borders

Demographics & Population

The Scottish Borders area is 473,614 hectares (1,827 square miles) and is located in the South East of Scotland. It has Edinburgh and the Lothians to the North, Northumberland to the South and Dumfries and Galloway to the West.

It is the 4th most rural area in Scotland.

30% of the population lives in settlements of below 500 people or in isolated hamlets.

The largest town is Hawick with a 2014 estimated population of 14,003, followed by Galashiels with 12,670. If neighbouring Tweedbank were included, Galashiels would be the largest town in Scottish Borders. The only other towns with a population of over 5,000 people are Peebles, Kelso and Selkirk.

The estimated 2014 population for Scottish Borders was 114,030: an increase of 0.1 per cent from 113,870 in 2013. The population of Scottish Borders accounts for 2.1 per cent of the total population of Scotland. Since 1988, Scottish Borders's total population has risen overall as has Scotland's population as a whole.

In Scottish Borders, 13.5 per cent of the population are aged 16 to 29 years. This is smaller than Scotland, where 18.3 per cent are aged 16 to 29 years.

Persons aged 60 and over make up 30.2 per cent of Scottish Borders. This is larger than Scotland where 24.0 per cent are aged 60 and over.

Not Protectively Marked

Policing the Scottish Borders

About 80% of incidents currently attended by Police Scotland do not involve a crime being committed. Incidents often involve assisting vulnerable people in our community, more so the younger and older generations. With an increasing ageing population the numbers of these types of incidents are going to increase. These incidents include children or young people at 'risk of harm', missing persons of all ages and those suffering with mental health issues. To meet this emerging demand, **police resources now need to work more resourcefully with partners to focus on early intervention and prevention to reduce these types of incidents.**

Reference to current crime trends and statistics can be found at <http://www.scotland.police.uk/about-us/our-performance/>.

Local police resources are committed to serving the Scottish Borders. Response and Community Policing are at the heart of local policing and are supported by Youth Community Officers who promote early, effective intervention and prevention within local schools and with partner agencies. A Community Planning Police Officer supports the Scottish Borders Community Planning Partnership.

The division is committed to providing key Prevention Portfolio Officers with a direct link to a Local Delivery Officer. They, through close links with partners, are divisional experts that support the delivery of key prevention messages together with Community Beat Officers. Appendix 2 explains the various police roles.

Additional specialist resources to investigate crime or to support large or complex incidents are all available at local, regional and national levels. These include the Domestic Abuse Investigation Unit and National Rape Investigation Unit. National support has also been provided by the Air Support Unit based in Glasgow to assist in numerous incidents in the Scottish Borders, including high risk missing person enquiries.

Within the Scottish Borders, large events are held such as the Melrose 7's, and the annual Common Ridings, these result in thousands of visitors to the area. The ability to call on additional regional, national and specialist resources for these events continue to highlight the merits of Police Scotland and benefits this has for the communities of the Scottish Borders.

Not Protectively Marked

Evidence shows that co-location and shared services between partner's leads to closer collaboration and, ultimately, better outcomes for the communities they serve. This approach will be further enhanced to increase the collaboration and partnership working within the Scottish Borders.

3. Police Scotland

Police Scotland was formed on 1st April 2013.

Since the creation of the service it has faced many challenges. The service has and continues to evolve, as does the community it serves locally. In light of this the service attempts to identify and take advantage of new opportunities and working practices, more importantly it has to listen to the needs and views of the people in the Scottish Borders in order to get it right. This undoubtedly strengthens both local and national policing and gains the confidence and trust of the community.

Whilst this Local Police Plan sets out the local policing priorities for the next 3 years, 'Policing 2026' is a longer term strategy for Police Scotland, this can be accessed at <http://www.scotland.police.uk/assets/pdf/138327/386688/policing-2026-strategy.pdf> . Police Scotland is aiming to transform the service, in stages, over the next 10 years. This is to ensure the service is flexible to address new and changing demands, **to improve outcomes for people, communities and places.**

The public consultation throughout the '2026' process has shaped the outcomes we have adopted. It is hoped our fairness, integrity and respect for communities and partners will ensure confidence in Police Scotland will continue to grow.

Working with our partners and the community now and into the future will empower everyone. It will develop stronger partnerships, make productive use of limited resources, and ultimately make us all more resilient, reflecting in our communities we serve in the Scottish Borders.

4. Better Outcomes for Communities

The 2017-2020 Local Police Plan, although a 3 year plan, embodies the beginning of a change to focus on longer-term outcomes. The Partnership's Scottish Borders Community Plan also focuses on improving outcomes (over a 10 year period) as well as reducing inequalities. The outcomes agreed in the Community Plan are presented under the following themes:

Our Economy, Skills and Learning

Our Health, Care and Wellbeing

Our Quality of Life

Our Place

Locality Plans will be produced for each of the following areas; Berwickshire, Cheviot, Eildon, Teviot & Liddesdale and Tweeddale. These plans will cover inequalities that are identified at a more local level, specific to that area. Police Scotland, as part of the Community Planning Partnership, will work together with local communities to achieve outcomes identified within the Locality Plans.

Not Protectively Marked

Through the consultation process the Local Police Priorities themes were identified as below, **these seven priorities are presented in no specific order**. A similar approach has been adopted to identify the priorities within the Community Plan; national and local data and statistics, community views, professional knowledge and expertise. This is an agreed methodology from across the Community Planning Partnership.

Domestic Abuse (incorporating all aspects of sexual offences)

Why?

- Domestic abuse appears as a priority in the Community Plan/SBC Single Outcome Agreement.
- Performance indicators show nationally that Domestic abuse incidents are an issue.
- Police Scotland J Division Strategic Assessment shows that it is still a prevalent issue.
- The community ranked Domestic Abuse as 12/24 in Your View Counts.
- Through the Reducing Inequalities Strategic assessment that gender based violence was an issue.
- Performance indicators show a trend of Sexual crimes increasing.

Not Protectively Marked

Road Safety (incorporating prevention, road user behaviour, road casualties)

Why?

- Road Safety appears as a priority in the Community plan/SBC Single Outcome Agreement.
- Police Scotland J Division Strategic Assessment shows that road fatalities is an increasing trend, this is mirrored in the performance indicators.
- The community ranked Road Safety/Road Crime as 6/24 in Your View Counts.
- Through the Reducing Inequalities Strategic assessment that poor road user behaviour was an issue.

Violent Crime (incorporating assaults, serious and organised crime groups -SOCG and counter terrorism)

Why?

- Police Scotland J Division Strategic Assessment shows an increasing trend.
- The community ranked Violent Crime as 5/24 in Your View Counts.
- Violent crime is evident within the other policing priorities either as a result or a contributing factor.
- Within the performance indicators the trend is that assaults are increasing.

Not Protectively Marked

Anti-Social Behaviour (incorporating online crime and hate crime)

Why?

- Anti-Social Behaviour appears as a priority in the Community Plan/SBC Single Outcome Agreement.
- The community ranked Anti-Social Behaviour as 1/24 in Your View counts.
- Police Scotland J Division Strategic Assessment shows that there is an increasing trend of Hate crime being reported.
- Online ASB is increasing from figures within the performance indicators.

Drug & Alcohol Misuse (incorporating serious and organised crime groups - SOCG)

Why?

- Police Scotland J Division Strategic Assessment shows that it is an increasing trend with SOCG being involved in drug supply.
- The community ranked Drug Dealing/Drug Misuse as 3/24 in Your View Counts.
- Through the Reducing Inequalities Strategic assessment that substance misuse was an issue.
- Police Scotland J Division Strategic Assessment shows that alcohol was factor in a high number of serious assaults.
- The community ranked “Rowdy Drunken Behaviour” as 14/24 in Your View Counts.

Not Protectively Marked

Protecting People (incorporating child protection, child sexual exploitation - CSE, adults at risk and missing persons)

Why?

- Protecting People appears as a priority in the Community Plan/SBC Single Outcome Agreement.
- Police Scotland J Division Strategic Assessment shows that it is an increasing trend.
- The community ranked Child Abuse including Child Sexual Exploitation as 9/24 in Your View Counts
- Through the Reducing Inequalities Strategic assessment that keeping children and young people safe was an issue.

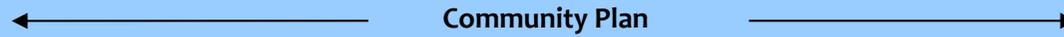
Acquisitive Crime (incorporating rural crime and doorstep crime, housebreakings and thefts)

Why?

- Police Scotland J Division Strategic Assessment shows that it is an increasing trend in aspects of acquisitive crime.
- The community ranked Homes Being Broken Into as 2/24 in Your View Counts.
- Performance indicators show an increase in acquisitive crime.
- The community ranked Theft of Property (Bicycles, Quadbikes, Tools Machinery or Livestock) as 4/24 in Your View Counts.

Not Protectively Marked

The relationship between the Community Plan Themes and Policing Priorities, are illustrated in the following chart:



	Our Economy, Skills & Learning	Our Health, Care & Wellbeing	Our Quality of Life	Our Place	Potential Policing Priorities for Locality Plans
Police Priority					
Domestic Abuse					
Road Safety					
Violent Crime					
Anti-Social Behaviour					
Drugs & Alcohol Misuse					
Protecting People					
Acquisitive Crime					

5. Achieving Outcomes

This is what we aim to achieve...

Domestic Abuse - Police Scotland plans to reduce the harm caused by Domestic Abuse and sexual crimes within the Scottish Borders, we want to signpost victims and those affected to other agencies to reduce the instances of harm.

This is what we will do...

- We will direct focus on those who are repeat offenders and support repeat victims within the community.
- We will work in partnership to identify and focus intelligence led activity on offenders of domestic abuse.
- We will direct focus on those who are repeat offenders and support repeat victims within the community.
- We will work collaboratively to support the victims of sexual crime, proactively sharing information with partners, signposting to appropriate agencies and ensuring a victim centred approach.

This is where and how we will show you if we are on track:

<http://www.scotland.police.uk/about-us/our-performance/>

Not Protectively Marked

This is what we aim to achieve...

Road Safety – Police Scotland plans to reduce road accidents and casualties within the Scottish Borders by means of prevention, and influencing road user behaviour.

This is what we will do...

- We will work in partnership to reduce offending and concentrate on prevention to divert away from offending/accidents.
- We will direct focus on people of all ages about road user behaviour, with particular focus on young people.
- We will engage with our partners to educate and inform young people about road user behaviour.
- We will direct focus on offenders through intelligence led operations.
- Media to be used to promote events and campaigns.

This is where and how we will show you if we are on track:

<http://www.scotland.police.uk/about-us/our-performance/>

Road Casualties – A Case Study

Across the Lothian's and Scottish Borders road safety is a priority, with young drivers being overrepresented in many serious and fatal road accidents. It is therefore important through education to ensure that young drivers understand that the skill of driving comes with a responsibility to keep people safe.

With many serious and fatal accidents occurring on rural roads, where the cause of the collision can be attributed to driver behavior, helping young drivers develop excellent driving skills and an awareness of safety issues is important for the continuous improved safety of our road networks.

To address the issues surrounding young drivers, a programme of events to emphasise risk and support good driving behaviour is provided for all senior pupils at high schools across the Scottish Borders. Working with partners including the Scottish Fire and Rescue Service, the Scottish Ambulance Service, Scottish Borders Community Safety, and third party organisations Police Scotland YCO and Traffic Officers deliver an educational event which has group discussion and debate surrounding the issues arising from when attending road traffic collisions. Responsibilities that young drivers have and the potential consequences of ignoring these are discussed.

Having run for several years this programme is very successful with 76% of attendees stating the event would have a direct impact on their driving and feeling more able to challenge other road user's behaviour as a result.

To further enhance this the Scottish Borders Local Area Police Commander has piloted a series of 'Young Drivers' events held at Charterhall, with Police Scotland, the Institute of Advanced Driving, Clelland's Volvo and partner agencies. This is to target young drivers to enhance safety skills, the value of advance driving, practical experience and a chance to speak to other agencies about their knowledge of road safety. It is hoped this will be a valuable experience and that the programme will be able to continue and run into the future.

Not Protectively Marked

This is what we aim to achieve...

Violent Crime – Police Scotland aims to reduce the harm caused by violent crime within private and public areas of our community and reduce the impact of serious and organised crime groups.

This is what we will do...

- We will direct focus in particular areas in the community to reduce violence, especially with a night time economy.
- Work in partnership to reduce repeat offending and victimisation through intelligence led operations.
- Use of social media to highlight Police activity at organised events within the Scottish Borders to deter any violence.
- We will work collectively to educate and inform young people about the effects of radicalisation.
- We will engage with our communities and partners to ensure there is an awareness of threats posed by terrorist actions, how to be vigilant and how to react.
- We will collaborate with partners to work within our community to enhance the support given to those affected by violence.
- We will continue to work with partners to address the impact of serious and organised crime groups within the community.

This is where and how we will show you if we are on track:

<http://www.scotland.police.uk/about-us/our-performance/>

CASE STUDY – Serious and Organised Crime

Tackling Serious and Organised Crime within our communities is a priority for Police Scotland. As result both local and specialised officers within the Scottish Borders continue to maximise opportunities to target organised crime groups, disrupting their criminal activity and dismantling their networks.

Operation Crossfire was an intelligence led operation targeting an Organised Crime Group based in the Scottish Borders, who were impacting the local community with their supply of illegal drugs and counterfeit goods. Using various methods available, the intelligence around this group was developed, which enabled a full intelligence picture to be established. Specialist Police Resources along with partners from Trading Standards and SSPCA liaised and thereafter executed warrants at several addresses resulting in significant quantities of class A, B and C drugs being seized along with counterfeit clothing, cash and an illegal weapons.

This robust, proactive approach to tackling serious and organised crime demonstrates both Police Scotland's willingness and the importance to work with partner agencies to prevent organised crime thriving in the Scottish Borders and sends a clear message to organised crime groups that their criminal activities will not be tolerated.

CASE STUDY – E-Learning – Counter Terrorism Strategy – Prevent

Police Scotland is committed to protecting communities by reducing and mitigating the risk and impact of terrorism to Scotland and its communities. Vulnerable individuals in our communities may be at an increased risk of radicalisation and extremism.

By creating a working group utilising specialist officers at a regional and divisional level and partners in education, NHS, Scottish Ambulance Service, utility companies, etc. the Lothian and Scottish Borders produced a bespoke ‘Prevent’ E Learning package for partners from the ground-up. This package was produced with the aim of stopping individuals becoming radicalised by extremists by including and working with partners in education, faith, health and criminal justice and supporting them to recognise potential risks and enabling them, through their workforce, to address those risks in the best way.

The E –learning package has provided a consistent approach to training in this important area and over 3,000 local authority staff have completed the training course so far, including the Scottish Borders, reducing the risk of vulnerable individuals becoming radicalised, and extremism and terrorism in our communities.

Not Protectively Marked

This is what we aim to achieve...

Anti-Social Behaviour – Police Scotland aims to reduce the instances of harm caused by anti-social behaviour within our community and highlight how it impacts on the wider community.

This is what we will do...

- We will engage with our partners to educate and inform the community about the effects of anti-social behaviour, hate crime and cybercrime on the most vulnerable in our community.
- We will work collaboratively with partners to promote third party reporting to address the under reporting of hate crimes.
- We will work in partnership to reduce repeat offending and victimisation.
- We will direct focus on those repeat offenders and support repeat victims within the Scottish Borders.
- We will work collaboratively with partners to divert those who commit minor offences or divert away from offending behaviours.

This is where and how we will show you if we are on track:

<http://www.scotland.police.uk/about-us/our-performance/>

Not Protectively Marked

This is what we aim to achieve...

Drug & Alcohol Misuse – Police Scotland aims to reduce the harm caused by drug and alcohol misuse within the community and educate people about the impact that serious and organised crime groups have on drug misuse.

This is what we will do...

- We will engage with our partners to educate and inform young people about the effects of drug and alcohol misuse and the effect on our wider community.
- We will work in partnership to reduce repeat offending and victimisation through intelligence led operations.
- We will collaborate with our partners to signpost to appropriate agencies for treatments or advice and help for person or family members affected by substance misuse.
- We will encourage responsible management of licensed premises, robustly enforcing legislation and making presentation to the Scottish Borders licensing board where necessary.

This is where and how we will show you if we are on track:

<http://www.scotland.police.uk/about-us/our-performance/>

CASE STUDY – Weed Them Out

The criminals involved in commercial cannabis cultivation often have links to serious organised crime, which can include human trafficking and exploitation of other adults at risk through vulnerabilities. When these individuals establish cannabis cultivations in residential properties, the problem is brought into local communities.

As part of our commitment to tackle drug misuse we held a seminar with partners including housing authorities, housing associations, retailers, the fire service, NHS and the post office, with coverage across social media, radio and newspapers. This included advice on how to recognise potential cultivations and what to do, and drew attention to associated risks, such as the danger surrounding the theft of electricity and commensurate potential for fatal fires.

The event was a notable success, with very positive feedback from all attendees. The event has been recognised nationally as best practice and, in practical terms, has seen a significant increase in the number of cultivations seized.

Tackling drug misuse requires a multi-faceted approach. The Weed Them Out campaign brought together partners from across the public services and private sector towards this goal, and brought about a significant practical increase in seizures. In the long-term, increased awareness on the part of our partners, and the development of the reporting process, will continue to see these cultivations either stopped from being set-up, or removed at a much earlier stage, thereby reducing the effect on the community.

Not Protectively Marked

This is what we aim to achieve...

Protecting People - Police Scotland aims to reduce the harm and instances of harm to persons 'at risk' within our local community by education, enforcing and signposting and collaboration.

This is what we will do...

- We will engage with partners, share information and work collaboratively to reduce the harm to vulnerable persons in our community.
- We will work with our partners to educate and inform young people about the signs of child sexual exploitation.
- We will direct focus on those who are repeat offenders and support repeat victims within the community.
- We will investigate adult protection and child protection enquiries with sensitivity and work with our partners to signpost to other relevant agencies.
- We will work collaboratively with partners to reduce the instances and minimise the risks concerning missing persons in the community.

This is where and how we will show you if we are on track:

<http://www.scotland.police.uk/about-us/our-performance/>

CASE STUDY – Child Sexual Exploitation

Child Sexual Exploitation can happen and is happening to boys and girls throughout Scotland and the Scottish Borders.

Police Scotland commenced a campaign in August, 2016 – “Grooming a Child for Sex? We’re on to you”. The aim of the campaign is to deter perpetrators from sexually exploiting children and preventing people ever becoming a victim. We are actively encouraging the public to come forward if they spot the signs of a victim of CSE and reporting it. This will be done by highlighting to the public what the signs of offending behaviour is, and targeting the perpetrators highlighting the fact that their grooming techniques are known and Police Scotland will not tolerate CSE.

Although the main aim of the campaign will be on the perpetrators the Police will continue to work closely with a range of local authority partner agencies and also Barnardo’s to ensure that victims of child sexual exploitation receive all the information and support they need to come forward with confidence.

So what is CSE? Child sexual exploitation is a form of child sexual abuse in which a person or persons, of any age, takes advantage of a power imbalance to force or entice a child into engaging in sexual activity in return for something received by the child and or those perpetrating or facilitating the abuse.

The Scottish Government have developed a suite of materials to raise awareness about CSE, help people understand and spot the signs and provide any support the victims and public may need. Visit <http://csethesigns.scot/> for more information.

Not Protectively Marked

This is what we aim to achieve...

Acquisitive Crime – Police Scotland aim to reduce the harm caused to individuals within the Scottish Borders and the financial loss to the wider community, with prevention playing a hugely important role.

This is what we will do...

- We will work with partners to reduce repeat offending and victimisation through intelligence led operations.
- We will direct focus on known offenders and support repeat victims within the community.
- We will engage with our partners to educate and inform young people about the effects of acquisitive crime on the community.
- We will work in partnership to divert those who commit minor or first offences away from offending behaviours.

This is where and how we will show you if we are on track:

<http://www.scotland.police.uk/about-us/our-performance/>

CASE STUDY – Rural Crime

There was a noticeable rise in thefts taking place within the rural community of the Scottish Borders. These items were of high value, including agricultural machinery, which was vital for the daily business causing a loss in production and harming the local economy.

Working collaboratively with the Scottish Borders Council, Scottish Fire and Rescue Service and the National Farmers Union, we devised a tiered, escalating range of prevention methods, underpinned by a strong media campaign. We produced and distributed a prevention booklet to all farms in the Scottish Borders, with Social Media and press releases via newspapers and local authority publications, supported by local radio, and highlighted as a lead story for a security industry magazine and local television coverage.

“Walk and talk” events were carried out where farmers received practical crime prevention and fire safety advice and product displays. We also attended local farm shows and 200 farms were given bespoke prevention advice, including DNA property marking their machinery and other items, supplemented by overt road signage.

This led to a 62% reduction in the value of rural theft in the region, and created a framework for positive engagement with farmers, strong collaborative practices with partners and won the Scottish Community Safety Network's "Innovative Media Campaign" award.

6. Measuring Success

As previously mentioned, this 2017-2020 Local Police Plan represents the start of a change from a short-term 3-year focus to a longer-term focus on longer-term outcomes. These outcomes will be progressed and monitored during the lifetime of this plan.

Several factors can influence short-term performance, therefore to allow for appropriate and transparent scrutiny, performance indicators have been identified from Police Scotland Quarterly Management Information, from Your View Counts Surveys and from User Satisfaction Surveys. These will be used to measure how well we are achieving our outcomes.

Regular monitoring of these indicators will show how we are progressing towards the outcomes, these indicators will be considered in tandem with ‘partner indicators’ contained within the Scottish Borders Community Plan once it has been completed.

Police Performance Indicators are listed in Appendix 1 and can be accessed here:

<http://www.scotland.police.uk/about-us/our-performance/>

7. Contact Us

Chief Constable of Police Scotland

“Effective policing isn't just about enforcement. It's about working in and with our communities to identify and solve problems. That's why we've restructured our community policing so that it's easier for you to know who we are, what we do and how to get in touch with us”.

Local Contact Details:

Police Scotland

Hawick Police Station

Wilton Hill

Hawick

TD9 8BA

Telephone number: 101

Emergency Number: 999

Email: For all non-emergency issues or enquiries relating to Police business, you can contact us via:

<mailto:ScottishBordersLPP@scotland.pnn.police.uk>

This group email address is provided for you to discuss non-urgent local policing issues. It should not be used to report a crime or incident.

Not Protectively Marked

We are here to help:

We will continue to keep in touch with you to keep you updated on the ongoing work being carried out to tackle the issues that are affecting life for you in the Scottish Borders.

- If you have any concerns or issues you wish to discuss, contact your local Community Policing Team.
- Dial 999 for an emergency that requires urgent police attention.
- For non-emergency contact, call 101, the single non-emergency number.
- If you have information about crime in your area and wish to provide it anonymously, call CRIMESTOPPERS on 0800 555 111
- Service users who are deaf or have a hearing impairment can contact Police Scotland via TextRelay in an emergency on 18000 or non-emergency on 18001 101.

Your Local policing Team

<http://www.scotland.police.uk/your-community/the-lothians-and-scottish-borders/>

Social Media: #keepingpeoplesafe

Twitter <http://twitter.com/policescotland>

Facebook <http://facebook.com/policescotland>

8. Appendix 1 – Police Performance Indicators

The following Police Performance Indicators are closely aligned to the delivery of the Priorities within the Scottish Borders Local Police Plan:

Missing Person Incidents	Source: Quarterly Management Information
Sexual Crime (Group 2) Crime Rate per 10,000 population	Source: Quarterly Management Information
Housebreakings & Theft (Group 3) Crime Rate per 10,000 population	Source: Quarterly Management Information
Antisocial Behaviour Incidents per 10,000 population	Source: Quarterly Management Information
Racially Aggravated Conduct per 10,000 population	Source: Quarterly Management Information
Domestic Abuse Incidents	Source: Quarterly Management Information
% Domestic Abuse Incidents that result in crime report	Source: Quarterly Management Information
Serious Assault (Group 1) Crime Rate per 10,000 population	Source: Quarterly Management Information
Road Casualties	Source: Quarterly Management Information
% Perception of Crime in Local Area	Source: Your View Counts Survey
% Confidence in the Police	Source: User Satisfaction Survey

Police Scotland is fully committed to sharing performance data with our communities and partners. The link below demonstrates a comprehensive summary of current crime trends and statistics including the Performance Indicators listed above.

<http://www.scotland.police.uk/about-us/our-performance/>

Appendix 2 – Police Roles

Response Officers	Respond to incidents 24/7, investigate crimes, attend variety of calls as per force control room giving priority to emergency calls.
Youth Community Officers	Work closely with Education in the school setting and other partners to prevent youth offending, advice regards counter terrorism, cybercrime, sexual exploitation and give parental inputs.
Community Beat Officers	Focus on community issues, work closely with partner agencies and have responsibility for renewing firearm certificates.
Portfolio Holders	Work to collate and collaborate on specific areas of policing to identify ways of preventing crimes.
Local Delivery Officers	Deliver the work to colleagues and the community that the Portfolio holders collate.
Community Planning Officer	Work with the Community Planning Partnership to plan ways to improve outcomes and reduce inequalities within the Scottish Borders and by locality.

Contact Your Local Community Team at:

<http://www.scotland.police.uk/your-community/the-lothians-and-scottish-borders/>

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Scottish Borders Council

2016/17 Annual Audit Report



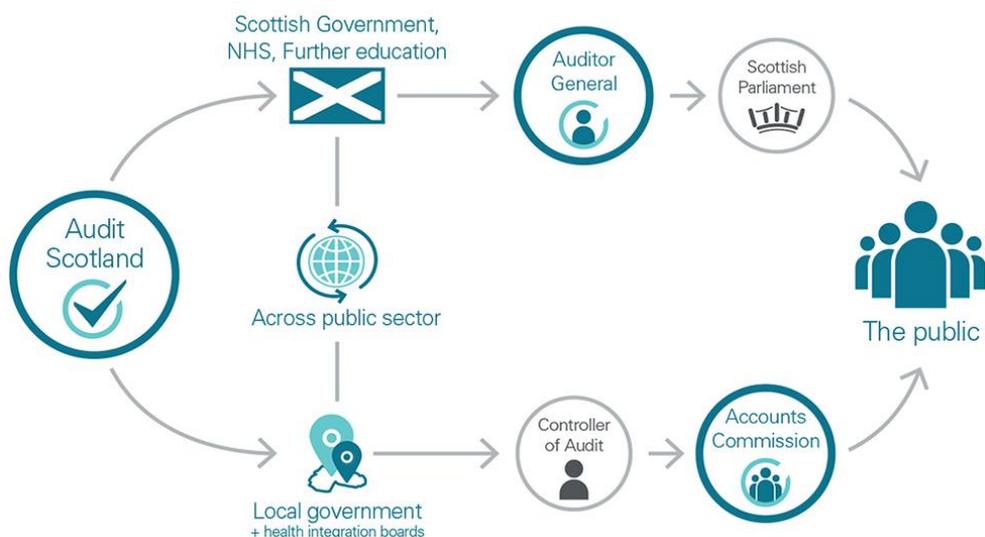
To Members of Scottish Borders Council and the Controller of Audit

25 September 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Introduction	5
Part 1	7
Audit of 2016/17 annual accounts	
Part 2	11
Financial management	
Part 3	15
Financial sustainability	
Part 4	18
Governance and transparency	
Part 5	23
Value for money	
Appendix 1	26
Action plan 2016/17	
Appendix 2	28
Significant audit risks identified during planning	
Appendix 3	31
Summary of national performance reports 2016/17	

Key messages

Audit of the 2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.
- 2 Unqualified opinions were issued for the seven charitable trusts administered by the Council.

Financial management

- 3 Financial management is effective with a budget setting process focused on the Council's priorities.
- 4 The Council has a good track record of delivering services within its budget.
- 5 The Council has appropriate internal controls in place within main financial systems and our testing confirmed that these were operating effectively. We did not identify any significant internal control weaknesses.

Financial sustainability

- 6 The Council's financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central government funding will continue to place a strain on the Council's capacity to deliver services at the current levels.
- 7 The Council has an adequate level of reserves and has medium-term financial plans that are aligned to Council priorities and demonstrate how it will address future budget challenges. This is in line with good practice.

Governance and transparency

- 8 The Council has appropriate governance arrangements in place that support the scrutiny of decisions made by the Council. The Council is open and transparent in the way it conducts its business and the public can attend meetings of the Council and its standing committees.

Value for money

- 9 Our Best Value work during the year concluded that the Council has effective arrangements in place regarding financial management, financial sustainability and the use of resources, with good progress made since the last Best Value report.
- 10 The Council has appropriate arrangements in place for the collection, monitoring and reporting of performance information.

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of Scottish Borders Council ('the Council' or 'SBC').
2. The scope of the audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit & Risk Committee. This report comprises:
 - an audit of the annual accounts
 - consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
 - an interim audit of the Council's main financial systems and governance arrangements
 - audit work covering the Council's arrangements for securing Best Value relating to financial management, financial sustainability and the use of resources
 - an audit of the Council's 2016/17 annual accounts including the issue of an independent auditor's report setting out our opinions
 - a local risk assessment of the Council's housing benefits service.

4. Scottish Borders Council is responsible for preparing the annual accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.
5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.
6. As public sector auditors we provide an independent auditor's report on the annual accounts. We also review and report on the arrangements within Scottish Borders Council to manage its performance and use of resources such as money, staff and assets. Additionally, we report on the Council's best value arrangements. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
8. This report raises matters from the audit of the annual accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
9. Our annual audit report contains an action plan at [Appendix 1 \(page 26\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
12. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

Unqualified audit opinions on the Council's annual accounts.

Unqualified audit opinions on the seven charitable trusts administered by the Council.

Unqualified audit opinions

- 13.** The annual accounts for the year ended 31 March 2017 were considered by the Audit and Scrutiny Committee on 25 September 2017 and approved by the Council on 28 September 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements
 - unqualified opinions on the management commentary, remuneration report and annual governance statement.
- 14.** Additionally, we have nothing to report in respect of those matters which we are required to report by exception.

The Council's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of its resources.

Audit of charitable trusts administered by Scottish Borders Council

- 15.** Due to the interaction of the Local Government in Scotland Act 1973 with the charities legislation, a full and separate audit and auditor's report is required for each registered charity where members of Scottish Borders Council are sole trustees, irrespective of the size of the charity.
- 16.** Our duties as auditors of the seven charitable trusts administered by Scottish Borders Council are to:
- express an opinion on whether the financial statements properly present the charitable trusts' financial position and are properly prepared in accordance with charities legislation
 - read the trustees' annual reports and express an opinion as to whether they are consistent with the financial statements
 - report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator.
- 17.** We received the trusts' accounts in line with the agreed timetable and after completing our audit we issued unqualified audit opinions in respect of the 2016/17 financial statements of SBC Charitable Trusts, SBC Community

Enhancement Trusts, SBC Education Trust, SBC Ormiston Trust for Institute, SBC Thomas Howden Wildlife Award Fund, SBC Welfare Trusts and the SBC Common Good Funds.

18. The Ormiston Trust for Institute accounts included a tangible asset in its balance sheet at a value of £216k. When agreeing this asset to the asset register we identified that the value had been overstated by £17k. This is material in the context of the trust's accounts. The value of the asset was corrected in the audited version of the accounts.

[Appendix 1, Action plan point 1](#)

19. Work is ongoing to reorganise the Council's registered and unregistered trusts and charities. In March 2014 the registered Charitable Trusts covering Community Enhancement, Education and Welfare were established. Where appropriate a number of the existing trust funds were transferred into these charities. The purpose and governance of these Trusts were approved by the Council in May 2015.
20. This left a further group of 76 Trusts registered within a separate SBC Charitable Trust, 177 unregistered Trusts, and two individual registered Trusts, the Thomas Howden Wildlife Trust and the Ormiston Institute. The next phase of the charitable reorganisation now looks to amalgamate, where possible, the remaining Trusts into the established charitable trusts.
21. The charitable trusts are consolidated into the Council's group accounts.

Submission of the Council's annual accounts for audit

22. We received the unaudited annual accounts on 28 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan. In 2016/17, for the first time, the Council's group accounts included the financial results of Scottish Borders Integration Joint Board.
23. The working papers provided with the unaudited accounts were of a reasonable standard, although we identified areas where we consider improvements could be made. The introduction of a new financial system for 2017/18 should allow for a higher standard of working papers for the 2017/18 audit. Finance staff provided good support to the audit team during the audit.

Risk of material misstatement

24. [Appendix 2 \(page 28\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and conclusions.

Materiality

25. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.
26. Our initial assessment of materiality for the annual accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2 \(page 9\)](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

27. On receipt of the unaudited 2016/17 annual accounts we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£4.01 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of overall materiality.	£2.00 million
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality, rounded to £40,000.	£40,000

Source: Audit Scotland Annual Audit Plan 2016/17

How we evaluate misstatements

28. There were no material adjustments to the unaudited financial statements arising from our audit. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. There are no unadjusted errors arising from the audit.

Significant findings

29. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3](#) below.

Exhibit 3

Significant findings from the audit of Scottish Borders Council

Issue	Resolution
<p>1. Carbon Reduction Commitment</p> <p>The unaudited Council accounts included two provisions relating to the Council's carbon reduction commitment, one for £225k and one for £411k. Following review of these provisions we identified they had not been accounted for correctly and neither should have been accounted for as a provision.</p>	<p>The £225k provision for the energy efficiency scheme should have been treated as a creditor rather than a provision.</p> <p>The £411k provision for purchased allowances was not required in the accounts. This had also been included as a prepayment within debtors. Provisions and debtors were therefore both overstated by this amount.</p> <p>The audited accounts were adjusted to correct these misstatements.</p>

Issue	Resolution
<p>2. Creditor with SBC Pension Fund</p> <p>Debtors/creditors due from/to Scottish Borders Council Pension Fund were overstated by £168k. This error is due to the respective creditor not being netted off against the creditor in the accounts.</p>	<p>The accounts have been adjusted to correct this error.</p>
<p>3. Group accounts</p> <p>The Council's group accounts are based on unaudited accounts for the group entities. Due to timing of the receipt of audited accounts from the group entities the figures are not able to be updated for the audited accounts until after the Council's audited accounts are finalised.</p>	<p>We have recommended that the Council should request audited accounts for group entities to be provided earlier to allow the group accounts to use the audited figures.</p> <p>See appendix 1, action point 2</p>

Going concern

30. The financial statements of the Council, its group and the associated charitable trusts have been prepared on the going concern basis.

Other findings

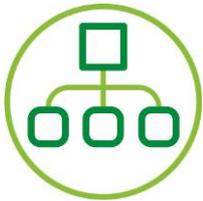
31. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Objections and Whole of Government Accounts

32. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. No objections were received on the 2016/17 annual accounts.
33. The Council submitted a consolidation pack for the whole of government accounts audit on 20 July 2017.

Part 2

Financial management



Main judgements

Financial management is effective with a budget setting process focused on the Council's priorities.

The Council has a good track record of delivering services within its budget.

The Council has appropriate internal controls in place within main financial systems and our testing confirmed that these were operating effectively. We did not identify any significant internal control weaknesses.

Financial performance in 2016/17

- 34.** In February 2016 the Council approved a budget of £263.2 million for 2016/17. The actual outturn for the year was expenditure of £261.6 million, which was an underspend of £0.8 million against the revised budget of £262.4 million for the year. Following adjustments for earmarked balances, the overall net underspend for the year was £0.1 million. The Council has a good track record in delivering services within budget over the last few years.
- 35.** While the Council's spending has remained in line with its overall budget, there are significant variations in how different services have performed. The largest areas of over and underspends are summarised in [Exhibit 4](#) below.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Exhibit 4

Summary of largest areas of over and under spends against budget

Area	Under/over spend (£m)	Reason(s) for variance
Underspends		
Children and Young People	£0.4	Lower than expected expenditure in Central Schools and staffing savings.

Area	Under/over spend (£m)	Reason(s) for variance
Neighbourhood services	£0.2	Reduced costs due to favourable weather conditions as well as underspends on staffing, premises, materials.
Overspends		
Chief Executive	£0.5	Scottish Wide Area Network additional costs due to slippage in the project caused by the failure of an external partner to migrate sites.

Source: Scottish Borders Council 2016/17 Revenue Outturn Report

Efficiency savings

36. With reduced funding from government and increased demand for services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.
37. Savings of £12.4 million were delivered during 2016/17. This was a significant increase in the amount of savings compared to previous years, with £7.8 million having been delivered in 2015/16 and £8.1 million in 2014/15. However the proportion of savings achieved on a recurring (permanent) basis has decreased compared to previous years, with 73% (£9.0 million) achieved on a permanent basis in 2016/17 compared to 85% (£6.6 million) in 2015/16. The remaining 27% (£3.4 million) were delivered on a non-recurring (temporary) basis and will need to be addressed in future years.

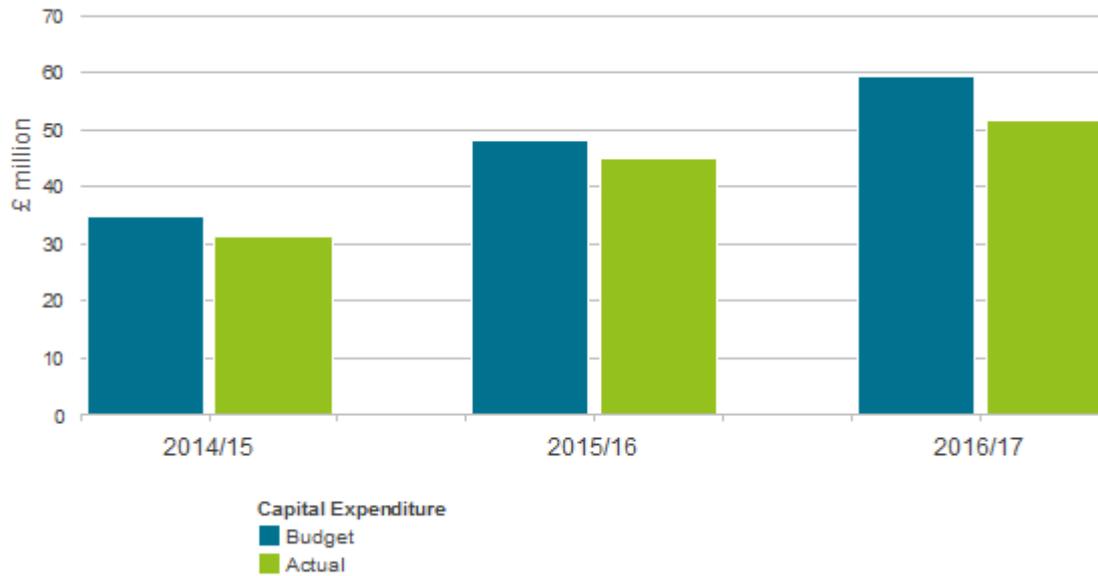
[Appendix 1, Action plan point 3](#)

Capital programme 2016/17

38. Total capital expenditure in 2016/17 was £51.8 million, with significant expenditure on the Council's school estate, flood protection schemes and transport infrastructure. Total capital spend was £7.7 million below the revised budget for the year, with £7.4 million taken forward to future years. The Council has a history of slippage in its capital programme as outlined in [Exhibit 6 \(page 13\)](#).

Exhibit 6

Capital expenditure compared to budget



Source: SBC annual accounts

39. The main areas of slippage were in the reprofiling of Broomland Primary School due to contractor delays, delayed implementation of digital customer access and delays in the street lighting energy efficiency project due to purchasing delays.
40. Internal Audit carried out a review of capital investment as part of their work in 2016/17. They found that improvements have been made to the information that members receive as part of budget monitoring reports and that arrangements in place are sound. However they noted that further improvements could be made, including having Strategic Asset Management Plans in place for all asset classes and having additional information included in monitoring reports regarding quality, risk and delivery of benefits.

Budgetary monitoring and control

41. The *Local Government in Scotland: Financial overview 2015/16* (November 2016) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for Councils with decreasing (or low levels) of usable reserves to rely on.
42. Within the Council the detailed scrutiny of financial performance is delegated to the Executive Committee which receives quarterly revenue and capital monitoring reports. From our review of these reports we concluded that they provided an overall picture of the budget position at service level. Also, the reports forecast out-turn position for the year and include good narrative explanations for significant variances against budget. They allow both members and officers to carry out scrutiny of the Council's finances.

Internal controls

43. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that the Council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

44. Our findings were included in our interim audit report that was presented to the Audit and Scrutiny Committee in June 2017. We concluded that key controls were operating effectively. No significant control weaknesses were identified which could affect the Council's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Prevention and detection of fraud

45. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the Council's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, fraud prevention and fraud response plan.

46. Based on the evidence reviewed by us, we concluded that the Council has adequate arrangements in place for the prevention and detection of fraud

National Fraud Initiative

47. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.

48. The latest position on NFI investigations by the Council, excluding Council Tax data matches, is summarised in [Exhibit 7](#) below.

Exhibit 7

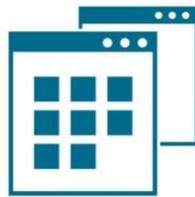
National Fraud Initiative

Total number of matches



1,020

Number recommended for investigation



164

Completed/closed investigations



324

Source: NFI website

49. NFI progress and outcomes are reported to the Audit and Scrutiny Committee as part of the annual counter fraud report. The Corporate Fraud and Compliance Officer oversees NFI work at the Council, investigation work is currently ongoing and will be completed by the end of 2017.

Part 3

Financial sustainability



Main judgements

The Council's financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central government funding will continue to place a strain on the Council's capacity to deliver services at the current levels.

The Council has an adequate level of reserves and has medium-term financial plans that are aligned to Council priorities and demonstrate how it will address future budget challenges. This is in line with good practice.

Financial planning

51. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the Council's strategies. Although councillors are only required to approve a budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures on the Council.
52. The Council has a financial strategy covering five years, which is in line with good practice, and which is reviewed as part of the annual budget setting process. Although longer term financial scenarios are inherently difficult to predict, in line with best practice we recommend that Councils consider the recommendations set out in the Accounts Commission report on [Scotland's public finances – a follow-up audit: Progress in meeting the challenges](#) (June 2014), including making use of longer term scenario planning within their financial strategies.

[Appendix 1, Action plan point 4](#)

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Funding position

53. The Council approved its 2017/18 budget in February 2017. The budget was set at £264.8 million, which is based on achieving £9.5 million of savings, as well as a planned drawdown from reserves of £2.9 million.
54. The Council is facing a number of challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing costs of services and reductions in central government funding.

Savings plans

55. As outlined in paragraphs 36 to 37 the Council achieved its efficiency savings target in 2016/17. Scottish Borders Council has identified that it needs to make recurring savings of £12.3 million for 2017/18 and additional savings of £9.5 million over the following four years as part of its plans to maintain financial

balance. The Council has been proactive in trying to effectively manage this by preparing medium-term financial plans as part of its budgeting process. The financial plans set out the expected pressures, along with details of the proposed actions to achieve savings over the period of the plan. 2017/18 is the final year of a five year plan initially agreed in 2013/14, which has been updated each year.

Reserves

- 56.** One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the Council decreased from £31.2 million in 2015/16 to £25.9 million in 2016/17, mostly due to the use of earmarked balances from the general fund.
- 57.** The general fund reserve is the largest reserve. This reserve has no restrictions on its use. Its main purpose is to provide a contingency fund to meet unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows.
- 58.** The Council reviews the level of its uncommitted reserves when setting the budget each year. The review is based upon an assessment of corporate risks, with each risk being assigned a likely financial amount as well as a likelihood of the risk occurring. As part of the budget setting process for 2017/18 the Corporate Financial Risk Register was considered by the Council in February 2017. At this time the financial risk in the risk register was assessed as being £10.9 million. The unallocated general fund balance of £5.4 million is sufficient to cover 52% of these risks at that time. This is a slight improvement on the prior year position which covered 48% of the assessed risks at that time.
- 59.** We consider the Council's approach to reserves to be prudent and are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level.
- 60.** [Exhibit 9](#) provides an analysis of the general fund reserve over the last five years split between committed and uncommitted reserves. This shows that the general fund balance has tended to increase over recent years, although there has been a reduction between 2015/16 and 2016/17 as the Council has utilised earmarked balances within the reserve.

Exhibit 9

Analysis of general fund over last five years



Source: Scottish Borders Council's Annual Accounts

Business transformation

61. A key element of the Council's ability to achieve efficiency savings is its Corporate Transformation Programme which is intended to provide a framework for the delivery of activities and projects over a five year period.
62. As part of the Transformation Programme, the Council has agreed a 13 year contract with an external partner, CGI, to transform its ICT services. During the year 46 Council ICT staff transferred to CGI as part of this arrangement. The Council monitor the arrangement with CGI through a Digital Transformation Board, with regular meetings taking place between Council officers and CGI officers. Internal Audit reviewed the arrangements in place as part of their work on ICT Change Management and concluded that appropriate governance arrangements are in place for monitoring and reporting on the progress of the programme to elected members, and to senior officers. There are appropriate governance structures in place between the Council and CGI with regard to the delivery of the services.
63. As part of the ICT changes taking place at the Council a new Enterprise Resources Solution (ERP) system was introduced and went live from 1 April 2017. This new system provides an integrated financial system including general ledger, payroll and purchasing services. The introduction of this system was co-ordinated by a project board which meets regularly.
64. From discussion with officers, and review of project board papers, we are aware that there were a few issues with the introduction of the new system, including delays in implementing changes to the method of corporate financial monitoring and reporting. However, we recognise that the scale of the change required was significant and that the transfer to the new system has largely gone as anticipated. We will be reviewing the introduction and operation of the ERP system as part of our 2017/18 audit work.
65. The Corporate Transformation Programme also includes other areas such as the property and estates rationalisation, school estates review, workforce transformation and energy efficiency programmes. It provides the framework for the delivery of projects to ensure the Council remains financially sustainable, and progress is reported quarterly to the Executive Committee.

Part 4

Governance and transparency



Main Judgements

The Council has appropriate arrangements in place that support scrutiny of decisions made by the Council and its standing committees.

The Council is open and transparent in the way that it conducts its business, with the public able to attend meetings of the Council and its committees. Minutes of committee meetings and agenda papers are readily available on the Council's website for public inspection.

Council changes

66. The Council saw significant changes in its elected members following the local government elections in May 2017, with nineteen of its thirty four members being elected for the first time. The Council recognise this brings opportunities with new ideas and approaches from the members but it also provides challenges for the Council in ensuring members have the skills they need to be effective in their roles.

Members' induction and development

67. Following the local government elections in May 2017 there has been a sustained period of elected member training, recognising the number of newly elected members. A series of training events have been held to support elected members and help them develop an understanding of their role. We reviewed the induction programme and materials provided to new members and concluded that effective arrangements were in place to provide councillors with the required training for their role.

Governance arrangements

68. We reviewed the Council's governance and accountability arrangements which included:

- confirming that the governance framework and governance arrangements, including decision-making and scrutiny, are regularly reviewed and updated to ensure they remain effective
- assessing the effectiveness of decision-making to ensure it is balanced by effective scrutiny and challenge by those independent of the body
- confirming that there is effective scrutiny and challenge in place over policy decisions, service performance, and programme management

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

- confirming that decision makers have the information they need to scrutinise, challenge and make transparent decisions
- ensuring that it is clear what decisions have been made, who made them and the rationale supporting those decisions.

69. A revised Scheme of Administration was agreed by the Council following the election in May 2017. The functions previously delegated or referred to the Scrutiny Committee by the Council have now been included within the functions of the Audit and Scrutiny Committee which has replaced the previous Audit and Risk Committee.
70. The Audit and Scrutiny Committee includes up to three external members for considering audit related matters, which was also the case for the previous Audit and Risk Committee. This allows for external expertise to be considered when carrying out the committee's remit of assessing arrangements and monitoring systems of internal control.
71. We concluded that the Council's arrangements are appropriate and adequate in that they support good governance and accountability.

Management commentary, annual governance statement and remuneration report

72. The [Code of Audit Practice 2016](#) requires Councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.
73. Based on our knowledge and work performed, we concluded that the annual governance statement and remuneration report are consistent with the financial statements.
74. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. We concluded that the Council's management commentary was balanced, well presented and understandable, and consistent with the financial statements.

Internal audit

75. Internal audit provides senior management and elected members with independent assurance on the Council's overall risk management, internal control and corporate governance processes.
76. The internal audit function is carried out by an in-house team. We carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
77. To avoid duplication effort we place reliance on the work of internal audit wherever possible. In 2016/17 we placed formal reliance on internal audit's work in the following areas: creditors payments, salaries (including expenses) and revenues (council tax). We also considered internal audit report findings as part of our wider dimension work.

Transparency

78. Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Council is

taking decisions and how it is using resources such as money, people and assets.

79. There is evidence from a number of sources which demonstrate the Council's commitment to transparency. Members of the public can attend meetings of the full Council, executive and other committees. Minutes of these committee meetings and supporting papers are readily available on the Council's website.
80. The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint.
81. The Council makes its annual accounts available on its website. These include a management commentary which provides details of performance against budget, information on the use of reserves and risks and uncertainties facing the Council.
82. Overall, we concluded that the Council conducts its business in an open and transparent manner.

Freedom of Information handling

83. During 2017 the Scottish Information Commissioner has issued two rulings against the Council regarding its handling of a Freedom of Information (FoI) request from a member of the public. These decisions found that the Council had not complied with the requirements of the FoI legislation and had incorrectly withheld information.
84. As part of our audit work we held meetings with Council officers to discuss how the Council had responded to the FoI requests, and to determine whether the Council had identified any lessons to be learned from the handling of the request or any improvements to its process for dealing with requests. Based on the work carried out, we are satisfied that the Council has an appropriate system in place for responding to FoI requests and that improvements have been adopted.

Lender Option Borrower Option

85. During the year Audit Scotland received correspondence on a number of councils using Lender Option Borrower Option (LOBO) loans. A LOBO loan is typically a long term loan where the interest rate is initially fixed but the lender has the option to propose or impose, on pre-determined future dates, a new fixed interest rate. The borrower has the option to either pay the revised interest rate or to repay the loan. Scottish Borders Council has around £43 million of these standard LOBOs within its market debt portfolio, totalling £197 million.
86. We have held discussions with council officers and reviewed supporting papers including an analysis of the LOBOs held by the Council and comparable PWLB rates of interest and the Council's treasury management policies and controls.
87. Based on our work we can conclude that:
 - the use of LOBOs has been undertaken in line with the Council's treasury management policy, which has been reviewed and approved annually by councillors
 - the interest rates on the standard LOBOs were lower than the comparable PWLB rates available at the time, and the Council's interest costs to date on these loans have been less than the PWLB equivalent

- the option to propose or impose a new fixed interest rate has never been exercised by the lenders
- the potential for debt restructuring is kept under regular review by the Council as part of its treasury management arrangements.

88. There are no further issues we wish to raise in this report.

Integration of health and social care

89. Legislation to implement health and social care integration was passed by the Scottish Parliament in February 2014. This brings together NHS and local council care services under one partnership arrangement for each area.
90. The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is seen as a means of achieving this.
91. The Scottish Borders Integration Joint Board (IJB) is provided in partnership with NHS Borders and was established on 6 February April 2016. It assumed responsibility for the delegated health and social care services set out in its Integration Scheme from 1 April 2016. The financial transactions of the Scottish Borders IJB have been consolidated into the Council's group accounts.
92. It is still too early for the Council or its partner to demonstrate any significant examples of new ways of working arising from the integration, the impact or improvements to services. Audit Scotland, as part of a series of reports, will be reporting on integration authorities' progress after the first year of IJBs being established. This is due in spring 2018.

Local scrutiny plan

93. The 2017/18 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the Council was submitted to Scottish Borders Council on 30 May 2017. It was also presented to the Audit and Scrutiny Committee on 28 June 2017. The LAN did not identify any new scrutiny risks in the year which would require specific scrutiny work during 2017/18. The Council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.

Equalities

94. The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.
95. We reviewed the current (April 2017) equalities report and concluded the Council has met its statutory duty to:
- publish information on progress made in mainstreaming equality within the Council
 - report on progress made towards achieving equality outcomes published in 2013
 - publish annual employee information and details of the progress made in gathering and using information to better meet the duty

- publish updated gender pay gap information.

96. We concluded, on the basis of evidence reviewed, that the Council is proactive in ensuring that equality is mainstreamed.

Equal pay

97. In September 2017, the Accounts Commission published its findings from an audit of equal pay across local government. The audit found that councils underestimated the challenges involved in implementing the Single Status Agreement (SSA) and some of the approaches taken by councils did not always prioritise pay equality and were later found to be discriminatory. Scottish Borders Council implemented single status in November 2008 and reports that between 2004/05 and 2015/16 it has spent £5.9 million compensating workers who had been unfairly paid and settling equal pay claims.

98. Almost 27,000 equal pay claims across Scotland remain live and Scottish Borders Council still has 46 live claims. Employees could potentially still make new claims against councils. This means that councils need to be confident that they have fair and transparent pay arrangements and take necessary action, such as regular equal pay audits, to deliver pay equality in line with their public sector equality duty.

Part 5

Value for money



Main judgements

Our Best Value work during the year concluded that the Council has effective arrangements in place regarding financial management, financial sustainability and the use of resources, with good progress made since the last Best Value report.

The Council has appropriate arrangements in place for the collection, monitoring and reporting of performance information.

Best Value

- 99.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The BVAR report for Scottish Borders Council is planned for later in the five year programme.
- 100.** The Best Value audit work carried out this year focussed on the Council's arrangements for securing Best Value relating to financial management, financial sustainability and the use of resources. We concluded that the Council has effective arrangements in place regarding these areas, with good progress made since the last Best Value report. The effectiveness of the Council's Best Value arrangements in other areas will be assessed and reported throughout our audit appointment.

Value for money is concerned with using resources effectively and continually improving services.

Following the public pound

- 101.** Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.
- 102.** The Council's financial regulations contain reference to following the public pound and refer to the Council's Code of Practice on following the public pound, available to staff through the Council intranet. These emphasise that services must adhere to the Council's guidance for allocating funds to external organisations. However we identified that the Code of Practice has not been updated recently and is not available via the intranet. The financial regulations at the council are required to be updated to reflect the new financial procedures due to the new financial systems in place (see paragraphs 63 and 64), and the introduction of the Scottish Borders Integration Joint Board. We will review these in 2017/18 to confirm that following the public pound requirements are reflected in the regulations.

- 103.** The Council's Limited Liability Partnership Strategic Governance Group (LLPSGG) was established in 2015/16 and its remit includes scrutiny of SB Cares, the Council's arm's-length external organisation (ALEO). The LLPSGG meets bimonthly during the year and receives regular updates on the performance of the ALEO.
- 104.** The Council set up a new integrated culture and sports trust, Live Borders, which replaced the previous Borders Sport and Leisure Trust (BSLT) from April 2016. This trust provides arts, libraries, museums and galleries services previously provided by the Council, as well as the sport and leisure facilities previously provided by BSLT. As part of the process for forming the new trust a performance management framework was agreed and approved by the Council's Executive Committee. This set out the monitoring arrangements to be put in place, including quarterly reporting to a joint group of council and trust officers, as well as twice yearly reporting to the Executive Committee.
- 105.** We concluded that the Council has adequate arrangements for ensuring compliance with the Code of Guidance on funding external bodies and following the public pound. However improvements are required to ensure that guidance is up to date and readily available to staff.

Performance management

- 106.** The Council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.
- 107.** Additionally, the Council's Executive Committee receives quarterly performance reports throughout the year and an annual performance report. These reports monitor progress against the Council's key priorities as set out in its Corporate Plan which was updated in October 2015. The performance reports are also made available to the public through the performance section of the Council's website. Based on the annual report submitted to the Executive Committee in June 2017 a number of positives were highlighted including:
- With 91.3% of its 16 to 19 years old in education, training or employment, Scottish Borders exceeded the national rate of 90.4%, and initial positive destinations (after school) remain higher than the national rate, at 94.2% (down only slightly from 95.2% last year);
 - An improvement in the process for social work assessments resulted in 100% of new service users receiving a service within 6 weeks of an assessment for Q4 of 2016/17;
 - During 2016/17, 84.3% of complaints received by the Council were closed within 5 working days (Stage 1), down only slightly from last year (85.2%). However, the Council's performance at Stage 2 improved significantly, from 77.5% of complaints closed within 20 working days in 2015/16 to 84% in 2016/17.
- 108.** At the same time the Council recognises that it has to improve service delivery in a number of key areas such as time taken to respond to complaints, proportion of Looked After Children (aged 12+) in a family-based placement and improving road safety.

Statutory performance indicators (SPIs)

109. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

110. For 2016/17 two SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving Best Value
- SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

111. We placed reliance on the work of Internal Audit and concluded that the Council's arrangements for publication are satisfactory.

Local performance audit work – housing benefit service

112. A risk assessment of the Council's housing benefit service was carried out in August 2017. The last risk assessment was carried out in March 2014.

113. We recently issued a report to management identifying six risk areas. We have asked officers to provide an action plan to address these risks. We expect the report will come to the Audit and Scrutiny Committee when concluded.

National performance audit reports

114. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Council. These are outlined in [Appendix 3 \(page 31\)](#).

115. The Council has good arrangements in place for considering national reports issued during the year, with the reports being considered by the Audit and Scrutiny Committee.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
8	<p>1. Charitable trust assets</p> <p>Our audit work on the Council's seven charitable trusts noted issues with the identification and valuation of assets included in their accounts.</p> <p>There is a risk that the values of assets in the trusts' accounts are not accurate.</p>	<p>The Council should carry out a review of trusts assets to ensure that they are being accurately reported.</p>	<p>Agreed – This will be reviewed during 2017/18.</p> <p>Responsible officer Chief Financial Officer</p> <p>Agreed date 31 March 2018</p>
10	<p>2. Group accounts</p> <p>The figures in the Council's group accounts are based on the unaudited accounts for the components included in the group.</p> <p>There is a risk that the figures are not accurate and that the audited accounts of the entities could be significantly different from the unaudited figures used.</p>	<p>The Council should request that audited accounts for the group entities are received earlier to allow audited figures be used for consolidation into the group accounts.</p>	<p>Agreed – The Council will write to partners and their auditors to ensure audited figures are available as part of the 2017/18 audit process.</p> <p>Responsible officer Chief Financial Officer</p> <p>Agreed date 31 March 2018</p>
12	<p>3. Savings</p> <p>The Council has a good track record of achieving its savings targets for the year. However a large element of the savings in 2016/17 was achieved on a non-recurring basis.</p> <p>There is a risk that savings targets in future will be even more challenging if savings are only achieved on a one-off basis.</p>	<p>The Council should try to ensure that savings are identified on a recurring basis so that pressures are not carried forward to future years.</p>	<p>Agreed – Savings not delivered in year are already carried forward as part of the budget process to be amended. The focus of the management team will be on maximisation of recurrent savings as part of the 2018/19 and future budget process.</p> <p>Responsible officer Chief Executive</p> <p>Agreed date 8 February 2018</p>



Page no.

Issue/risk

Recommendation

Agreed management action/timing

15

4. Financial planning

Although the council has a five year financial strategy, in line with good practice, which is regularly reviewed and considered as part of annual budgeting, the strategy does not include longer term scenario planning in line with best practice.

We would recommend that a degree of longer term scenario planning is included within the budgeting process.

Agreed – Longer term scenario planning and beyond 5 years will be incorporated into the budget process for 2018/19.

Responsible officer

Chief Financial Officer

Agreed date

8 February 2018

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of detailed testing of journal entries.</p> <p>A review of accounting estimates did not show any instance of bias.</p> <p>Focussed testing of regularity and cut-off assertions did not reveal any lapses in controls.</p> <p>No significant transactions outside the normal course of Council business were identified</p>
<p>2 Risk of fraud over income</p> <p>Scottish Borders Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>Sample testing of income transactions confirmed that these were in the normal course of business.</p> <p>We obtained satisfactory explanations for any significant increases or decreases in income.</p> <p>Our conclusion is that the Council has arrangements in place to minimise the risk of fraud over income.</p>
<p>3 Risk of fraud over expenditure</p> <p>Practice Note 10 (Audit of financial statements of public sector bodies in the UK) and the Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure. Scottish Borders Council incurs significant expenditure in areas such as welfare benefits, social care payments and grants.</p>	<p>Audit work on the National Fraud Initiative matches.</p> <p>Assessing the overarching controls in grant schemes.</p> <p>Detailed testing of expenditure and housing benefit transactions.</p>	<p>Sample testing of expenditure transactions to confirm that these were in the normal course of business.</p> <p>We obtained satisfactory explanations for any significant increases or decreases in expenditure.</p> <p>Our conclusion is that the Council has arrangements in place to minimise the risk of fraud over expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets, pensions and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of 'review of the work of an expert' for the professional valuer.</p> <p>Focused substantive testing of key areas.</p>	<p>Our work on the review of the professional valuer confirmed that we could rely on the asset valuation information being provided.</p> <p>Testing of the key areas did not identify issues with the estimates or judgements being used.</p> <p>Our conclusion is that the estimates and judgements used are appropriate.</p>
<p>5 Integration Joint Board (IJB) / Group accounts</p> <p>The Scottish Borders IJB was established on 6 February 2016 and assumed responsibility for delegated services from 1 April 2016. The IJB will need to be accounted for in the Council's group financial statements for the first time in 2016/17.</p> <p>There is a risk that the IJB is not correctly accounted for in the group financial statements.</p>	<p>Review treatment as part of financial statements audit.</p>	<p>We reviewed the inclusion of the IJB accounts in the group financial statements as part of our year end audit work.</p> <p>We confirmed that the IJB had been correctly accounted for in the group accounts.</p>
<p>6 Change in financial systems</p> <p>The Council is replacing its general ledger and other financial systems with Business World Enterprise Resource Solution (ERP) from April 2017. As part of this replacement the existing general ledger close down will take place around three weeks earlier than normal. There is a risk that there will be a substantial amount of manual accruals and adjustments required as part of this process. The audit timetable may also be affected by absences of key staff at key periods, which will require careful planning.</p>	<p>On-going discussions with finance officers on progress with the preparation of the financial statements and discussions on the accounts/audit timetable.</p> <p>Increased testing of transactions and balances around the year end.</p>	<p>We met with officers during the year and confirmed an appropriate timetable was in place for the preparation of the accounts.</p> <p>We tested manual accruals and adjustments at the year end. No issues were identified from this testing.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>7 Financial sustainability</p> <p>The 2017/18 Scottish Budget outlined significant reductions for councils' revenue grants. The financial settlement for Scottish Borders Council was a reduction of 4.1 per cent, significantly greater than the assumed 2.0 per cent reduction</p>	<p>Review budget setting process and monitor updates provided to members.</p> <p>Comment in Annual Audit Report.</p>	<p>The budget setting process was reviewed along with the financial monitoring reports provided to members of the Council's Executive Committee during the year.</p> <p>We found that the Council has an effective budget setting process in</p>

Audit risk	Assurance procedure	Results and conclusions
<p>outlined in the medium term financial plan agreed in February 2016. Following an announcement of additional funding of £2.9 million in February 2017, the funding gap for 2017/18 is now £6.6 million.</p> <p>There is a risk that the Council will be unable to manage its budget pressures within available resources, leading to a reduction in the provision of services.</p>		<p>place.</p> <p>Comments on financial sustainability have been made in Part 3 of this report.</p>
<p>8 Local government elections</p> <p>The 2017 local government elections will result in changes in the elected members. There is a risk that there is a loss of skills and experience amongst members. To ensure members understand their roles and have the necessary skills to make informed decisions and provide effective scrutiny, development and training will be required. The Audit Scotland How Councils Work publication on the role of councillors provides guidance in this area.</p>	<p>Review of the Council's induction and training arrangements for councillors following the elections.</p> <p>Assess the effectiveness of decision making and scrutiny arrangements as part of on-going audit work.</p>	<p>We met with officers to discuss the training arrangements in place for councillors and assessed the content of the planned induction programme.</p> <p>We concluded that effective arrangements in place to provide councillors with the required training for their role.</p>
<p>9 Transition to new ICT provider</p> <p>During 2016 the Council contracted CGI to provide ICT services for a period of at least 13 years, as part of the Council's Transformation Programme. This included the majority of the Council's existing ICT staff transferring to CGI in October 2016 as part of the contract.</p> <p>There are risks that the new ICT arrangements do not deliver the anticipated efficiencies or services may not be delivered to the standards prescribed in the contract.</p>	<p>Monitor the effectiveness of governance and risk management arrangements relating to the ICT contract.</p>	<p>We reviewed the governance arrangements and board papers relating to the monitoring of the contract. We also placed reliance on internal audit work regarding the arrangements in place.</p> <p>We concluded that appropriate arrangements were in place to monitor and manage the ICT contract.</p>

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

Local government relevant reports

[The National Fraud Initiative in Scotland](#) – June 2016

[Social work in Scotland](#) – September 2016

[How councils work – Roles and working relationships in councils](#) – November 2016

[Local government in Scotland: Financial overview 2015/16](#) – November 2016

[Local government in Scotland: Performance and challenges 2017](#) – March 2017

Scottish Borders Council

2016/17 Annual Audit Report

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SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2016/17

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

28 SEPTEMBER 2017

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2016/17.**
- 1.2 The audit appointment of Audit Scotland for Scottish Borders Council accounts includes the requirement to provide an auditor's report for the Council as well as related charities. KPMG has continued to provide the external audit of the Council subsidiaries SB Cares, SB Supports and Bridge Homes which are not registered charities. KPMG has concluded their Audit and have provided their audit opinion with no issues raised and no matters to report.
- 1.3 2016/17 represents the first year of Audit Scotland undertaking the External Audit of the Council's Annual Accounts with the process now completed. Audit Scotland has prepared the Annual Audit Report as attached on this agenda and has provided an unqualified independent audit opinion.
- 1.4 The Annual Audit Report summarises Audit Scotland's conclusions, including:
 - An unqualified audit opinion
 - Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, governance and transparency and value for money.
- 1.5 Audit Scotland identified four recommendations for improvement requiring action and these have been accepted by management and will be enacted within the agreed timescales.
- 1.6 As required under the Local Authority Accounts (Scotland) Regulations 2014, the audited Annual Accounts for Scottish Borders Council, Scottish Borders Council's Pension Fund, SBC Common Good Funds, the SBC Charitable Trusts, Bridge Homes LLP, SB Supports LLP and SB Cares LLP as contained in Appendices 1-6 have been presented to the Audit and Scrutiny Committee prior to signature.

2 RECOMMENDATIONS

2.1 It is recommended that Council approve the following audited Accounts:

- (a) the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2017 (Appendix 1);**
- (b) the Scottish Borders Council Common Good Funds' (Charity SC031538) audited Annual Accounts for the year to 31 March 2017 (Appendix 2);**
- (c) the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(i));**
- (d) the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(ii));**
- (e) the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(iii));**
- (f) the Thomas Howden Wildlife Trust (Charity SC015647) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(iv));**
- (g) the Ormiston Trust for Institute Fund (Charity SC019162) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(v));**
- (h) the Scottish Borders Council Charity Funds' (Charity SC043896) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(vi));**
- (i) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2017 (Appendix 4);**
- (j) the SB Supports LLP audited Annual Accounts for the year to 31 March 2017 (Appendix 5 (i));**
- (k) the SB Cares LLP audited Annual Accounts for the year to the 31 March 2017 (Appendix 5 (ii)); and**
- (l) the Scottish Borders Council's Pension Fund audited Annual Accounts for the year to 31 March 2017 (Appendix 6).**

3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2016/17 were submitted to Audit Scotland and KPMG, the External Auditors, before the statutory deadline of 30 June 2017, following presentation of the draft accounts to the Audit and Scrutiny Committee at the June 2017 meeting. External Auditors began their detailed audit work in July 2017 and this was completed by the beginning of September 2017.
- 3.2 As part of the statutory requirements the Council is required to advise the public of their right to inspect and object to the various sets of accounts and their supporting papers and make the documents available for inspection. This process was undertaken following the timetable contained in the 2014 Regulations and the inspection period commenced on 3 July 2017. No objections to the Annual Accounts were received during the Public Inspection period.
- 3.3 The Council must meet the Local Authority Accounts (Scotland) Regulations 2014 (the 2014 Regulations) requirement to have the audited Annual Accounts approved by the local authority or the Committee with responsibility for audit or governance prior to signature on the 30 September 2017. As a result this report was presented to the Audit and Scrutiny Committee on the 25th September 2017 and is subsequently being presented to this full Council meeting on the 28th September 2017.
- 3.4 Following approval, the 2014 Regulations have the following requirements as set out in Part 3 Section 10 (3):
- Immediately **following the approval of the Annual Accounts** for signature, the statements which form part of those accounts are to be signed and dated as follows—*
- (a) *the management commentary by the Section 95 Officer, the Chief Executive and the Leader of the Council;*
 - (b) *the statement of responsibilities by the Leader of the Council and the Section 95 Officer, who must also certify the matters referred to in paragraphs (5) and (6) respectively;*
 - (c) *the annual governance statement by the Chief Executive and the Leader of the Council;*
 - (d) *the remuneration report by the Chief Executive and the Leader of the Council; and*
 - (e) *the balance sheets by the Section 95 Officer, to authorise publication of the financial statements.*
- 3.5 These requirements apply to the Annual Accounts of the Local Authority and not to the charity or limited liability partnership accounts, although these have similar signatory requirements. The Section 95 Officer for Scottish Borders Council is the Chief Financial Officer.
- 3.6 This report presents audited copies of:
- **Scottish Borders Council** Annual Accounts for year ending 31 March 2017 (Appendix 1)
 - **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2017 (Appendix 2)
 - **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the

year to 31 March 2017 (Appendix 3(i))

- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2017 (Appendix 3 (ii))
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2017 (Appendix 3 (iii))
- **Thomas Howden Wildlife Trust** (Charity SC015647) Annual Accounts for the year to 31 March 2017 (Appendix 3 (iv))
- **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2017 (Appendix 3 (v))
- **Scottish Borders Council Charity Funds'** (Charity SC043896) Annual Accounts for the year to 31 March 2017 (Appendix 3 (vi))
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2017 (Appendix 4);
- **SB Supports** Annual Accounts for the year to 31 March 2017 (Appendix 5 (i))
- **SB Cares** Annual Accounts for the year to the 31 March 2017 (Appendix 5 (ii))
- **Scottish Borders Council's Pension Fund** Annual Accounts for year ending 31 March 2017 (Appendix 6)

3.7 It is a statutory requirement to publish all of the sets of audited annual accounts, and the 2014 Regulations require this to be done no later than 31st October 2017. In addition those relating to registered charities are required to be submitted to the Office of the Scottish Charity Regulator (OSCR).

4 EXTERNAL AUDITOR'S ANNUAL REPORT 2016/17

- 4.1 Audit Scotland and KPMG have now completed their audits and all of the Annual Accounts contained in Appendices 1 – 6 have received an unqualified independent audit opinion.
- 4.2 KPMG has concluded their Audit of SB Cares, SB Supports and Bridge Homes and have provided their audit opinion with no issues raised and no matters to report.
- 4.3 Audit Scotland's associated Annual Audit Reports of Scottish Borders Council, Pension Fund and subsidiary charities are presented on this agenda. As well as being unqualified, the report expresses the following headlines:
- Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, governance and transparency and value for money.
- 4.4 The Scottish Borders Council Annual Audit Report highlighted four specific recommendations for improvement. The areas in question are shown in Appendix 1 "Action Plan 2016/17" of the External Auditor's Annual Audit Report. The areas identified are:
- The Council should carry out a review of trusts assets to ensure that they are being accurately reported;
 - The Council should request that audited accounts for the group

entities are received earlier to allow audited figures be used for consolidation into the group accounts;

- The Council should try to ensure that savings are identified on a recurring basis so that pressures are not carried forward to future years;
- We would recommend that a degree of longer term scenario planning is included within the budgeting process.

These recommendations have been accepted by Management and will be enacted within the agreed timescales.

4.5 The Scottish Borders Council's Pension Fund Annual Audit Report highlighted 3 recommendations. The areas in question are shown in Appendix 1 "Action Plan 2016/17" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:

- Resource requirement of the Pension Fund should be assessed and addressed to ensure administration of the Fund is efficient and effective.
- The Internal Audit Annual Report should include a specific reference to Scottish Borders Council Pension Fund, as their work over the systems and controls in place at Scottish Borders Council covers the same systems for the Pension Fund, and the Pension Fund Governance statement refers to Internal Audit assurance over their controls and systems.
- CIPFA disclosure checklist and example accounts guidance should be used to ensure disclosures are complete.

These recommendations have been accepted by Management and will be enacted within the agreed timescales.

5 IMPLICATIONS

5.1 Financial

There are no additional direct financial implications for the Council arising from the approval of the Audited Annual Accounts or from the External Auditor's Annual Audit Report and it is expected that the actions contained in the Report will be carried out within existing resources.

5.2 Risk and Mitigations

There are no direct risks arising from the report apart from those identified in the External Auditor's Annual Audit Report. The planned management actions represent the mitigating actions which the Council will be taking.

5.3 Equalities

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.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

This report does not relate to a new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Corporate Management Team has been consulted. In addition, the Chief Legal Officer and the Chief Officer Audit and Risk are being consulted and any comments received on the report will be presented to the Committee.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Financial Services Manager 01835 824000 X5881

Background Papers:

Previous Minute Reference: 28 June 2017 Audit and Scrutiny Committee
25 September 2017 Audit and Scrutiny Committee

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Corporate Finance Manager can also give information on other language translations as well as providing additional copies.

Contact us at: Suzy Douglas, Financial Services Manager, Scottish Borders Council, Council HQ, Newtown St Boswells, Melrose TD1 0SA, 01835 824000 X5881, sdouglas@scotborders.gov.uk

Scottish Borders Council

annual accounts

for the year to 31 March 2017



Scottish Borders Council

Annual Accounts 2016/17

Foreword by the Leader of the Council	3
Management Commentary.....	4
Statement of Responsibilities	26
Annual Governance Statement 2016/17	27
Remuneration Report.....	32
Movement in Reserves Statement	40
Comprehensive Income and Expenditure Statement	41
Balance Sheet.....	42
Cash Flow Statement.....	44
Accounting Policies	45
Notes to the Core Financial Statements.....	57
Supplementary Financial Statements.....	93
Council Tax Income Account	93
Non-Domestic Rate Income Account.....	94
Trust Funds.....	95
Common Good Funds.....	97
Group Accounts	99
Notes to the Group Accounts	107
Independent Auditor's Report.....	108
Glossary of Terms.....	111

Foreword by the Leader of the Council

Welcome to the Annual Accounts for the Scottish Borders Council for the year ended 31 March 2017. These have been produced to provide the public, Elected Members and other stakeholders with information concerning the financial management, administration and performance of the Council in the financial year 2016/17.

This is the first set of accounts I will sign as Leader of the Council and my focus is naturally on our plans for the future. In saying this the Council has achieved much in 2016/17 and I would like to acknowledge the contribution made by members of the previous Administration and Officers as highlighted in these accounts.

The management commentary on the Council accompanying the Annual Accounts outlines:

- what we do as a Council;
- what our strategy and priorities are;
- how we are organised to deliver priorities;
- our financial position for 2016/17;
- key aspects of our performance during 2016/17; and
- our plans for the future.

Highlights of 2016/17

Against a very difficult financial background, the Council has achieved a great deal during 2016/17 as follows:

- ✓ Signed a 13 year contract with CGI to establish a digital services partnership;
- ✓ Achieved £8.9m of planned Financial Plan savings on a permanent recurring basis;
- ✓ Delivered £261.6m of revenue spending within budget;
- ✓ Delivered Capital Investment of £51.8m in schools, flood protection, roads, lighting and other assets;

- ✓ Supported a successful first year operation of the new integrated Sport & Culture Trust (Live Borders).

Our Plans for 2017/18

The next year presents many opportunities for the Council including:

- the continuation of digital transformation including the realisation of efficiency and process improvement benefits following the implementation of Business World (new Enterprise Resource Planning (ERP) solution to replace Finance and HR systems) in April 2017;
- a renewed focus on improved communication and engagement with our communities;
- increased planning, collaboration, partnership working and a focus on jointly seeking innovative solutions to the challenges we face in the Borders.

The Council has committed to an ambitious Corporate Transformation Programme to deliver service improvements and savings. These will make the Council and its services sustainable within the reducing resource environment of the Public Sector.

2017/18 represents the final year of the original 5 year revenue Financial Plan established in 2013/14. During this period from 2013/14 to 2016/17 the Plan has delivered cumulative savings of £26.87m alongside significant improvements in performance set out on pages 16 - 23 and I look forward to setting the Administration's new 5 year plan for 2018/19.

Councillor Shona Haslam

**Leader
Scottish Borders Council**

Management Commentary

About Scottish Borders Council



*Annual estimates are provided each year by National Records of Scotland (NRS) and are based on the Census, taking account of births, deaths and migration.

Scottish Borders Council



Management Commentary

Scottish Borders Council highlights 2016/17

CGI contract signed

A 13 year contract was signed in April 2016 establishing a digital services partnership.



Langlee Primary School new build

With a total budget of £10.6m Langlee Primary School will open for the new term in August 2017 with the demolition and landscaping work being completed by December as per the project programme.



Digital connectivity

The Digital Scotland Superfast Broadband rollout continues to enhance mobile phone coverage across Scotland. Work is continuing to enhance mobile phone coverage and a Digital Forum has been established to share connectivity issues and solutions to better co-ordinated efforts across the Scottish Borders.

Preparation for launch of Business World

Successful implementation of new integrated HR, Finance & Procurement system to facilitate efficiency savings and business process improvements.



Partnership working

Health and Social Care Integration Joint Board went live in April 2016 with work progressing to develop co-located integrated teams within the localities.

Borders Railway blueprint

A year on from the launch of the Borders Railway progress continues to further develop the inward investment opportunities and increase visitor numbers to the Scottish Borders.



Sustainable Transport

The Community Transport Hub won 'Accessibility Project of the Year' at the Scottish Transport Awards 2016.



Street Light Energy Efficiency Programme (SLEEP)

In 2016/17 6,000 lanterns, illuminated signs and bollards have been replaced with an energy efficient LED alternative leading to a reduction in energy and CO2 consumption. A total of 19,000 lights will have been replaced by the end of 2017/18.



Management Commentary

Strategic Direction

Our Vision

"We seek the best quality of life for all people in the Scottish Borders, prosperity for our businesses and good health and resilience for our communities."

Source: Corporate Plan 2013 – 2018

When working towards this vision, the Council has set standards and values:



Financial Strategy

The Financial Strategy supports the delivery of the Council's Priorities and Corporate Plan. In order to support the delivery of the Council's priorities the Financial Strategy must:-

- a) raise the funds required by the Council to meet approved service levels in the most effective manner;
- b) manage the effective deployment of those funds in line with the Council's corporate objectives and approved service plans; and
- c) provide stability in resource planning and service delivery.

The Strategy is influenced by the need to ensure that the Council's budget is targeted so that it:

- provides the most effective possible **stimulus to the wider economy**;
- **protects the environment** of the Borders;
- **protects** those who are **most vulnerable** in society;
- seeks to **focus spend on prevention** designed to reduce future demand for Council services by stopping problems arising or by addressing problems early on;
- maximises the contribution from **local collaboration** arrangements; and
- recognises the need to continue to **maximise efficiency and providing good value** for money.

Management Commentary

Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2016/17 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 contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances.

The level of un-allocated general fund balances is informed by an assessment of the risks facing the Council. This approach, despite being subject to an element of informed judgement, reflects the risks inherent in setting the revenue budget, the reasons reserves are held in the first place, the scale and complexity of the organisation and also provides appropriate transparency with regard to the level of balances held. The accumulated financial risk in the Risk Register is assessed to be £10.870m and the projected useable General Fund balance, at £5.638m, is sufficient to cover 52% of risks identified.

Financial Plans

The Revenue and Capital Financial Plan provides a financial representation of the Council's Priorities and Corporate Plan plans covering 5 and 10 years respectively.

2016/17 represented year 4 of the 5 year revenue Financial Plan first published in 2013/14. The plan has been amended and updated each year since 2013/14 and to date savings of £26.87m have been delivered in a planned manner. Despite the resource challenges facing the Council and the wider public services the approach to financial planning has so far delivered balanced budgets and small underspends in each year of the plan.

The Capital Financial Plan aims to ensure that capital borrowing is within prudential borrowing limits and remains sustainable in the longer term. In this regard it is important to recognise that capital investment decisions taken now have long term borrowing and revenue implications which have the potential to place an undue burden on future tax payers. The Council's Treasury Management Strategy provides the linkage between the financial strategy, capital investment plans and the borrowing strategy.

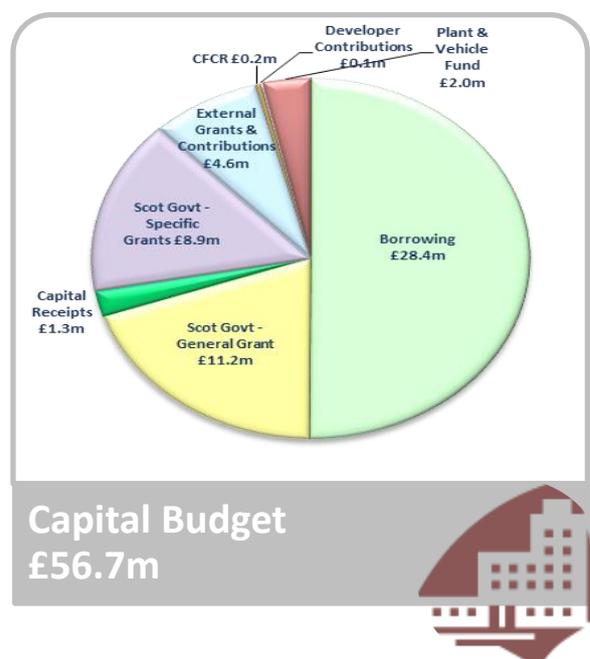
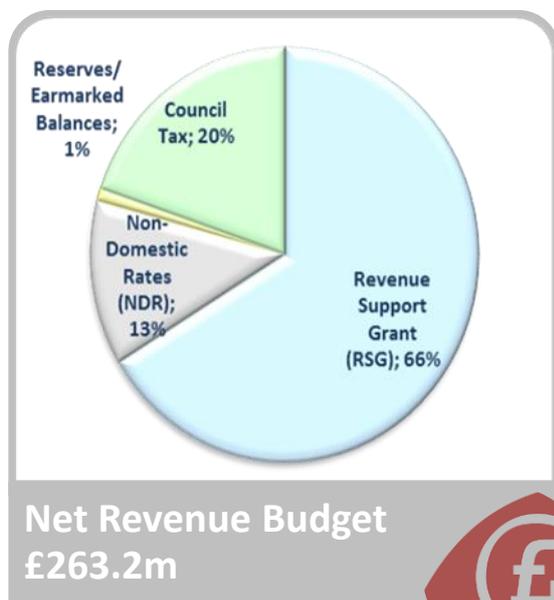
The Financial Strategy, the Financial Plans and the Treasury Management Strategy are approved by Council annually in February.

Management Commentary

How are we are doing? - Financial Performance

2016/17 Financial Resources Available

The financial resources of the Council are categorised into Revenue and Capital Expenditure. Expenditure on recurring day to day costs associated with providing the Council's services (e.g. salaries) is Revenue, whereas spending on the creation or enhancement of assets (e.g. school buildings) that have a useful value to the Council over multiple years is referred to as Capital. The financing of Revenue and Capital Expenditure, in general, comes from different sources.



Management Commentary

Financial Position at 31 March 2017

The approved budget was subject to a number of amendments during the year, as service pressures and savings were identified, additional grant revenue income was received and budget adjustments including Earmarked Balances were approved.

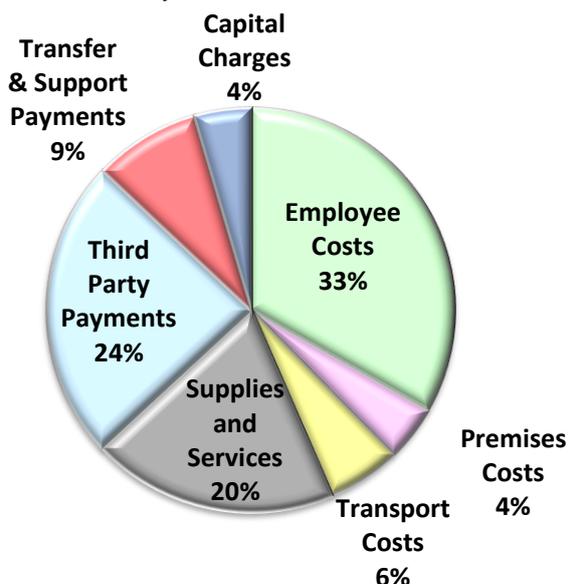
Revenue

The actual outturn for the financial year 2016/17, including funding sources, was a revenue expenditure of £261.6m representing a net underspend of £0.128m (0.05%) against the revised budget.

The following chart analyses the revenue by Council department:



Revenue net expenditure for the year includes income of £145.4m, and gross expenditure of £407m as analysed in the chart below:



Capital

The actual outturn for the financial year 2016/17, including funding sources, was a capital expenditure of £51.8m representing a favourable variance of £3.0m (6.2%) against the revised budget, made up of £2.2m timing movement into future years and an underspend of £0.8m.



The capital programme delivered significant investment in the Scottish Borders during 2016/17 and the following table highlights some of the major projects undertaken:

Place	
• Roads & Bridge Maintenance	£8.0m
• Selkirk Flood Scheme	£6.4m
• Other Flood Protection Schemes	£1.3m
• Waste Infrastructure	£0.7m
• Land & Property Infrastructure	£4.3m
• Plant & Vehicle	£2.5m

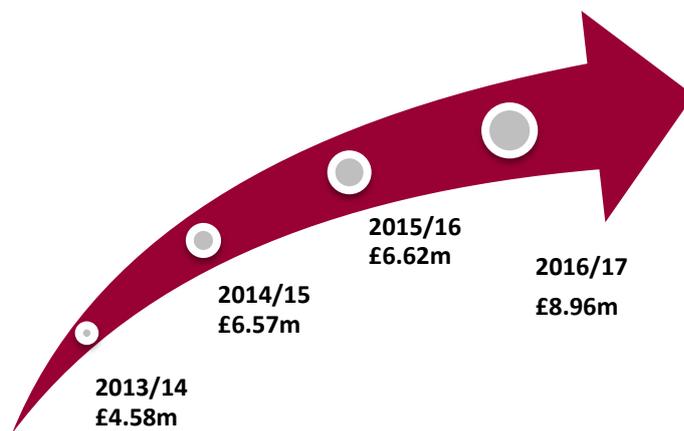
People	
• Duns Primary School	£6.8m
• Langlee Primary School	£6.9m
• Broomlands Primary School	£2.5m
• Other School Estate	£3.4m
• Sports & Culture Infrastructure	£0.7m
• Social Care Projects	£1.4m

Chief Executive's	
• Synthetic Pitches	£1.2m
• ICT Transformation	£4.5m
• Other projects	£0.9m

Management Commentary

Delivery of Targeted Savings

Overall, savings of £12.36m were delivered during 2016/17 in order to balance the costs of delivering services and the available resources. The regular Budget Monitoring reports to the Executive Committee tracked the delivery of these savings against the Financial Plan proposals. Of the £12.36m delivered in 2016/17, £8.96m (73%) were delivered permanently (£8.775m (71%) as intended within the Financial Plan and £0.188m (2%) by alternative means). As shown below there is a demonstrable sustained improvement overall in the permanent delivery of agreed savings by the Council over the past 4 years. It is acknowledged that there will be a requirement for ongoing effort to maintain and further improve this delivery performance in 2017/18 and beyond.



Financial Plan Savings delivered permanently

Making best use of our People

- Review of professional and support services £2.1m
- Redesign of Children & Young People's services £2.4m
- Employee Benefits £0.8m

Working with our Partners

- Alternative models of service delivery £0.7m
- Review of commissioning arrangements £0.3m

Looking after the Borders

- Savings on Property Maintenance £0.1m
- Integrated Waste Management Plan £0.1m

Business Process Transformation

- Redesign of Adult Services £1.0m
- Procurement savings £0.12m
- SLEEP project savings £0.18m

Maximising Resources

- Income from long term empty properties £0.5m
- 2nd homes Council tax income £0.14m
- Fees & Charges £0.2m

Management Commentary

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 41 shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management outturn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2016/17 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2017. This results in the (statutory accounting) adjusted net cost of services of £263.8m compared with the reported departmental net cost of services of £261.6m. Note 5, page 58 provides additional analysis of the movement between these figures. It should be noted that there has been a significant increase in the gross expenditure and gross income reported within the net cost of services during 2016/17. This increase, in both expenditure and income, can be attributed to the contribution of £42.237m made to the Integration Joint Board (IJB) with NHS Borders and the corresponding income received from the IJB for the commissioning of services from the Council.

Further statutory adjustments are then subsequently made in the comprehensive income and expenditure account shown on page 41 to include net gains/losses on disposal and revaluation of assets, interest payable and adjustments for pension costs. These accounting adjustments result in an overall Deficit on the Provision of Council Services for the year of £5.3m.

Other Comprehensive Income and Expenditure

The movement in the Comprehensive Income and Expenditure statement between 2015/16 and 2016/17 of £10.1m can primarily be attributed to a one-off payment during 2016/17 to Transport Scotland for £7.7m in order to buy out a long term contractual liability along with a reduction in the level of Earmarked Balances between 2015/16 and 2016/17. The level of Earmarked Balances is expected to vary year to year depending on the timing of programmes of work.

Following the Actuarial Loss on the Pension Net Assets/Liabilities (£69.5m) the overall Net Comprehensive Income is a deficit of £69.1m (versus surplus of £48.5m in 2015/16). This net position is as a result of the underlying assumptions used in the actuarial valuation. The actuarial valuation for the accounts are calculated in accordance with IAS19 and uses a number of high level assumptions including pension increases, salary increase and discount rate. These assumptions are reviewed and updated on an annual basis and are only used for IAS19 purposes and are not relevant to calculations undertaken for funding purposes. Information provided during 2016/17 by our pension fund advisors (based on projections provided by our Actuary) indicate that the fund remains over 100% funded. The net assets under management by the Scottish Borders Pension Fund grew by 21.5% during 2016/17. The Annual Report and Accounts on the Pension Fund provide a full narrative on its performance and can be found at www.scotborders.gov.uk/pensions

Management Commentary

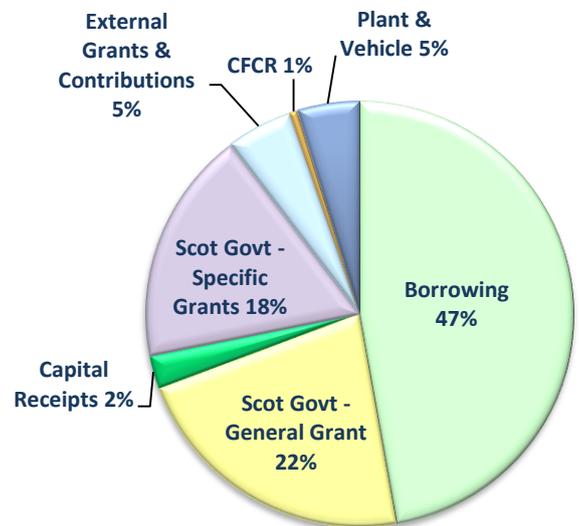
Capital Financing Requirement

In addition to the capital expenditure on fixed and intangible assets of £51.8m the Council utilised the Scottish Government's Consent to Borrow provision to provide the funding for capital expenditure on new affordable housing through the Council National Housing Trust Initiative via Bridge Homes LLP (£2.2m on 22 properties).

The chart shows the profile of the sources of the total £51.8m capital financing requirement for 2016/17.

The chart indicates that 47% (£24.3m) of the capital financing requirement was provided by the Council's capital prudential borrowing.

Actual Capital Financing 2016/17



Treasury and Debt Management

The Council publishes an annual Treasury Management Strategy to coincide with the approval of the financial plans in February. This strategy links the Council's capital investment plans to its treasury management activities including borrowing and investment strategies.

Cash Management

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. A major aspect of the treasury management operations during the year was to ensure that the cash flow was adequately planned, with cash being available when needed. Any surplus monies were invested in counterparties or instruments appropriate for the Council's low risk appetite and which meet the criteria set with the Investment Strategy.

Debt Management

The Council continued to maintain an under-borrowed position, this means that the capital financing need was not fully funded by external loan debt and instead internal cash supporting the Council's reserves, balances and cash flow has continued to be used as a temporary tactical measure. This strategy remains both prudent and cost effective in an environment where investment returns are low and counterparty risk is high.

External Debt

The Council's outstanding external debt as at 31 March 2017 was £197m. Additional long term borrowing was undertaken during the year amounting to £12m. Short term borrowing for cash flow purposes was also undertaken with £9m outstanding at the year end. The average rate of interest paid on outstanding external debt was 6.2%.

Reserves

The Council maintains two types of reserves – usable and unusable – and the movement in these reserves are set out in the Movement in Reserves Statement (page 40).

Unusable Reserves – result from accounting adjustments and cannot be spent

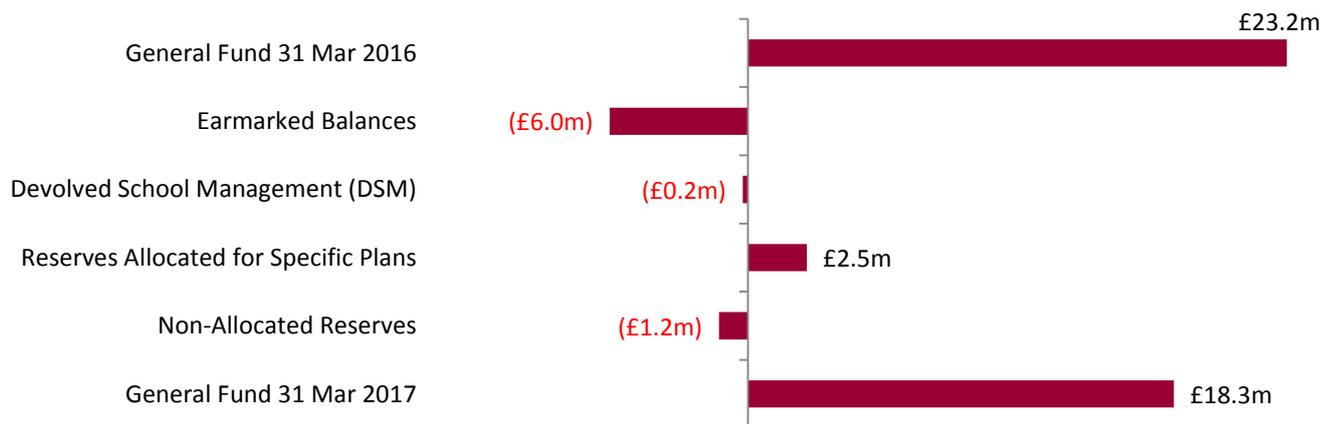
Usable Reserves – result from the Council’s activities and can be spent in the future

Note 31, page 88 provides additional information on the status of the usable and unusable reserves held by the Council.

The Council’s principal usable reserve is the General Fund Reserve and is maintained for three main purposes:

- A working balance to help cushion the impact of uneven cash flows;
- A contingency to cushion the impact of unexpected events or emergencies; and
- Earmarked balances to meet known or predicted liabilities.

As at 31 March 2017 the total General Fund Reserve Balance is £18.3m (£23.2m at 31 March 2016) a decrease of £4.9m during the year. The decrease, as can be seen from the chart below, can mainly be attributed to the reduction in Earmarked Balances the value of which will vary from year to year.



Within the detail of the movements there are the following key changes during 2016/17:

Non-Allocated Reserves

Drawdown to support IT transformation	(£1.284m)
Drawdown to support the 2016/17 Financial Plan	(£0.160m)
Increase from 2016/17 year end outturn and technical adjustments	£0.204m

Reserves Allocated for Specific Plans - net effect of:

Increase to IT transformation reserve	£2.000m
Increase to adverse weather reserve	£0.200m
Financial Plan adjustments	£1.181m
Drawdown from Allocated balances for specific purposes	(£0.845m)

Management Commentary

Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2017 with a comparator year ending 31 March 2016. The Group Accounts for 2016/17 can be found from page 99. The establishment of a new integrated Sport & Culture Trust (Live Borders) in April 2016 has resulted in the previous Associate Borders Sport & Leisure Trust (BSLT) being removed from the Group and Live Borders being included as a Subsidiary. The Scottish Borders Health and Social Care Partnership have also been consolidated into the Group Accounts for the first time this year. The Integrated Joint Board with NHS Borders was established on 6th February 2016, however there were no material transactions during 2015/16 which would have required consolidation into the 2015/16 Group Accounts. The Group comprises of the following:



Going concern

The Council's Balance Sheet is shown on pages 42 - 43. The value of the net liabilities of £2.236m at 31st March 2017 exceeds the value of distributable reserves held by the Council. This is, however, only a snap shot view which is fundamentally affected by the pension fund liability (£216m) calculated at this point in time. The actuarial valuation, which takes a longer term view of liabilities as they are more likely to actually fall due in future years, will appropriately apply future revenue streams from a combination of investments, employer contributions and employee contributions to meet the financing of these liabilities. It is therefore considered appropriate to continue to adopt a 'going concern' basis for the preparation of these financial statements.

Management Commentary

How are we doing?

Our Priorities

Our Corporate Plan presents our 8 priorities within the Scottish Borders over the five year period 2013 - 2018:



www.scotborders.gov.uk/corporateplan

www.scotborders.gov.uk/businessplans

www.scotborders.gov.uk/performance

Performance against our corporate priorities

The Council reports and presents its performance information relating to each corporate priority on a monthly basis to the Corporate Management Team, and on a quarterly basis to the Executive Committee of the Council. Below is a summary of the key performance information for 2016/17 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed.

01

ENCOURAGE SUSTAINABLE ECONOMIC GROWTH HOW ARE WE DOING?

April 2016 - March 2017:

EMPLOYMENT RATE*	74%	of people aged between 16-64 are now in employment
Scotland	72.9%	
SB last year	76.2%	

CLAIMANT COUNT (16-64YR OLDS)	1.8%	of working age people are now out of work and claiming benefits
Scotland	2.4%	
SB last year	1.8%	

CLAIMANT COUNT (18-24YR OLDS)	3.7%	of young people are now out of work and claiming benefits
Scotland	3.6%	
SB last year	3.9%	

PLANNING APPLICATIONS	1324	received during 2016/17
Scotland	1,286	
SB last year	1,286	



Heritage Hub in Hawick new base for Business Gateway.

Business Gateway

After operating successfully out of Ettrick Riverside in Selkirk for 16 years, the Business Gateway team moved to new premises at Tower Mill in Hawick in April. Not only has this enabled a private sector business to expand its office space in Selkirk, it helps support the aspirations of the Hawick Action Plan, developed through a partnership between Scottish Borders Council, Scottish Enterprise, Scottish Government, and the local business community, with Business Gateway now providing its services in a high street setting.



- railway
- connectivity
- investment
- skills
- housing
- railway
- connectivity
- investment
- skills

Our performance during 2016/17

BUSINESS GATEWAY 231 new businesses were created with our help (down from 247 in 15/16)	BUSINESS LOANS AND GRANTS £71.2k was approved in loans over 4 successful applications to the Scottish Borders Business Loan Fund (down from 162K in 15/16)	AFFORDABLE HOMES 131 affordable homes were delivered (Over 5 years 598 affordable homes have been delivered against a target of 500) (above target of 100)	AVERAGE TIME TO DETERMINE PLANNING APPLICATIONS* By end of Q3 2016/17 average times were: 0.0 no major applications received (SBC average 15/16 = 27.6)
1085 businesses were supported in 2016/17 (up from 1042 in 15/16)	£129.4k was approved in grants over 39 successful applications to the Scottish Borders Business Fund (up from £108K in 15/16)	91% invoices paid within 30 days on average were paid within 30 days in 16/17 (down from 92% in 15/16)	6.9 weeks for non-householders (SBC last year 17.4)
			7.4 weeks for householders (SBC last year 6.7)

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 20th June 2017.
 *Performance indicators with a quarter lag in data.



02

IMPROVE ATTAINMENT AND ACHIEVEMENT LEVELS FOR ALL OUR CHILDREN AND YOUNG PEOPLE, WITH A FOCUS ON INCLUSION HOW ARE WE DOING?

Participation Measure

Recently Skills Development Scotland (SDS) has worked with the Scottish Government to develop the **Participation Measure**.

The purpose of the Participation Measure is to identify what young people 16-19 are doing, to inform policy, planning and service delivery and determine the impact of the Scottish Government's Opportunities for All commitment.

The Participation Measure covers all those aged 16 to 19, not just the school leavers.

2016 Annual Participation Measure:

<p>SCHOOL LEAVERS POSITIVE DESTINATION 2015/16</p> <p>94.2% of the 1166 school leavers went into a positive destination</p> <p>Scotland 93.3%</p>	<p>4,867 young people age 16-19 year in the Scottish Borders (included in this measure).</p> <p>91.4% are participating in Education, Employment or Training</p> <ul style="list-style-type: none"> 74.6% in Education 15.0% in Employment 1.8% in Training & Personal Development <p>Scotland 90.4%</p>	<p>2.7% not participating in Education, Employment or Training</p> <ul style="list-style-type: none"> 1.7% Unemployed Seeking 1.0% Unemployed Not Seeking <p>Scotland 4.0%</p>	<p>5.9% Unconfirmed Status</p> <p>Scotland 5.6%</p>
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inclusion • attainment • achievement • leadership • inclusion • attainment • achievement • leadership

Our performance

<p>S5 PUPIL ATTAINMENT 2015/16</p> <p>38.2% achieved 3+ SCQF Level 6 (Higher) or above</p> <p>(up from 28.8% in 2010/11)</p>	<p>S6 PUPIL ATTAINMENT 2015/16</p> <p>45.9% achieved 3+ SCQF Level 6 (Higher) or above</p> <p>(up from 38.1% in 2010/11)</p>	<p>ATTENDANCE (TO DATE, DURING 2016/17 SCHOOL YEAR)</p> <p>95.3% pupils attended their primary school</p> <p>Scottish average for 16/17 = 95.3%</p>	<p>PRIMARY SCHOOL PUPILS EXCLUDED</p> <p>50% reduction in the number of primary school exclusions</p> <p>(Since 2013/14)</p>
<p>16.6% achieved 5+ SCQF Level 6 (Higher) or above</p> <p>(up from 11.7% in 2010/11)</p>	<p>34.3% achieved 5+ SCQF Level 6 (Higher) or above</p> <p>(up from 25.5% in 2010/11)</p>	<p>91.9% pupils attended their secondary school</p> <p>Scottish average for 16/17 = 91.9%</p>	<p>SECONDARY SCHOOL PUPILS EXCLUDED</p> <p>39.8% reduction in the number of secondary school exclusions</p> <p>(Since 2013/14)</p>



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk Correct at time of publication: 20th June 2017. *Performance indicators with a quarter lag in data.



03

PROVIDE HIGH QUALITY SUPPORT, CARE AND PROTECTION TO CHILDREN, YOUNG PEOPLE, ADULTS, FAMILIES, AND OLDER PEOPLE HOW ARE WE DOING?

April 2016 - March 2017:

SELF-DIRECTED SUPPORT APPROACH 59% of adults are using the Self-Directed Support approach (2016/17) SB last year 20.6%	DOMESTIC ABUSE 871 reported incidents of domestic abuse SB 15/16 904	CRIMES AND OFFENCES 3,053 group 1-5 crimes and offences were recorded SB last year 2,916	WELFARE BENEFITS SERVICE 2,949 people contacted our Welfare Benefits Service receiving over £8.4m in additional benefits SB last year 2,754
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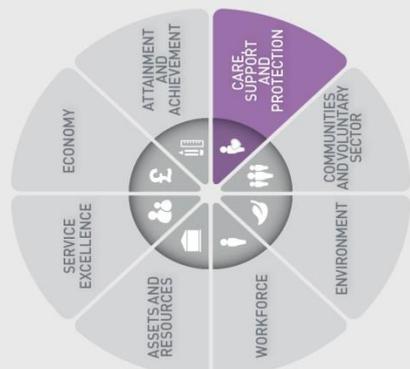
Supporting Victims of Domestic Abuse

The Pathway2 Project (2017-20) continues to provide specialist domestic abuse support to victims and their families. Funding has been secured from the Big Lottery, Scottish Government (pending) and partner agencies such as SBC, Police Scotland, NHS Borders, Borders Housing Alliance and Children 1st. The funding has enabled the development of two new resources – a “Court Advocate” and “Community Engagement Officer”, identified as gaps in the current response and will provide vital support for both victims and communities.

support • independence • joined-up care • health • support • independence • joined-up care • health • support • independence • joined-up care • health

Our performance during Q3 2016/17

CARE AT HOME 76% of adults (aged 65yrs+) received care at home compared to a care home/residential setting (2016/17) (above our target of 70%)	LOOKED AFTER CHILDREN 251 looked after and accommodated children (at end 2016/17) (up from 215 at end 2015/16) children looked after on 31 July 2016 as a percentage of the 0-17yr old population 1.0% Scottish Borders 1.5% Scotland 1.1% Family Group* (up from 0.9% at end of July 2015)	CHILD PROTECTION 53 inter-agency discussions (Initial Referrals Discussions) concerning the safety of a child held, on average, a month (Apr'16-Mar'17) (up from 40 from Apr'15 - Mar'16)	54 children on the Child Protection Register (2016/17) (up from 28 in 2015/16)
NEW SERVICE USERS 100% of new service users received a service within 6 weeks of assessment (2016/17) (up from 95% in 2015/16)	87% of looked after children (across all ages) were living within a community family-based placement (at end 2016/17) (up from 85% at end 2015/16)	76% of looked after children aged 12yrs+ were living within a community family-based placement (at end 2016/17) (up from 72% at end 2015/16)	



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 20th June 2017. *Performance indicators with a quarter lag in data.

04

BUILD THE CAPACITY AND RESILIENCE OF OUR COMMUNITIES AND VOLUNTARY SECTOR HOW ARE WE DOING?

April 2016 - March 2017:

TWEEDDALE

The following funding has been awarded in 16/17

£141.5K	£33.6K
National Lottery	Quality of Life Fund
£37.4K	£67.2K
Community Grants Scheme	Neighbourhood Small Schemes Fund
£25.0K	£304.6K
Scottish Landfill	Total Funding

EILDON

The following funding has been awarded in 16/17

£142.5K	£19.1K
National Lottery	Quality of Life Fund
£40.9K	£72.0K
Community Grants Scheme	Neighbourhood Small Schemes Fund
£33.2K	£307.6K
Scottish Landfill	Total Funding

CHEVIOT

The following funding has been awarded in 16/17

£538.3K	£21.4K
National Lottery	Quality of Life Fund
£20.9K	£51.2K
Community Grants Scheme	Neighbourhood Small Schemes Fund
£30.0K	£661.7K
Scottish Landfill	Total Funding



Participatory Budgeting - Burnfoot Bids Together

Burnfoot Community Futures (BCF) received £39k from the Scottish Government's Community Choices Fund last year to undertake a Participatory Budget project. The BCF Board worked with SBC, NHS Healthy Living Network, Burnfoot School and the local Early Years Centre.

To deliver the project, a volunteer-led Community Steering Group was formed, aiming to have funds dispersed to the community by April 2017. An overwhelming response was received with over 40 applications. A vetting process was carried out by the group, resulting in 26 applications being shortlisted and considered by the community at a voting event held on Sunday, 16 March 2017.

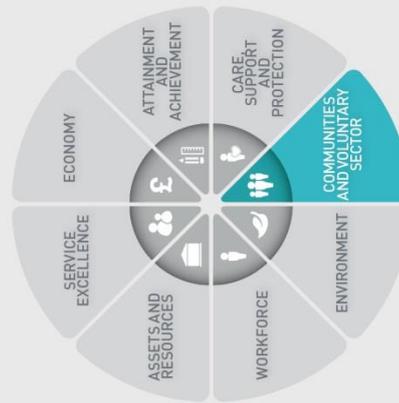
The Steering Group organised the voting event, which included a live music band, children's activities, and free refreshments. At the event 307 votes were received and 13 projects were successful.

These included:

- Burnfoot Rugby Team
- Equipment & uniforms for Boys Brigade, Girls Brigade and Brownies
- Cinema for all
- Funky Monkeys Hub Adventure
- Burnfoot Community School Playground Project

- Fit for all
- Bikeability
- Boxing Breakfast
- Driving Theory Tuition
- Senior Activity Club
- Firework display
- Special Fun Together
- Police Scotland – Friday evening activities

This is great example of community led capacity building, engagement and development within Scottish Borders.



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 20 June 2017.
 *Performance indicators with a quarter lag in data.



05

**MAINTAIN AND IMPROVE
OUR HIGH QUALITY ENVIRONMENT
HOW ARE WE DOING?**

January 2016 – December 2016:

<p>ROAD SAFETY</p> <p>12 people were killed on our roads in 2016</p> <p>SB last year 6</p>	<p>ROAD SAFETY</p> <p>65 people were seriously injured on our roads in 2016</p> <p>SB last year 62</p>	<p>HOUSEHOLD WASTE</p> <p>39.03% of our household waste, on average, was recycled over the last 12 months</p> <p>SB last year 34.89%</p>	<p>HOUSEHOLD WASTE</p> <p>60.71% of our household waste was sent to landfill, on average, over the last 12 months</p> <p>SB last year 62.23%</p>	<p>HOUSEHOLD WASTE</p> <p>0.26% of our household waste required 'other' treatment, on average, over the last 12 months</p> <p>SB last year 0.27%</p>
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waste • spend to save • low carbon • waste • waste • spend to save • waste • spend to save

Our performance during 2016/2017

ROAD CONDITION

46.6% of the **3,000km of roads** in the Scottish Borders should be **considered for maintenance**

(up from 46.3% in 15/16)

COMMUNITY RECYCLING CENTRES

56.23% of **waste** was **recycled at SBC Community Recycling Centres**, on average, over the last 12 months

(up from 51.06% during 2015/16)

Case Study

Drive-wise Borders 'Over 65s'

The Drive-wise Borders project concentrates on the 'at risk' groups, according to road traffic accident statistics in the local Borders region.

The over 65s part of the project has seen a welcomed concentration of effort to some of the most vulnerable road users in our communities, updating and cementing their theoretical

knowledge. The sheer enthusiasm and the level of engagement shown by attendees, with an uptake rate of Refresher Dives being around 70%, has been very encouraging. Reasons for uptake include widowed women who have lost confidence, and those with health issues returning to driving. Specific issues around day-to-day driving have emerged and topics affecting the older drivers have been freely discussed in a safe and open environment.



The plan to roll out the presentations across the Borders will allow as many members of our rural communities as possible to benefit. During the sessions, the attendees are encouraged to take part in a 'Fun Theory test' and are given a free 'Highway Code' and local information book, which have been well received.

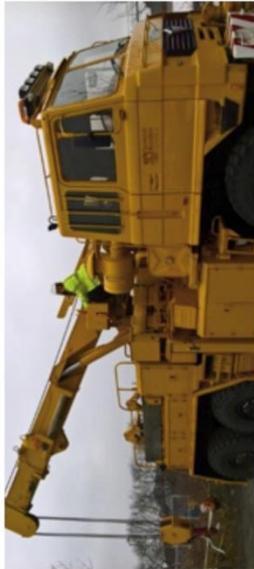


For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
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06

DEVELOP OUR WORKFORCE
HOW ARE WE DOING?

SBC Modern Apprentices 2016/17



Winning photograph of Siobhan Murphy stating "No job too small", showing her daily working life.



Siobhan receiving her Apple watch prize alongside Gordon Mackie (from CGI) and David Robertson (SBC).

Case Study
Work Opportunities

To promote "Scottish Apprenticeship Week", SBC's IT partner CGI ran a photo competition in conjunction with SBC, open to all our Modern Apprentices (MAs). Our MAs were asked to send in a photo of their daily working life that encapsulated their apprenticeship and showed that apprenticeships are changing. The winner was Siobhan Murphy from the Environment and Infrastructure team and she won an Apple watch.

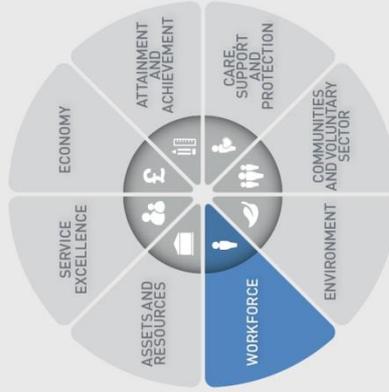


- benefits
- communication
- staff development
- flexibility
- benefits
- communication
- staff development

Our performance during 2016/2017

<p>SBC ABSENCE RATE * 3.8% of working days were lost, on average, due to absence as of December 2016 (down from 4.1% in Dec 15/16)</p>	<p>WORK OPPORTUNITIES 50 work opportunities are being supported by SBC through our "Work Opportunities Policy" as of March 2017 (down from 56 in March 15/16)</p>	<p>APPRENTICESHIPS 36 apprentices are employed with SBC as of March 2017 (37 in March 15/16)</p>	<p>APPRENTICESHIPS 67% male 33% female across various departments such as Human Resources, Engineering, Finance (73% male in March 15/16) (27% female in March 15/16)</p>
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For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 20th June 2017. *Performance indicators with a quarter lag in data.



07

**DEVELOP OUR ASSETS AND RESOURCES
HOW ARE WE DOING?**



Eyemouth Hippodrome location of engagement event.

April 2016 - March 2017:

CAPITAL RECEIPTS £1,437,000 was received from selling our fixed assets such as buildings in 2016/17	OCCUPANCY RATES 88.8% of industrial and commercial properties owned by the council were occupied as of March 2017
SB 2015/16 £847,711	SB 2015/16 93%

Locality Property Plans

High-level property plans are being developed for each of the five localities (Berwickshire, Cheviot, Eldon, Teviot & Liddesdale and Tweeddale). These will form part of the wider "Locality Plans" and look at how public sector investment can be better focussed to meet community needs. The initiative seeks to ensure that diminishing resources are used to best effect and will help address resource challenges.

In February and March this year, a series of pre-consultation events were held across the Borders to hear first-hand about local issues, initiatives and priorities. Feedback is being used to inform first drafts of the Locality Property Plans and further consultation will be held before publication in October. The plans support the "Asset Transfer" section of the Community Empowerment Act and the Council's approach to achieving savings.

- buildings
- energy efficiency
- capital investment
- buildings
- energy efficiency
- capital investment
- buildings

Our performance during 2016/17

COUNCIL PROPERTIES 19 properties are no longer required	COUNCIL TAX 96.63% of Council Tax due was collected in 2016/17 (up from 96.5% in 15/16)	ENERGY CONSUMPTION* 2016/17 we used 8,914,731 kilowatt hours of electricity at a cost of £0.984m (down from 9,439,496 in 15/16) (down from £1.015m in 15/16)	ENERGY CONSUMPTION* 2016/17 we used 11,989,056 kilowatt hours of gas at a cost of £0.266m (down from 12,856,850 in 15/16) (down from £0.345m in 15/16)
7 properties are advertised for sale	CAPITAL PROJECTS 99 number of projects ongoing across the council of which 93 are on target 4 are slightly behind target 2 is not on target http://www.scotborders.gov.uk/sale Lets	*The energy consumption figures are based on 26 sites across the council which account for approximately 50% of the energy used across the council, and is therefore representative of the energy use across the council as a whole.	

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 20th June 2017. *Performance indicators with a quarter lag in data.





08

ENSURE EXCELLENT, ADAPTABLE, COLLABORATIVE AND ACCESSIBLE PUBLIC SERVICES
HOW ARE WE DOING?

April 2016 - March 2017:

CUSTOMER INTERACTIONS	FREEDOM OF INFORMATION REQUESTS (FOI)	COMPLAINTS	SOCIAL WORK COMPLAINTS
172,078 interactions with the public were handled by our Customer Service staff via email, face to face contact, phonecalls and mail in 2016/17	1246 requests for information under the Freedom of Information Act were received in 2016/17	563 customer complaints were handled by SBC in 2016/17	89 complaints received regarding the Social Work service in 2016/17
SBC 2015/16 175,333	SBC 2015/16 1147	SBC 2015/16 564	SBC 2015/16 71

Compliments during 2016/17

SBC receives many unsolicited compliments covering a range of services:
 "Thank you for the speedy response to the broken drain cover."
 "Many thanks for your welcome initiative; your actions have restored my faith in SBC. Looking after an elderly parent is not easy and I greatly appreciate your willingness to quickly investigate and resolve this straightforward issue."
 "... was very professional, and drafted a letter explaining everything succinctly and to the point. He listened intently to (the customer)".
 "The service at the Eshields Site has improved radically over the last few months."
 "Please accept and pass on my thanks for the thorough and very professional job which was completed a few days after my request. Great Service!"
 "I'm very happy with the new Food waste collection service- it means my kitchen bin is odour free and can be put out less often as the decaying food is kept separate".

ICT • customer focus • online services • partnership • ICT • customer focus • online services • partnership • ICT • customer focus • online services • partnership

Our performance during 2016/17

CUSTOMER INTERACTIONS
62,470 face to face interactions were logged by our Contact Centres during 2016/17
 (down from 67,949 in 2015/16)

103,761 phone interactions were logged by our Contact Centres in 2016/17
 (up from 102,342 in 2015/16)

FREEDOM OF INFORMATION
92.5% of FOI requests were completed on time in 2016/17
 (up from 88% in 2015/16)

SOCIAL MEDIA
 The number of engagements during 2016/17:
186,846 (Facebook)
87,704 (Twitter)

COMPLAINTS
 Our average response times for complaints for 2016/17 were as follows:
Stage 1 complaints 3.9 days (down from 4 in 2015/16)
Stage 2 complaints 17.5 days (up from 17.2 in 2015/16)
Escalated complaints 17.0 days (up from 16.7 in 2015/16)

In 2016/17 we closed:
84.3% of complaints at stage 1 within 5 working days
 (down from 85.2% in 2015/16)
84% of complaints at stage 2 within 20 working days
 (up from 77.5% in 2015/16)
69.2% of escalated complaints within 20 working days
 (down from 83.3% in 2015/16)



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 20th June 2017.
 *Performance indicators with a quarter lag in data.

Management Commentary

Equalities Mainstreaming

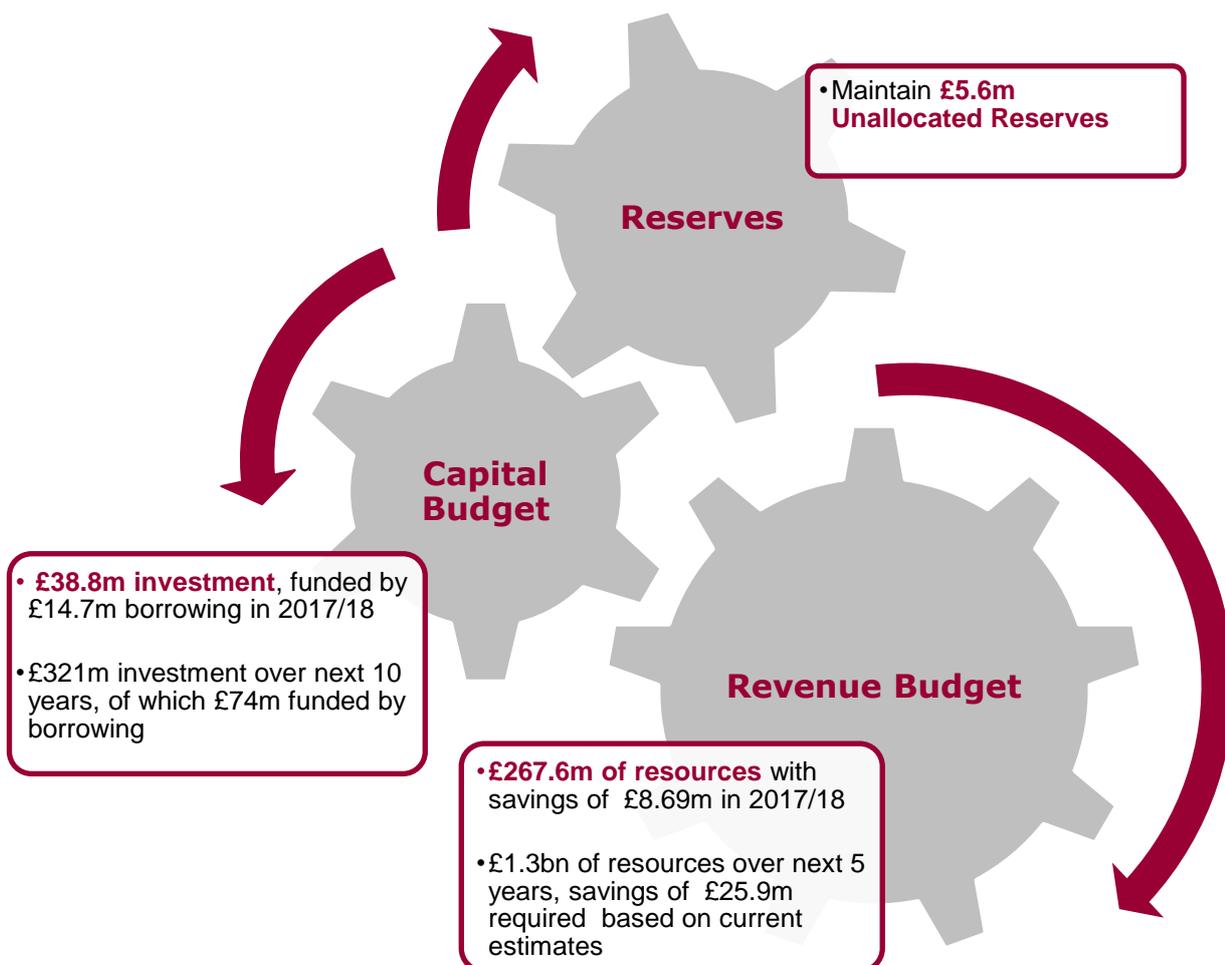
Scottish Borders Council takes a positive approach to equalities and human rights through taking forward the actions in its Mainstreaming Report and Equality Outcomes 2017 – 2021. This is being implemented by:

- providing effective support to embedding equalities and human rights into the Council's corporate, business planning, policy and performance processes;
- giving advice and support on equalities and human rights to the Scottish Borders Community Planning Partnership;
- providing operational support to Council services on equalities and human rights matters;
- promoting equalities, diversity and human rights;
- engaging with local equality and human rights groups; and
- ensuring all of the Council's budget proposals are equality impact assessed.

Our Plans for the Future

The Council has an ambitious Corporate Transformation Programme, Capital Investment Programme and Departmental Business Plans which will be delivered over the coming years within an environment of ever reducing financial resources and increasing public and government expectations.

Future Financial Plans - 2017/18

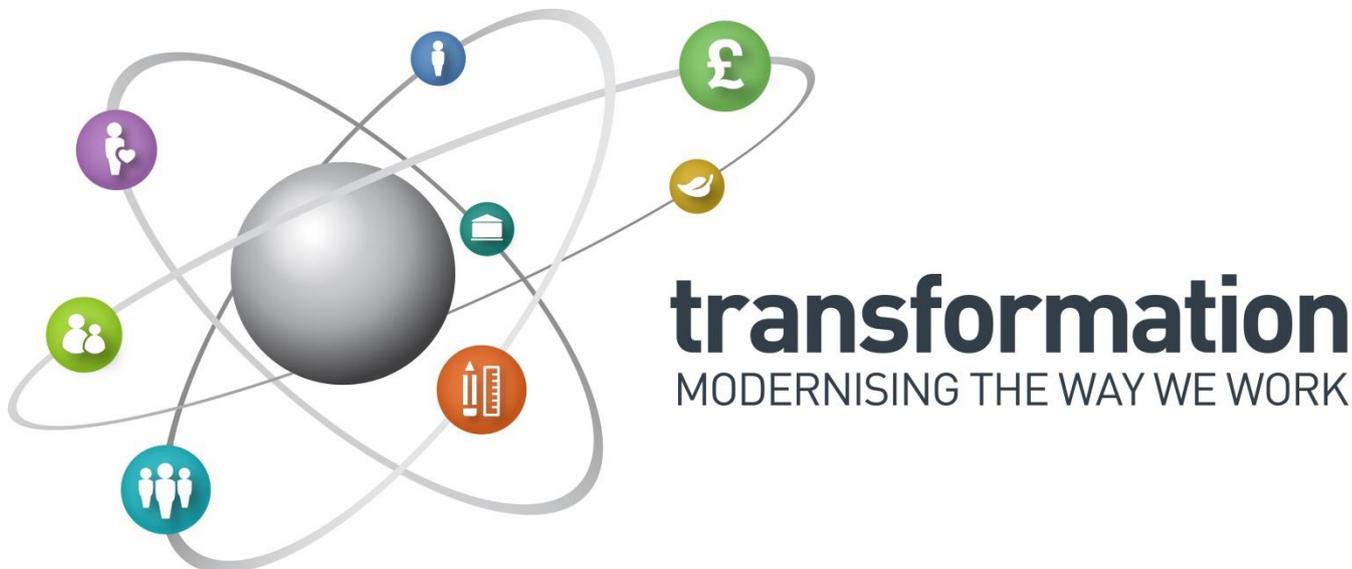


The Revenue and Capital Financial Plans from 2017/18 onwards can be found on the Council's webpages at www.scotborders.gov.uk

Management Commentary

Corporate Transformation Programme

Scottish Borders Council has in place an ambitious Corporate Transformation programme of work which provides a framework for the development and delivery of activities and projects to achieve a sustainable financial position over the next 5 years and beyond and underpins the delivery of Elected Member, Corporate and Partnership priorities.



For more information on the programme visit: www.scotborders.gov.uk/transformation

Conclusion

The operating environment for the Council continues to be very challenging with financial and economic influences such as increasing demands on services, reducing Scottish Government funding, low interest rates and cost pressures from pay and price inflation all affecting the Council's finances. The Council, despite these challenges, remains financially sound and well placed to serve the people of the Scottish Borders in the future.

Shona Haslam
Leader
Scottish Borders Council
28 September 2017

Tracey Logan
Chief Executive

David Robertson CPFA
Chief Financial Officer

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Council's Audit and Scrutiny Committee at its meeting on 25th September 2017.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation)

The Chief Financial Officer has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2017.

Shona Haslam
Leader
Scottish Borders Council
28 September 2017

David Robertson CPFA
Chief Financial Officer

Annual Governance Statement 2016/17

Introduction

The Annual Governance Statement explains how the Council has complied with the terms of the new CIPFA/SOLACE Framework (2016) for the year ended 31 March 2017, sets out the Council's governance arrangements and system of internal control and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Scottish Borders Council's affairs and facilitating the exercise of its functions in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with and, where appropriate, lead communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively, and ensuring that appropriate arrangements are in place for the management of risk.

The system can only provide reasonable and not absolute assurance of effectiveness.

New Framework for Good Governance

A new 'CIPFA/SOLACE Framework' was published in Spring 2016 to ensure it remains fit for purpose, which applies to Annual Governance Statements prepared for the financial year 2016/17 onwards, and associated guidance for Scottish Authorities was published in November 2016. The overall aim of the Framework is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The revised 'Framework' defines the seven (previously six in 2007) core principles of good governance, namely:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Revisions were required to the Council's Local Code of Corporate Governance to ensure it reflects the changing context of Scottish Borders Council and is consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for Scottish authorities. This was approved by Council on 24 August 2017 on recommendation by Audit and Scrutiny Committee in June 2017 and a copy of the Local Code of Corporate Governance will be published on the Council's website.

Annual Governance Statement 2016/17

The Governance Framework

The Council's Local Code of Corporate Governance sets out the framework and key principles, which require to be complied with, to demonstrate effective governance. The key elements of the Council's governance arrangements as set out in the Local Code include:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, and financial regulations which are regularly reviewed and revised where appropriate.

Codes of conduct are in place for, and define the high ethical values and standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. An annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.

The Council seeks feedback from the public through its complaints and comments procedures for Corporate and Social Work (statutory) service areas, responds to the outcomes, as appropriate, and reports the results annually.

Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work Officer (CSWO). The CSWO promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc.

B. Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality.

Unless confidential, decisions made by Council, the Executive Committee or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users. The Scottish Borders CPP Community Engagement Framework (2015) sets out principles for engagement and the Toolkit shares best practice methods.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Council has a Single Outcome Agreement (SOA) in place agreed with the Scottish Government and Scottish Borders community planning partners. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the Council's Corporate Plan and the SOA which are approved by Council. The SOA will be replaced by the Local Outcomes Improvement Plan (October 2017) underpinned by Locality Plans.

Asset management planning (which is under development) and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.

Equalities as well as environmental and rural implications are considered during the decision making process to promote fair access to services.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Decision makers receive objective analysis of a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community

Annual Governance Statement 2016/17

as stated in the Council's Vision, Values and Standards within Corporate Plan. For example, significant partner engagement in health and social care Strategic and Locality Plans.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The corporate management structure consists of the Chief Executive, two Depute Chief Executives and ten Service Directors (in place during the year but subject to change commencing 2017/18). The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the performance review and development (PRD) process.

The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.

The Elected Members Development Programme includes the comprehensive Induction programme which is periodically supplemented by additional training. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

F. Managing risks and performance through robust internal control and strong public financial management

The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The Executive Committee is the key decision-making and monitoring committee and the Scrutiny Committee for reviewing policy decisions.

The Council has a risk management policy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.

The Chief Financial Officer (the Section 95 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.

The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.

A Medium Term Financial Strategy, and associated Risk Register, and plans for revenue (5-year) and capital (10-year) based on corporate priorities are developed, led by the Corporate Management Team, and presented for approval by Council in February each year, along with the Corporate Transformation Programme proposals.

Revenue and Capital Budget Monitoring reports are presented to the Executive Committee on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Chief Officer Audit & Risk (Chief Audit Executive) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on work carried out by an in-house Internal Audit team in conformance with the Public Sector Internal Audit Standards. The audit opinion within the Internal Audit Annual Report 2016/17 states that the systems of internal control and governance are operating satisfactorily, reasonable assurance can be provided on their adequacy and further improvements have been agreed by Management.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The Audit and Risk Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Annual Governance Statement 2016/17

Review of Framework

The Council carries out an annual review of the effectiveness of its overall governance framework which is presented to the Audit and Risk Committee whose role includes high level oversight of the Council's governance, risk management, and internal control arrangements.

The review was informed by the work of an officer Governance Self-Assessment Working Group which undertook an annual self-assessment against the Council's Local Code of Corporate Governance consistent with the principles and recommendations of the new CIPFA/SOLACE Framework (2016). This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place.

The review was also informed by assurances from: the Depute Chief Executives and Service Directors, who have responsibility for the development and maintenance of the governance environment within their departments and services and who in turn identify actions to improve governance at a departmental level; the Chief Officer Audit & Risk's annual report on the work of Internal Audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance; and comments made by External Auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2016/17 the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective, and are consistent with the principles and recommendations of the new CIPFA/SOLACE Framework (2016).

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code:

- (a) In light of the on-going significant challenges in addressing cost pressures and responding to the changes in government funding: (i) complete remaining service people planning and succession planning to enable the Council's Strategic People Plan to be developed; (ii) ensure that financial, people and business plans are developed concurrently and continue to be aligned to the Council's corporate plan and priorities thus managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available; and (iii) continue to monitor governance of arms-length external organisations (ALEOs).
- (b) On-going monitoring and review of the Performance Management Framework to ensure it informs improvement activity and decision making. This will include the full application of appropriate and proportionate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value, acting as a focus for evidencing value for money in service provision and linked to financial, people and business planning.
- (c) The Council's decision to implement the new Business World ERP System from April 2017 means that there will be a requirement to review and agree amended Financial Regulations, policies, procedures and guidelines of the key financial planning, management and administration processes linked to the Financial Regulations.
- (d) Review and possible reshaping of the Corporate Transformation Programme and consistent application across all the activity of the demonstrated key success factors including the robust definition of Business Case and Benefits, Return on Investment, Programme and Change Management, and Risk Management to ensure there is confidence in the delivery of improvements and savings to enable delivery of efficient and effective services to customers in a sustainable way.
- (e) Further actions to ensure comprehensive data and information management across the Council and within each department in all relevant aspects of service delivery through appropriate awareness of and adherence to procedures, practices and guidelines to ensure full compliance with legislation and regulations, both current and planned.
- (f) Continue to improve the reporting arrangements to: (i) Evidence that learning from complaints is taking place and SPSO decisions are being reported to elected members; and (ii) Expand the volume of compliments and other comments, to gather a wide range of feedback from service users, and ensure these are reflected alongside the arrangements in place for dealing with complaints.

Annual Governance Statement 2016/17

- (g) Development and implementation of standardised framework for reviewing strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future, comply with community empowerment principles, and meet locality needs and priorities, and for enhancing on-going delivery of capital programmes and projects linked to the corporate priorities.

These actions to enhance the governance arrangements in 2017/18 are incorporated where appropriate within the Council's service directorate business plans and their implementation and operation will be driven and monitored by the Corporate Management Team in order to inform the next annual review. Internal Audit work planned in 2017/18 is designed to test improvements and compliance.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council's systems of internal control and governance. Although areas for further improvement have been identified the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects.

Shona Haslam
Leader
Scottish Borders Council
28 September 2017

Tracey Logan
Chief Executive

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 1985, as amended by the Local Authority Accounts (Scotland) Amendment Regulations 2011, require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

Remuneration Policy

Remuneration of Senior Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Convener, Senior Councillors or Councillors. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016/17 the salary for the Leader of Scottish Borders Council is £33,789. The regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors shall not exceed £295,643. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convener, is £295,371. Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members of the pension scheme.

The Remuneration for Members scheme which encompasses the salaries of all elected members including the Leader and Senior Councillors was agreed at a meeting of the full Council on 24 May 2012 and then amended at the meeting of Council on 30 August 2012 to take account of changes to the Scheme of Administration. Since this date no further changes have been made.

Remuneration of Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services provides a Scheme of Salaries & Conditions of Service that provides a basis for determining the salaries of Chief Executives of Scottish local authorities. Teaching staff salaries are set by The Scottish Negotiating Committee for Teachers (SNCT).

A senior employee is any employee who:

- Has responsibility for the management of the local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons; or
- Holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any annual remuneration from a local authority subsidiary body, is £150,000 or more.

Remuneration Report

Remuneration Disclosures

General Disclosure by Pay Band

The Code of Practice on Local Authority Accounting in the UK also requires information to be provided on the number of persons whose remuneration was £50,000 or more. This information is to be disclosed in bands of £5,000. The numbers of employees at Scottish Borders Council whose remuneration was £50,000 or more, excluding employer's pension and national insurance contributions, is shown in the following table:

Remuneration Bands	Chief Officer		Teachers		Other Staff		Total	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£50,000 - £54,999 ^	-	2	48	57	17	21	65	80
£55,000 - £59,999 ^	2	-	15	14	3	1	20	15
£60,000 - £64,999	4	6	2	3	1	1	7	10
£65,000 - £69,999 ^	1	1	2	2	1	-	4	3
£70,000 - £74,999 *	2	3	5	2	-	1	7	6
£75,000 - £79,999 ^	-	-	-	2	1	-	1	2
£80,000 - £84,999	3	4	-	-	-	-	3	4
£85,000 - £89,999	2	2	-	-	-	-	2	2
£90,000 - £94,999 ^	1	-	-	-	-	-	1	-
£95,000 - £99,999	-	-	-	-	-	-	-	-
£100,000 - £104,999	1	-	-	-	-	-	1	-
£105,000 - £109,999	-	2	-	-	-	-	-	2
£110,000 - £114,999	1	-	-	-	-	-	1	-
£115,000 - £119,999	-	-	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	1	-	-	-	-	-	1	-
£130,000 - £134,999 ^	1	1	-	-	-	-	1	1
£135,000 - £139,999	-	-	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	-	-	-	-
£170,000 - £174,999	-	-	-	-	-	-	-	-
£175,000 - £179,999 ^	1	-	-	-	-	-	1	-
Total	20	21	72	80	23	24	115	125

Key:

* Indicates bandings that contain employees whose remuneration contained an element of voluntary severance or early retirement within 2016/17.

^ Indicates bandings that contain employees whose remuneration contained an element of voluntary severance or early retirement within 2015/16.

Remuneration Report

Remuneration of Senior Councillors

The table below provides details of the remuneration paid to the Council's Senior Councillors.

Total Remuneration 2015/16 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2016/17 £
33,454	D Parker	Leader of the Council	33,789	-	33,789
25,090	G Garvie	Convener	25,341	-	25,341
58,544		Leader and Convener Remuneration	59,130	-	59,130
25,090	J Mitchell	Depute Leader of the Council	25,341	-	25,341
22,666	M Cook	Executive Member for HR and Corporate Improvement	22,893	-	22,893
22,666	V Davidson	Executive Member for Culture, Sport, Youth & Communities	22,893	-	22,893
22,666	F Renton	Executive Member for Social Work & Housing	22,893	-	22,893
22,666	D Moffat	Executive Member for Community Safety	22,893	-	22,893
22,666	J Brown	Executive Member for Community Planning/Vice Convener	22,893	-	22,893
22,666	A Aitchison	Executive Member for Education	22,893	-	22,893
22,666	S Bell	Executive Member for Economic Development	22,893	-	22,893
22,701	G Edgar	Executive Member for Roads and Infrastructure	22,893	-	22,893
22,666	D Paterson	Executive Member for Environmental Services	22,893	-	22,893
22,666	R Smith	Executive Member for Planning and Environment	22,893	-	22,893
20,347	W Archibald	Convener of the Licensing Board	20,550	-	20,550
20,347	M Ballantyne	Leader of Opposition	20,550	-	20,550
292,479		Total Other Senior Councillor Remuneration	295,371	-	295,371
351,023		Total Senior Councillor Remuneration	354,501	-	354,501

(1) The total remuneration figures relate to the salary, fees and allowance for 2016-17 are as included in the Comprehensive Income and Expenditure Statement. They are only in respect of monies paid to Councillors whilst actually holding a Senior Councillor position during that year.

(2) Councillor Bhatia held the position of Depute Leader (Health Services) which is not a remunerated post.

Total Remuneration paid to Councillors

The Council paid the following salaries, allowances and expenses to all Councillors (including Senior Councillors above) during the year.

2015/16 £'000		2016/17 £'000
669	Salaries	675
109	Expenses	98
778	Total	773

The draft annual return of Councillors' salaries and expenses for 2016/17 is available on the Council's website at www.scotborders.gov.uk.

Remuneration Report

Remuneration of Senior Employees

The table below provides details of the remuneration paid to the Council's Senior Employees. The table reflects the Council corporate management restructure which resulted in the introduction of the three service groupings of Chief Executive, People and Place.

2015/16	Name Post Title		2016/17				Total Remuneration £
			Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	
	Senior Employees in post as at 01/04/16						
127,437	TM Logan	Chief Executive (1)	133,017	-	-	12,893	145,910
20,960	P Barr	Depute Chief Executive (2)	21,170	-	-	-	21,170
103,031	J McDiarmid	Depute Chief Executive	105,818	-	-	-	105,818
111,251	JR Dickson	Corporate Transformation & Service Director (3)	109,704	-	-	-	109,704
85,237	KD Robertson	Chief Financial Officer (4)	86,479	86	-	-	86,565
80,187	J Craig	Service Director Neighbourhood Services	82,511	-	-	-	82,511
66,168	C Hepburn	Chief Human Resources Officer	71,723	-	-	-	71,723
80,056	EH Torrance	Chief Social Work Officer (5)	53,884	7	-	-	53,891
			(FYE 80,697)				
80,203	GB Frater	Service Director Regulatory Services (6)	82,911	48	-	-	82,959
86,207	D Manson	Service Director Children & Young People	87,024	-	-	-	87,024
-	D Girdler	Chief Officer Roads (appointed 12 September 2016)	40,643 (FYE 73,525)	-	-	-	40,643
677 (FYE 84,000)	M Joyce	Service Director Assets & Infrastructure (appointed 29 March 2016)	84,000	69	-	-	84,069
	Senior Employees departed post before 01/04/17						
17,416 (FYE 72,797)	B Park	Chief Officer Roads (appointed 5 January 2016, left 31 August 2016)	30,635 (FYE 73,525)	-	-	-	30,635
858,830		Total	989,519	210	-	12,893	1,002,622

Notes

- (1) TM Logan figure of £133,017 includes £928 for 25% balance of Returning Officer fee for the General Election on 7 May 2015; £6231.75 for 75% of Returning Officer fee for the Scottish Parliament Election on 5 May 2016 and £2,014 for 50% of Counting Officer fee for the European Union Referendum on 23 June 2016.
- (2) P Barr seconded to SB Cares (subsidiary) as Managing Director. The above figure represents 20% of time employed by SBC, with the remaining 80% (£84,678) met by SB Cares.
- (3) JR Dickson figure of £109,704 includes £3,061.64 for Depute Returning Officer fee for the Scottish Parliament Election on 5 May 2016, £1,000 for 25% of Counting Officer Fee and £1,581.01 for Depute Counting Officer fee for the European Union Referendum on 23 June 2016.
- (4) KD Robertson figure of £86,479 includes £200 Count Supervision fee for the Scottish Parliament Election on 5 May 2016 and £200 Count Supervision fee for the European Union Referendum on 23 June 2016.
- (5) E Torrance seconded to Health & Social Care Partnership from 1 December 2016.
- (6) GB Frater figure of £82,911 includes £200 Count Supervision fee for the Scottish Parliament Election on 5 May 2016 and £200 Count Supervision fee for the European Union Referendum on 23 June 2016.

The Council contributes £50,000 per annum towards salary and pension contributions of the post of Director of Public Health. Details of the remuneration paid in respect of this post can be found within the annual financial statements of NHS Borders (Borders Health Board). The Chief Officer post for the Integrated Joint Board between the Council and NHS Borders is funded by NHS Borders.

Remuneration Report

Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2015/16 and 2016/17:

2016/17

Exit Package Cost band (including special payments) 2016/17	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	7	7	14	110,827
£20,001- £40,000	1	4	5	127,551
£40,001- £60,000	2	3	5	239,184
£60,001- £80,000	-	-	-	-
£80,001- £100,000	-	-	-	-
£100,001- £150,000	-	-	-	-
£150,001- £200,000	-	-	-	-
Total	10	14	24	477,562

The total costs of £0.478m in the table above includes exit packages that have been agreed and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

2015/16

Exit Package Cost band (including special payments) 2015/16	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	9	16	25	240,580
£20,001- £40,000	-	33	33	941,424
£40,001- £60,000 (1)	-	4	4	189,484
£60,001- £80,000	-	5	5	333,973
£80,001- £100,000 (2)	-	1	1	91,525
£100,001- £150,000	1	1	2	261,880
£150,001- £200,000 (3)	-	1	1	174,710
Total	10	61	71	2,233,576

Council Subsidiary Bodies

As per the Accounts Regulations 2014 "A Remuneration Report is to give for any local authority subsidiary body, the name of that body, together with:-

- The full post title and name of the chief executive of that body (or, if there is no chief executive, the post held and the name of the most senior manager in that body
- The full post title and name of each director or employee of the body whose annual remuneration in that year, including any annual remuneration from a local authority, was £150,000 or more

The details for the Councils subsidiary bodies are as follows:-

Bridge Homes LLP – Designated Member, David Robertson
 SB Cares and SB Supports LLP – Managing Director, Philip Barr
 Live Borders – Chief Executive Officer, Ewan Jackson

No director or employee had an annual remuneration of £150,000 or more

Remuneration Report

Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Pension benefits for Councillors are based on a career average pay. The pay for Councillors for each year or part year ending 31 March increases by the cost of living, as measured by the appropriate index between the end of the year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees, there is a career average pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The normal retirement age under the scheme for both Councillors and employees is now as per the state pension.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much of their pay falls into each tier. The tiers and members contributions rates for 2016/17 were as follows:

Whole Time Pay	2016/17
On earnings up to and including £20,500 (2015/16 £20,500)	5.50%
On earnings above £20,500 and up to £25,000 (2015/16 £20,500 to £25,000)	7.25%
On earnings above £25,000 and up to £34,400 (2015/16 £25,000 to £34,400)	8.50%
On earnings above £34,400 and up to £45,800 (2015/16 £34,400 to £45,800)	9.50%
On earnings above £45,800 (2015/16 £45,800)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

Following the changes in 2009 there is no longer an automatic entitlement to a lump sum. Members of the Pension Fund may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

As of 1 April 2015, the Local Government Pension Scheme (Scotland) Regulations 2014 came into effect. This changed the accrual rate of guaranteed pension to 1/49th of career average salary, effective from 1 April 2015.

The value of accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive pension benefits on retirement without reduction (where benefits are paid on earlier than "normal date of retiral") and without the exercise of any option to commute pension entitlement into a lump sum and without any adjustment for the effects of inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

Remuneration Report

Pension Benefits of Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2017 are shown in the following table, together with the contribution made by the Council to each Senior Councillor's pension during the year. It should be noted all Councillor pensions reported below are calculated on career average earnings.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of total local government service, including any service with a Council subsidiary body.

Councillor Name	Responsibility	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2016	For year to 31 March 2017	Type	As at 31 March 2017	Difference from 31 March 2016
		£	£		£	£
D Parker	Leader of the Council	6,022	6,082	Pension Lump Sum	5,897 p.a 2,611	805 p.a 59
G Garvie	Convener	4,516	4,304	Pension Lump Sum	2,209 p.a -	84 p.a -
J Mitchell	Depute Leader of the Council	4,516	4,561	Pension Lump Sum	3,830 p.a 1,615	313 p.a (124)
M J Cook	Executive Member for HR and Corporate Improvement	4,080	4,121	Pension Lump Sum	4,157 p.a 1,863	533 p.a 33
V Davidson	Executive Member for Culture, Sport, Youth & Communities	4,080	4,121	Pension Lump Sum	3,926 p.a 1,729	551 p.a 43
D P Moffat	Executive Member for Community Safety	4,080	4,121	Pension Lump Sum	3,714 p.a 1,606	567 p.a 53
J Brown	Executive Member for Community Planning/Vice Convener	4,080	4,121	Pension Lump Sum	4,682 p.a 4,844	291 p.a (26)
A Aitchison	Executive Member for Education	4,080	4,121	Pension Lump Sum	3,575 p.a 1,526	258 p.a (126)
S Bell	Executive Member for Economic Development	4,080	4,125	Pension Lump Sum	2,072 p.a -	127 p.a -
G Edgar	Executive Member for Roads and Infrastructure	4,080	4,121	Pension Lump Sum	2,071 p.a -	126 p.a -
D Paterson	Executive Member for Environmental Services	4,080	4,121	Pension Lump Sum	8,319 p.a 15,756	723 p.a 492
R Smith	Executive Member for Planning and Environment	4,080	4,121	Pension Lump Sum	3,761 p.a 1,633	218 p.a (149)
Total		51,774	52,040			

Notes

- (1) Councillors Renton and Ballantyne are not part of the Pension Scheme.
- (2) Some Senior Councillors have transferred in previous pension rights to the Local Government Pension Scheme, which has purchased pension in addition to their statutory benefits.

Remuneration Report

Pension Benefits of Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2017 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the full year to 31 March 2017.

Name		In-year pension contributions		Accrued pension benefits		
		Restated for year to 31 March 2016	For year to 31 March 2017	Type	As at 31 March 2017	Difference from 31 March 2016
Senior Employees in post as at 01/04/16		£	£		£	£
TM Logan (1)	Chief Executive	21,849	20,915	Pension Lump Sum	38,305 p.a 67,156	(1,353) p.a (7,606)
P Barr (2)	Depute Chief Executive	3,773	3,811	Pension Lump Sum	22,461 p.a 22,609	2,381 p.a 224
J McDiarmid	Depute Chief Executive	18,546	19,047	Pension Lump Sum	6,037 p.a -	2,245 p.a -
JR Dickson	Corporate Transformation & Service Director	18,546	18,731	Pension Lump Sum	10,597 p.a -	2,230 p.a -
KD Robertson	Chief Financial Officer	15,341	15,494	Pension Lump Sum	29,951 p.a 53,443	2,051 p.a 529
J Craig	Service Director Neighbourhood Services	14,434	14,852	Pension Lump Sum	31,423 p.a 59,459	2,506 p.a 1,675
C Hepburn	Chief Human Resources Officer	11,910	12,910	Pension Lump Sum	10,809 p.a 2,387	2,108 p.a 184
EH Torrance (3)	Chief Social Work Officer	14,382	9,684	Pension Lump Sum	39,827 p.a 85,345	2,040 p.a 845
GB Frater	Service Director Regulatory Services	14,434	14,852	Pension Lump Sum	41,324 p.a 88,892	2,783 p.a 2,504
D Manson	Service Director Children and Young People (appointed 2 March 2015)	15,517	15,664	Pension Lump Sum	3,688 p.a -	1,811 p.a -
D Girdler	Chief Officer Roads (appointed 12 September 2016)	-	7,316	Pension Lump Sum	838 p.a -	838 p.a -
M Joyce (4)	Service Director Assets & Infrastructure (appointed 29 March 2016)	122	15,242	Pension Lump Sum	5,256 p.a -	5,242 p.a -
Senior Employees departed post before 01/04/17						
B Park	Chief Officer Roads (appointed 5 January 2016, left 31 August 2016)	3,716	5,514	Pension Lump Sum	26,577 p.a 54,454	944 p.a 657
Total		152,570	174,032			

Notes

The lump sum figures in the above table show the statutory lump sum amounts payable to members of the LGPS, in respect of service under the scheme with the Council up to 31 March 2009 (when there was no longer an automatic entitlement to a lump sum). The accrued pension benefits include any transfer of benefits from another pension scheme but do not include benefits relating to additional voluntary contributions (i.e. contributions which do not require to be made by an individual under the LGPS). The in-year pension contributions represent the total contributions for the individual irrespective of the post(s) held for the year(s) that the post holder became/continued to be categorised as a Senior Employee.

- (1) T M Logan Car salary sacrifice commenced during 2016/17
- (2) P Barr seconded to SB Cares (subsidiary) from 1 April 2015. The above figure for in year contributions represents 20% of time employed by SBC.
- (3) E Torrance seconded to Health & Social Care Partnership from 1 December 2016.
- (4) M Joyce figure includes transfer in of pension rights.

Shona Haslam
Leader
28 September 2017

Tracey Logan
Chief Executive

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. Further detail on the movement in reserves can be found at Note 31 on page 88.

Movement in reserves during 2015/16

General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2015	(18,991)	(7,552)	(39)	(1,314)	(27,896)	9,579	(18,317)

Movement in reserves during 2015/16

Total Comprehensive Income & Expenditure	(4,786)	-	-	-	(4,786)	(43,758)	(48,544)	C I & E
Adjustments between accounting basis & Funding basis under regulations	615	974	(63)	(7)	1,518	(1,518)	-	31
Increase or Decrease In 2015/16	(4,171)	974	(63)	(7)	(3,268)	(45,276)	(48,544)	
Balance at 31/03/2016 carried forward	(23,163)	(6,578)	(102)	(1,321)	(31,164)	(35,697)	(66,861)	

Movement in reserves during 2016/17

General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2016	(23,163)	(6,578)	(102)	(1,321)	(31,164)	(35,697)	(66,861)

Movement in reserves during 2016/17

Total Comprehensive Income & Expenditure	5,343	-	-	-	5,343	63,754	69,097	C I & E
Adjustments between accounting basis & Funding basis under regulations	(475)	57	102	196	(119)	119	-	31
Increase or Decrease In 2016/17	4,868	57	102	196	5,224	63,873	69,097	
Balance at 31/03/2017 carried forward	(18,294)	(6,521)	0	(1,125)	(25,940)	28,176	2,236	

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

In accordance with new guidance issued by CIPFA, the Comprehensive Income and Expenditure Statement has been reported on a departmental basis in 2016/17. The figures for 2015/16 have therefore been restated accordingly.

2015/16 Restated			2016/17			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000	£'000	£'000	£'000	
38,507	(5,657)	32,850	48,991	(5,905)	43,086	
188,884	(17,449)	171,435	230,807	(63,999)	166,808	
70,822	(15,363)	55,459	65,393	(17,919)	47,474	
34,991	(31,219)	3,772	35,165	(32,913)	2,252	
1,413	-	1,413	4,143	-	4,143	
334,618	(69,688)	264,929	384,499	(120,736)	263,763	
6,600	(6,698)	(98)	10,939	(11,030)	(91)	8
1,915	(1,263)	652	1,598	(1,581)	17	
12,320	-	12,320	11,879	-	11,879	29
-	(60)	(60)	-	(55)	(55)	
21,224	(15,644)	5,580	22,468	(17,293)	5,175	20
-	(178,870)	(178,870)	-	(170,200)	(170,200)	
-	(33,707)	(33,707)	-	(33,594)	(33,594)	
11,086	(57,679)	(46,593)	10,162	(58,004)	(47,842)	
-	(28,939)	(28,939)	-	(23,709)	(23,709)	28
387,763	(392,548)	(4,786)	441,546	(436,203)	5,343	
		(8,032)			(5,032)	
		-			(723)	
		(35,726)			69,509	
		(43,758)			63,754	
		(48,544)			69,097	

Balance Sheet

The Balance Sheet shows the value as at the 31st March of the assets and liabilities recognised by the authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

2015/16 £'000		2016/17 £'000	Notes
302,841	Property Plant and Equipment	304,560	12
15,019	Other Land and Buildings	17,500	
89,035	Vehicle, Plant, Furniture & Equipment	123,534	
4,116	Infrastructure	3,838	
33,108	Surplus Assets	27,259	
1,014	Assets Under Construction	1,036	13
230	Heritage Assets	52	14
6,412	Intangible Assets	8,467	29
451,775	Long Term Assets	486,246	
676	Long Term Debtors	411	14
-	Intangible Assets - Current	-	
1,020	Short Term Investments	906	24
47,927	Inventories	46,620	30
(9,525)	Short Term Debtors	(10,150)	
16,476	less Bad Debt Provision	7,904	34
56,574	Current Assets	45,691	
(3,261)	Short Term Borrowing	(12,300)	29
(51,364)	Short Term Creditors	(53,155)	30
(1,491)	Provisions	(804)	25
(56,116)	Current Liabilities	(66,259)	
(171,996)	Long Term Borrowing	(184,215)	29
(52,864)	Deferred Liabilities	(51,252)	
(747)	Due to Trust Funds and Common Good	(598)	
(4,305)	Provisions	(3,972)	25
(13,868)	Capital Grants Receipts in Advance	(11,852)	
(243,780)	Long Term Liabilities	(251,889)	
208,453	Net Assets excluding pension liability	213,789	
(141,592)	Pension Liability	(216,025)	20
66,861	Net Assets/(Liabilities) including pension liability	(2,236)	

Balance Sheet

2015/16 £'000	Financed By:	2016/17 £'000	Notes
	Useable Reserves		
(6,578)	Capital Fund	(6,521)	} 31
(23,163)	General Fund Balance	(18,294)	
(102)	Property Maintenance Fund	-	
(1,321)	Insurance Fund	(1,125)	
	Unusable Reserves		
(118,459)	Capital Adjustment Account	(127,102)	} 31
5,189	Financial Instruments Adjustment Account	4,980	
(70,201)	Revaluation Reserve	(72,079)	
14,592	Pension Reserve	216,025	
6,182	Employee Statutory Adjustment Account	6,352	
(66,861)	Total Reserves	2,236	

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2015/16 £'000		2016/17		Notes
		£'000	£'000	
(4,786)	Net (Surplus) or deficit on the provision of services	5,343		
(37,503)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(23,364)		32
28,203	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23,890		32
(14,086)	Net Cash Flows From Operating Activities		5,869	
	Investing Activities			
46,267	Purchase of PP&E, investment property and intangible assets	45,177		
(1,263)	Proceeds from PP&E, investment property and intangible assets	(1,581)		
(52)	Purchase/(Disposal) of short & long term investments	-		
(34,607)	Other Items which are Investing Activities	(21,087)		
10,345	Net Cash Flows from Investing Activities		22,509	
	Financing Activities			
-	Cash received from loans & other borrowing	(21,300)		
1,462	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,613		
63	Repayments of short and long term borrowing	63		
737	Other items which are financing activities	(182)		
2,262	Net Cash Flows from Financing Activities		(19,806)	
(1,479)	Net (Increase) or Decrease in Cash and Cash Equivalents		8,572	
14,997	Cash and Cash Equivalents at the beginning of the reporting period		16,476	
16,476	Cash and Cash Equivalents at the end of the reporting period		7,904	34
(1,479)	Movement		8,572	

Accounting Policies

General Principles

The Annual Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant service.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

Works of a capital nature are charged as capital expenditure when they are completed, before which they are carried as Assets under Construction on the Balance Sheet.

Interest payable on borrowing and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption. In order to meet this obligation the Council has purchased allowances prospectively. CRC allowances purchased for future years responsibilities are shown as current intangible assets. When the allowances are surrendered to the CRC Registry, the current intangible asset will be reduced by the allowances surrendered and the provision decreased.

Accounting Policies

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirements or loans fund principal charges. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following accounting year being the period in which the employee takes the benefit. The accrual is charged to the Surplus / Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate employment before the normal retirement date or a decision by an employee to accept voluntary severance. They are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Scottish Teachers Superannuation Scheme which is managed by the Scottish Public Pensions Agency, an executive agency of the Scottish Government.
- The Local Government Pension Scheme, administered by Scottish Borders Council.

Accounting Policies

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of Scottish Borders Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.3% (based on the yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve).

The assets of the Scottish Borders Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price and
- Property – market value

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Accounting Policies

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Scottish Borders Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Reporting Period

Events after the Balance Sheet are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have been a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Financial Instruments

Financial assets and liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument.

Accounting Policies

Financial Liabilities:

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle and interest repayable. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

All debt instruments were re-measured at amortised cost as at 1 April 2007. For loans with a constant rate of interest there is no change in practice. However the Council does hold some stepped interest loans. These have been re-measured using the Effective Interest Rate (EIR) method which smoothes out the interest rate over the entire loan period. These loans are shown in the Balance Sheet at a carrying amount which reflects the consequence of this smoothing calculation and is inclusive of accrued interest. For all non-EIR loans the Balance Sheet carrying amount now also includes accrued interest.

Financial Assets:

Financial assets can be classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payments.

Loans and receivables are initially measured at fair value and subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council does not hold any available for sale financial assets.

Accounting Policies

Financial Guarantee contracts are now also required to be re-measured to assess the likelihood of the guarantee being called in. The Council has no guarantees which fall within this requirement.

Fair Value Measurement:

The authority measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Government Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payment.
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement of Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Accounting Policies

Heritage Assets

The Council has four identifiable collections of Tangible Heritage Assets which are held by a number of services in the Council. The collections are accounted for as follows:

- **Museum Collection**
The collection of various artefacts is reported on the Balance Sheet using the best available valuations; the Museum Service is working towards compliance with the Code. Where possible external valuations will be used to supplement the professional valuations carried out by Museums Service Officers. The artefacts are deemed to have indeterminate lives and accordingly depreciation is not charged.
- **Fine Arts Collection**
The fine art picture collection is reported on the Balance Sheet on the basis of the professional opinion of value by the officers of the Museum Service using where possible the latest information on comparable pictures from sale rooms. As with the Museum Collection the Service is working towards more external valuation of the collection. The pictures are deemed to have indeterminate lives and accordingly depreciation is not charged.
- **Archive Centre Collection**
Due to the unique nature and volume of the papers held in the Archive Centre no valuation of the collection has been undertaken and it is felt that such a task would not represent value for money. The papers are deemed to have indeterminate lives and accordingly depreciation is not charged.
- **Monuments, Memorials and Statues Collection**
The Property and Facilities Service look after all of the War Memorials, various monuments and statues and these are valued on the basis of Community Assets so are reported on the Balance Sheet at no value. It is felt that any other basis of valuation would not represent value for money. Depreciation would be inappropriate to charge in conjunction with the valuation basis used.

The Council has one identifiable collection of Intangible Heritage Assets which is held by the Archive Centre. The same accounting policy used for the Archive Centre Collection applies to this collection.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events [e.g. purchased software] is capitalised when it will bring benefits to the Council for more than one financial year.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

The balance is amortised to the relevant service line in the Comprehensive Income and Expenditure Statement over its useful life. The amortisation basis is reviewed on an annual basis to ensure any impairment is identified.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Accounting Policies

As a non-financial asset, investment properties are measured at highest and best use, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

- A charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability.
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Accounting Policies

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Private Finance Initiative (PFI)

PFI Contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet.

The original recognition of the assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Accounting Policies

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition: expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associate with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis limit of £1,000 for single items of expenditure and £5,000 for groups of items costing less than £1,000 each. Items below these amounts are charged to the Comprehensive Income and Expenditure Statement. These limits have been applied in order to exclude individual assets, or works below these amounts, from the asset register.

Measurement: assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council currently capitalises borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Surplus Assets – Fair value estimated at highest and best use from market participants perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where material impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulative gains).
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Accounting Policies

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale: when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where there is subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation: depreciation is provided for on all Property, Plant and Equipment assets by allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is calculated on the following bases:

- Land and Buildings
 - Land is not depreciated
 - Buildings are written off over their estimated life.
- Vehicles, Plant, Furniture and Equipment
 - Historic costs are written off over each asset's estimated life.
- Infrastructure
 - Historic costs are written off over the estimated useful life of the asset.
- Surplus Assets
 - Land is not depreciated
 - Buildings are written off over their estimated life.

Where an asset has major components with different estimated useful lives, these are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the accounts when:

- The Council has a present obligation (legal or constructive) as a result of a past event.
- It is probable that a transfer of economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Accounting Policies

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking in to account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – when it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle the provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement of Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Notes to the Core Financial Statements

Note 1 First Time Adoption of Accounting Standards

There has been no first time Adoption of Accounting Standards in 2016/17.

Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The following Adopted International Financial Reporting Standards (IFRS) have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

IAS 26 Amendment to the reporting of pension scheme transaction costs

IAS 26 Amendment to the reporting of investment concentration

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Examples of areas of estimation uncertainty within the financial statements are:-

- Assumptions used in the calculation of depreciation
- Assumptions about future events affecting provisions
- Principal actuarial assumptions used at the Balance Sheet date in respect of defined benefit pension plans
- Assessments of the recoverable amounts of arrears and other debtors
- Fair values for property, plant and equipment that are not based on recently observed market prices
- Fair values for financial assets and financial liabilities that are not based on recently observed market prices

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16			2016/17			
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
27,589	5,261	32,850	Chief Executive	38,144	4,942	43,086
166,202	5,233	171,435	People	160,809	5,999	166,808
36,987	18,472	55,459	Place	35,253	12,221	47,474
29,447	(25,675)	3,772	Other	27,345	(25,093)	2,252
	1,413	1,413	Non Distributed Costs		4,143	4,143
260,225	4,704	264,929	Net Cost of Services	261,551	2,212	263,763
(264,397)	(5,318)	(269,715)	Other Income and Expenditure	(256,682)	(1,737)	(258,419)
(4,172)	(614)	(4,786)	(Surplus) or Deficit	4,869	475	5,343
(18,991)			Opening General Fund Balance	(23,163)		
(4,172)			Less/Plus (Surplus) or Deficit on General Fund	4,869		
(23,163)			Closing General Fund as 31 March	(18,294)		

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis. This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Chief Executive	3,911	830	201	4,942
People	3,138	1,268	1,593	5,999
Place	9,940	1,483	798	12,221
Other	(18,030)	45	(7,108)	(25,093)
Non Distributed Costs	7,957	(3,877)	63	4,143
Net Cost Services	6,916	(251)	(4,453)	2,212
Other income and expenditure from the Expenditure and Funding Analysis	(11,605)	5,175	4,693	(1,737)
Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	(4,689)	4,924	240	475

Notes to the Core Financial Statements

Adjustments between Funding and Accounting Basis 2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Chief Executive	4,517	1,030	(286)	5,261
People	2,386	1,781	1,066	5,233
Place	16,239	1,847	386	18,472
Other	(18,250)	24	(7,449)	(25,675)
Non Distributed Costs	613	985	(185)	1,413
Net Cost Services	5,505	5,667	(6,468)	4,704
Other income and expenditure from the Expenditure and Funding Analysis	(15,761)	5,580	4,863	(5,318)
Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	(10,256)	11,247	(1,605)	(614)

(Note 1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for those which conditions were satisfied in the year.

(Note 2) Changes for Pension Adjustments

Net change for the removal of pension contributions and addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with the current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Notes to the Core Financial Statements

(Note 3) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** – the other differences column recognises adjustment to the General Fund for the timing differences for premiums and discounts and any other adjustments not included in notes 1 and 2 as detailed above.

Income received on a segmental basis is analysed below:

Services	2015/16 Income from Services £'000	2016/17 Income from Services £'000
Chief Executive	(5,657)	(5,905)
People	(17,449)	(68,323)
Place	(15,363)	(17,919)
Other	(31,219)	(32,913)
Non Distributed Costs	-	-
Total income analysed on a segmental basis	(69,688)	(125,060)

The Council's Expenditure and Income is analysed as follows:-

Expenditure/Income	2015/16 £'000	2016/17 £'000
Expenditure		
Employee Benefits Expenses	144,197	140,576
Other Service Expenses	165,733	229,542
Support Services Recharges	1,779	2,143
Depreciation, Amortisation, Impairment	28,489	21,737
Interest Payments	12,320	11,879
Disposal of assets	651	18
Total Expenditure	353,169	405,895
Income		
Fees, Charges and Other Service Income	(69,786)	(125,152)
Interest and Investment Income	(60)	(55)
Income from Council Tax and Non Domestic Rates	(80,300)	(81,436)
Government Grants and Contributions	(207,809)	(193,909)
Total Income	(357,955)	(400,552)
(Surplus) or Deficit on the Provision of Services	(4,786)	5,343

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations in the 2016/17 financial year.

Notes to the Core Financial Statements

Note 7 Prior Year Adjustments

During the external audit for 2015/16 it was discovered that the revaluation treatment of three fixed assets had been incorrectly applied. As this was not considered to have crossed the materiality threshold it was agreed that the relevant accounting adjustments could be made in 2016/17.

This has resulted in a net gain of £724k to Property Plant & Equipment (shown within note 12) and corresponding adjustments of £482k to the Capital Adjustment Account and £242k to the Revaluation Reserve.

Note 8 Significant Trading Operation

SBc Contracts is the only 'Significant Trading Operation' at Scottish Borders Council in terms of the Local Government (Scotland) Act 2003. The financial performance is summarised below:

2015/16 £'000		2016/17 £'000	3 Year Cumulative £'000
(14,363)	Turnover for the Year	(18,367)	(51,933)
(384)	(Surplus) / Deficit	(328)	(1,253)

SBc Contracts undertakes a wide range of activities including:

- A range of revenue and capital work for Council Services (mainly highways and bridge construction).
- External contracts for other local authorities and the Scottish Government.
- Sub-contractor on a number of public contracts.
- A wide range of external contracts for the private sector.

SBc Contracts employs 42 manual workers and 14 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. The organisation continued to contribute strongly to Council resources both directly and indirectly through:

- Supporting additional high added-value jobs in the Vehicle Maintenance trading operation.
- Utilising additional Neighbourhood Services labour capacity, where appropriate
- Maintaining very competitive charge-out rates to offer "Best Value" for Council Revenue and Capital projects.

In 2016/17 SBc Contracts recorded an annual operating surplus of £0.425m against a revised budget target of a £0.349m surplus. After technical adjustments for pension (IAS 19), Employee benefits accrual and Carbon Reduction Commitment the net final surplus was £0.327m.

In 2016/17 turnover increased by £4m, or 28% to £18.3m. This higher turnover helped to support the higher than budgeted operating surplus achieved. Of the total turnover, £11.0m, 60% was generated by external work. The order book remains strong with major works programmed to start or continue on the new Kelso High School, Langlee Primary School, Broomlands Primary School, Old Tweed Bridge and at the Buccleuch & Firhill sites in Edinburgh.

SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £8.4 million during 2016/17. Within the overall net surplus of £0.327m generated in 2016/17, £0.091m million was generated from external work and £0.236 million was generated from internal work.

Significant trading operations are required to at least achieve break-even over rolling three-year periods. For the 3 year period ending in financial year 2016/17 SBc Contracts recorded a surplus in each of the three years and generated a cumulative total surplus of £1.253 million.

Notes to the Core Financial Statements

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2016/17 Scottish Borders Council received £0.358m in commission from Scottish Water as part of the agency agreement. This amount is set in legislation by the new Water Order which came into force in April 2014 covering the period April 2014 to March 2018.

Note 10 Related Parties

The Council is required to disclose material transactions with related parties, that is bodies and individuals that have the potential to control or influence the Council or be controlled and influenced by the Council.

Central Government has effective control over the general operations of the Council by providing the statutory framework in which the Council operates, the majority of the Council's funding by providing grants and prescribes the nature of many of the transactions the Council has with third parties, e.g. Housing Benefit.

Members of the Council have direct control over the financial and operating policies of the Council. A review of the interests declared in the Members' Register of Interests confirmed that the Council had no material transactions with any company in which any member had an interest. The total amount of transactions between the Council and companies in which members have an interest in 2016/17 was £0.2m. The Remuneration Report shows the total allowances paid to senior members in 2016/17. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

A review by departments of their registers of interests confirmed that there were no material transactions between the Council and any company in which any officer had an interest.

During 2016/17, the Scottish Borders Council Pension Fund had an average balance of £2.286m (2015/16: £1.797m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.01m (2015/16: £0.01m). In addition the Council charged the Pension Fund £0.333 m in respect of expenses incurred in administering the Fund. There are no additional related party transactions that require to be disclosed. The Pension Fund balance due from Scottish Borders Council to the Pension Fund at the balance sheet date and disclosed in the net assets statement is as follows:

	2015/16	2016/17
Due to/(from) the Scottish Borders Council Pension Fund	£(1.486)m	£0.104m

The Council provided routine material financial assistance to other bodies in 2016/17 as follows:

- Jedburgh Leisure Facilities Trust £0.115m
- VisitScotland £0.108m

The Council works closely with NHS Borders in order to provide a range of services across health and social care pathways. In terms of social care specifically, NHS Borders contributes towards the cost of the services provided in four main ways.

Resource Transfer – a total of £2.507m was transferred from NHS Borders and utilised as follows:

Children's Services	£0.107m
Older People	£1.220m
Adults with Learning Difficulties	£0.978m
People with Mental Health Needs	£0.127m
Support Services	£0.075m

Notes to the Core Financial Statements

Other funding from NHS Borders in 2016/17 to support services are:

Older people	£4.006m
Adults with Learning Difficulties	£1.937m
People with Mental Health Needs	£0.255m
People with Physical Difficulties	£0.310m
Other Support Services	£0.447m

This includes the additional Scottish Government allocation of Social Care Funding directed by the Health and Social Care Partnership Integration Joint Board during the financial year.

Borders Ability Equipment Store

The Store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure totalled £1.033m in 2016/17 with a contribution from the NHS Borders of £0.251m. Direction of Social Care Funding by the Integration Joint Board to the equipment budget also accounted for £0.295m of this.

Galashiels Resource Centre

This is a day centre run jointly with the NHS Borders for adults with mental health needs. The full time manager of this service is employed by NHS Borders with a recharge of £0.026m to the Council. All other expenditure is incurred by the Council.

Scottish Borders Council is a corporate member of Tweedside NHT 2011 LLP and Bridge Homes LLP, which have been established to assist in the delivery of affordable housing, in accordance with the Scottish Government's National Housing Trust (NHT) initiative. The Council has consent to borrow (from the Scottish Government) to finance loans to Tweedside NHT 2011 LLP and Bridge Homes LLP in respect of housing units. The Council made no further advances to Tweedside NHT 2011 LLP during 2016/17 and received no capital repayment from the LLP during the same period. The Council paid £2.59m in respect of advances to Bridge Homes LLP during 2016/17 and again received no capital repayment in the year. The Council received interest on the advance from both LLP's. The Council's net advances to Tweedside NHT 2011 LLP and Bridge Homes LLP are shown within long term debtors on the Council's balance sheet. Bridge Homes LLP have been consolidated into the Council's Group Accounts as a Subsidiary.

SB Supports is a registered Limited Liability Partnership between Scottish Borders Council and SBC Nominees. This was established on 1st April 2015 to work in partnership on the provision of adult social care services. In 2016/17 the Council made a payment of £17.538m to SB Supports.

The Scottish Borders Health and Social Care Integration Board was established on 6th February 2016. This is a partnership between Scottish Borders Council and NHS Borders which has been established to bring about change in the way health and social care services are planned, commissioned and delivered from 1st April 2016. In 2016/17 the Council made a payment of £42.237m to the Board, with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31st March 2017 a debtor and creditor figure of £6.018m between the Board and Scottish Borders Council was outstanding. The Chief Financial Officer to the Board was supplied by Scottish Borders Council during 2016/17 at a nil cost to the partnership. Additionally the PA to the Chief Officer was also supplied by Scottish Borders Council again at nil cost. Both these officers provided full time support to the Board.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Arts, Libraries, Archives, Museums, and Galleries. Sport and Leisure facilities previously managed by Borders Sport and Leisure Trust are now also provided by Live Borders. A payment of £6.282m was made to the trust in 2016/17.

Note 11 Audit Remuneration

In 2016/17 the agreed audit fee for the year was £0.263m in respect of services provided by Audit Scotland (KPMG in 2015/16 £0.264m and £0.007m Common Good and Trust). A further £7,000 fee was agreed in respect of services provided by Audit Scotland in relation to the audit of Scottish Borders Council Common Good and Trust Funds Annual Accounts.

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2016/17

	Property Plant & Equipment						Total Assets £'000
	Other Land & Buildings	VPFE *	Infrastructure	Assets under Construction	Surplus Assets	Heritage Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	
Gross book value (GBV) at 31 March 2016	335,959	58,923	171,150	33,108	4,240	1,014	604,394
Prior Period adjustment	73	-	-	557	-	22	652
Revised Gross book value (GBV) at 31 March 2016	336,032	58,923	171,150	33,665	4,240	1036	605,046
Acquisitions & Recognition in the year	6,026	9,440	15,219	21,196	-	-	51,881
Transfers between categories	1,834	(2,314)	27,154	(27,462)	690	-	(98)
Revaluations	2,244	-	-	-	342	-	2,586
Impairments	(2,408)	(337)	(141)	(140)	(139)	-	(3,165)
Disposals	(567)	(11,920)	(166)	-	(1,107)	-	(13,760)
Gross book value (GBV) at 31 March 2017	343,161	53,792	213,216	27,259	4,026	1,036	642,490
Cumulative depreciation at 31 March 2016	(33,118)	(43,904)	(82,115)	-	(124)	-	(159,261)
Prior Period adjustment	72	-	-	-	-	-	72
Revised Cumulative depreciation at 31 March 2016	(33,046)	(43,904)	(82,115)	-	(124)	-	(159,189)
Depreciation for the year	(9,584)	(4,857)	(7,232)	-	(110)	-	(21,783)
Transfers between categories	59	598	(501)	-	(58)	-	98
Revaluations	3,882	-	-	-	87	-	3,969
Impairments	(19)	-	-	-	-	-	(19)
Disposals	107	11,871	166	-	17	-	12,161
Cumulative depreciation at 31 March 2017	(38,601)	(36,292)	(89,682)	-	(188)	-	(164,763)
Net book value at 31 March 2017	304,560	17,500	123,534	27,259	3,838	1,036	477,727
Net book value at 31 March 2016	302,841	15,019	89,035	33,108	4,116	1,014	445,133
Prior Period adjustment	145	0	0	557	0	22	724
Revised Net book value at 31 March 2016	302,986	15,019	89,035	33,665	4,116	1,036	445,857

* VPFE – Vehicles, Plant, Furniture and Equipment

The Council had no investment properties in 2016/17. The £98k Transfer between categories relates to a movement between Property, Plant & Equipment and Intangible Assets.

Notes to the Core Financial Statements

Community assets are valued on a historical cost basis at Nil value as per the Code and include assets such as parks, playing fields, cemeteries, etc. Such assets are all included in Other Land & Buildings.

In accordance with IFRS13 Fair Value Measurement, all Surplus Assets are now valued at highest and best use from market participants perspective. All revaluations fall under Level 1 of the fair value hierarchy.

Negative revaluations are shown within the stated figures for impairment. In 2016/17 this amounted to a NBV of £1.983m (£8.016m in 15/16).

For net impairments £1.199m was charged to the CIES (15/16 £1.126m) and £0.002m charged to the Revaluation Reserve (£0 in 15/16)

Comparative Movements in 2015/16

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VP FE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2015	317,463	55,541	162,118	26,976	4,866	1,014	567,978
Acquisitions & Recognition in the year	6,361	6,142	7,973	24,118	18	-	44,612
Transfers between categories	16,101	-	1,627	(17,986)	258	-	-
Revaluations	6,557	273	89	-	109	-	7,028
Impairments	(8,988)	(380)	(587)	-	(407)	-	(10,362)
Disposals	(1,535)	(2,653)	(70)	-	(604)	-	(4,862)
Gross book value (GBV) at 31 March 2016	335,959	58,923	171,150	33,108	4,240	1,014	604,394
Cumulative depreciation at 31 March 2015	(27,019)	(40,920)	(75,635)	-	(136)	-	(143,710)
Depreciation for the year	(8,719)	(5,628)	(6,550)	-	(132)	-	(21,029)
Transfers between categories	50	-	-	-	(50)	-	-
Revaluations	1,185	-	-	-	125	-	1,310
Impairments	1,220	-	-	-	-	-	1,220
Disposals	165	2,644	70	-	69	-	2,948
Cumulative depreciation at 31 March 2016	(33,118)	(43,904)	(82,115)	-	(124)	-	(159,261)
Net book value at 31 March 2016	302,841	15,019	89,035	33,108	4,116	1,014	445,133
Net book value at 31 March 2015	290,444	14,621	86,483	26,976	4,730	1,014	424,268

Notes to the Core Financial Statements

Capital Commitments

As at 31 March 2017 the Council has entered into a number of commitments for the construction or enhancement of Property, Plant and Equipment in future years, this is budgeted to cost £11.379m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2017 £'000
Place	1,760
People	9,511
Chief Executive	108
Total	11,379

Valuation and Depreciation

Land and Buildings

- The Council has adopted a 5-year rolling programme of revaluations whereby each individual asset will be examined during that term in line with events and planned capital expenditure. During 2016/17 the fixed assets relating to Social Work, Resources and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. In accordance with IFRS13 Fair Value measurement, Surplus assets are now valued at highest and best use. Properties were valued by the Council's Estates Manager, N.Hastie MRICS.

Vehicles, Plant, Furniture and Equipment

- All Vehicles and Plant were valued at depreciated historic cost.

Infrastructure

- Infrastructure was valued at depreciated historic cost.

Depreciation

- Land has not been depreciated.
- Buildings and Surplus Properties have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the valuer.
- Vehicles, Plant, etc. have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the Transport Manager.
- Furniture & Fittings are depreciated over five years.
- IT equipment is depreciated over three years.
- Roads infrastructure has been depreciated, using the straight-line method, over 25 years.
- IT infrastructure has been depreciated over five years.

Depreciation has been directly charged to services.

Notes to the Core Financial Statements

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluation Cycle

The groups of land and buildings revalued in each of the last five years were:

- 1 April 2016 – Social Work, Resources and Surplus Properties
- 1 April 2015 – Technical Services and Surplus Properties
- 1 April 2014 – Common Good, Trust and Surplus Properties
- 1 April 2013 – Planning & Economic Development, New West Linton Primary School and Surplus Properties
- 1 April 2012 – Education & Lifelong Learning and Surplus Properties

Education & Lifelong Learning Properties will be revalued as at 1 April 2017 with the resulting adjustments incorporated into the 2017/18 accounts of the Council.

	Property Plant & Equipment					Heritage Assets £'000	Total Assets £'000
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Carried at Historical Cost	86,834	53,519	213,118	27,259	(2,545)	1,036	379,221
New Certified Valuation							
1st April 2016	6,126	-	-	-	429	-	6,555
1st April 2015	7,742	273	89	-	234	-	8,338
1st April 2014	-	-	-	-	339	-	339
1st April 2013	9,618	-	9	-	340	-	9,967
Prior to & Including 1st April 2012	232,841	-	-	-	5,229	-	238,070
Gross book value (GBV) at 31 March 2017	343,161	53,792	213,216	27,259	4,026	1,036	642,490

Notes to the Core Financial Statements

Note 13 Heritage Assets

	Museum Collection £'000	Fine Arts Collection £'000	Monuments, Memorials & Statues £'000	Totals Tangible Fixed Assets £'000	Total Heritage Assets £'000
Cost or Valuation at 31 March 2015	161	771	82	1,014	1,014
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2016	161	771	82	1,014	1,014
Prior Year Adjustment	-	-	22	22	22
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2017	161	771	104	1,036	1,036

There were no revaluations of heritage assets during the year.

The Council accepts the general principle that it is its responsibility to ensure to the best of its ability that all of the Collections in its care are adequately housed, professionally cared for, conserved and documented in line with their cultural and historic importance to the Communities of the Scottish Borders. The Collection Policy approved in September 2010 can be obtained from the Education & Lifelong Learning Department of the Council.

Museum Collection

This collection is held for display in the various Museum Service venues throughout the Scottish Borders. Those items not on display are held in secure store in various locations.

Fine Arts Collection

This collection is on display at a number of Council owned locations in the Scottish Borders and through loan at other locations containing National Collections. It comprises pictures by leading Border Artists including Tom Scott and Anne Redpath and pictures of Border subjects.

Archive Centre Collection

The collecting policy for the papers and recordings in these growing collections is set out on the Heritage Hub website and a full index of papers held is available at the Archive Centre. All of the material is available for public access and relates to Scottish Borders families, locations and institutions.

Monuments, Memorials and Statues Collection

This collection is recorded in the Property & Facilities Service of the Chief Executive's Department and includes the numerous War Memorials throughout the Borders, the monuments on Council land and the statues located in the parks and streets of the villages and towns of the Borders.

Notes to the Core Financial Statements

Note 14 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounts for as part of the hardware item of Property, Plant and Equipment. Intangible assets in the form of purchased software are amortised on a straight line basis over the estimated useful life of the asset, which is estimated at up to five years.

2015/16 £'000		2016/17 £'000
3,550	Gross book value (GBV) at 31 March	1,825
199	Expenditure in the year	10
-	- Transfers	98
(46)	Impairments	-
(1,878)	Disposals	(203)
1,825	Gross book value (GBV) at 31 March	1,730
(3,255)	Cumulative amortisation at 31 March	(1,595)
(218)	Amortisation for the year	(188)
-	- Transfers	(98)
1,878	Disposals	203
(1,595)	Cumulative amortisation at 31 March	(1,678)
230	Net book value at 31 March	52

There were no revaluations of intangible assets in 2016/17.

Carbon Reduction Commitment allowances purchased for future years responsibilities are shown as current intangible assets with a value for 2016/17 of £0.411m. When the allowances are surrendered to the CRC Registry, the current intangible asset is reduced accordingly.

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2015/16 or 2016/17.

Note 16 Private Finance Initiatives and Similar Contracts

During 2006/07 the Council entered into a Public Private Partnership (PPP) for the provision of new secondary schools in Earlston, Duns and Eyemouth. These assets are recognised on the Council's Balance Sheet. The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2017 are as follows:

	Repayment of liability and Service Charge	Interest	Total
	£'000	£'000	£'000
Payable in 2017/18	6,024	2,661	8,685
Payable within two to five years	26,012	9,827	35,839
Payable within six to ten years	39,832	10,244	50,076
Payable within eleven to fifteen years	49,014	7,642	56,656
Payable within sixteen to twenty years	60,109	3,992	64,101
Payable within twenty one to twenty five years	22,865	374	23,239
Total	203,856	34,740	238,596

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure they incurred and interest payable.

Notes to the Core Financial Statements

Note 17 Leases

Council as Lessee

Finance Leases

The net book value of assets held under finance leases at the Balance Sheet date is as follows:

2015/16 £'000		2016/17 £'000
	Net Asset Value	
51,783	Land and buildings	50,467
51,783		50,467

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The balances shown under Land and Buildings in the table above (with the exception of £0.016m in relation to industrial units), relate to the Council's PPP arrangement for the provision of three secondary schools, as detailed in Note 16. The minimum lease payments are made up of the following amounts:

Land & Buildings 2015/16 £'000		Land & Buildings 2016/17 £'000
	Finance Lease Liabilities	
1,816	Not later than 1 year	1,692
6,445	Later than 1 year and not later than 5 years	6,649
46,419	Later than 5 years	44,603
	Finance Costs Payable in Future Years	
2,743	Not later than 1 year	2,661
10,144	Later than 1 year and not later than 5 years	9,827
24,542	Later than 5 years	22,252
92,109	Minimum Lease Payments	87,684

The contingent rental figure, recognised as an expense in 2016/17 in respect of the Council's PPP arrangements, was £0.94m (2015/16 £0.84m).

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

2015/16 £'000		2016/17 £'000
94	Not later than 1 year	89
38	Later than 1 year and not later than 5 years	10
132	Total	99

Notes to the Core Financial Statements

Council as Lessor

Finance Leases

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2015/16 £'000		2016/17 £'000	
1,566	Not later than one year	1,667	
1,837	Later than one year and not later than five years	1,633	
6,667	Later than five years	6,561	
10,070	Total	9,861	

Note 18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

2015/16 £'000		2016/17 £'000	
260,287	Opening capital financing requirement		262,930
Capital Investment			
1,357	Consent to Borrow	10,005	
44,612	Property, plant and equipment	51,881	
199	Intangible assets	10	61,896
Sources of Finance			
(1,524)	Capital Receipts	(1,273)	
(31,887)	Government grants and other contributions	(26,206)	
-	NHT Repayment of Principal	-	
(10,114)	Loans fund repayments	(10,202)	(37,681)
262,930	Closing Capital Financing Requirement		287,145

Notes to the Core Financial Statements

2015/16 £'000		2016/17 £'000
	Explanation of Movements in Year	
	Increase in underlying need to borrow (supported by government financial assistance)	
2,643	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)	24,215
2,643	Increase in capital financing requirement	24,215

Note 19 Termination Benefits

During 2016/17 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 24 employees, incurring liabilities of £0.478m - see the Remuneration Report for further detail on the exit packages granted and total cost per band. These packages are attributable to various areas throughout the Council.

Note 20 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two formal pension schemes:

The Local Government Pension Scheme is a funded defined benefit career average salary pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014, as amended and contracted out of the State Second Pension (This arrangement is no longer applicable from 1st April 2016). The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

The Teachers' Pension Scheme is a defined benefit scheme. However it is accounted for as a defined contribution scheme. Further details can be found at Note 21.

Transactions relating to retirement benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Notes to the Core Financial Statements

2015/16 £'000	Comprehensive Income and Expenditure Statement	2016/17 £'000
	<i>Cost of Services</i>	
17,407	Current Service Costs	15,402
985	Past Service Costs, including curtailments	326
	<i>Financing and Investment Income and Expenditure</i>	
5,580	Net Interest Expense	5,175
23,972	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	20,903
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
10,486	Return on plan assets (excluding the amount included in the net interest expense)	(82,949)
(45,911)	Actuarial gains and losses arising on changes in financial assumptions	152,499
(301)	Other	(41)
(35,726)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	69,509
	<i>Movement in Reserves Statement</i>	
11,246	Reversal of net charges made for retirement benefits in accordance with the Code	4,924
	Actual amount charged against the General Fund Balance for pensions in the year	
11,250	Employers' contributions payable to the scheme	10,278
1,476	Retirement benefits payable to pensioners	1,499

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:-

2015/16 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2016/17 £'000
627,664	Present value of the defined benefit obligation	786,344
(486,072)	Fair value of plan assets	(570,319)
141,592	Sub total	216,025
141,592	Net liability arising from defined benefit obligation	216,025

Notes to the Core Financial Statements

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £216m has a substantial effect on the net worth of the Council as recorded in the Balance Sheet, reducing the overall net value to a liability of £2.236m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. Finance will only be required to cover discretionary benefits when the pensions are actually paid.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2015/16 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2016/17 £'000
485,013	Opening Fair Value of Scheme Assets	486,072
15,938	Interest Income	17,563
	Remeasurement (gains) and losses:-	
(10,486)	Return on plan assets, excluding the amount included in the net interest expense	82,949
(294)	Other	(270)
12,726	Employer Contributions including unfunded pensions	11,777
3,518	Contributions by Scheme Participants	3,412
(20,343)	Estimated Benefits Paid	(20,242)
-	Settlement prices received/(paid)	(10,942)
486,072	Closing Fair Value of Scheme Assets	570,319

Settlement prices paid represent the value of liabilities for those members who have transferred to other Fund employers during the year.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2015/16 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2016/17 £'000
651,085	Opening Defined Benefit Obligation	627,664
17,407	Current Service Cost	15,402
21,224	Interest Cost	22,468
3,518	Contributions by Scheme Participants	3,412
	Remeasurement (gains) and losses:-	
(45,911)	Actuarial (gains)/losses arising from changes in financial assumptions	152,499
(301)	Other	(41)
-	Liabilities assumed/(extinguished) on settlements	(15,144)
985	Past Service Cost	326
(18,867)	Benefits Paid	(18,743)
(1,476)	Unfunded Pension Payments	(1,499)
627,664	Closing Defined Benefit Obligation	786,344

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2017.

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:-

All scheme assets have quoted prices in active markets other than the managed fund - Multi Assets, which is unquoted.

2015/16 £'000	Local Government Pension Scheme assets comprised:	2016/17 £'000
1,272	Cash and cash equivalents	1,729
	Equity Instruments	
	<i>By industry type</i>	
41,630	Consumer	55,099
43,139	Manufacturing	52,346
6,511	Energy and utilities	6,783
47,689	Financial Institutions	63,729
11,217	Health and Care	16,649
38,060	Information Technology	38,579
188,246		233,185
	Bonds	
	<i>By sector</i>	
43,347	UK Corporate	46,568
8,752	UK Government	9,002
52,099	Other	55,570
	Investment Funds - Quoted in Active Market	
55,897	Managed Fund - UK Equities Passive	68,304
74,284	Managed Fund - Global Equities	93,975
1,534	Managed Fund - Smaller Companies	1,658
29,896	Managed Fund - Property	29,258
161,611		193,195
	Investment Funds - Not Quoted	
82,844		86,640
486,072	Total Assets	570,319

The risks relating to direct equity instruments in the scheme are also analysed by company size below:

2015/16 £'000	Fair Value of Scheme Assets	2016/17 £'000
	Equity instruments:	
	<i>By company size</i>	
188,246	Large capitalisation	233,185

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The increase in salary levels have been estimated at 1% in line with the Public Sector pay cap. It should be noted that the discount rate used to calculate the pension liabilities for 2016/17 has reduced by 1% from the discount rate which was used to calculate the 2015/16 liabilities. This has had a major impact on the valuation of the fund liabilities as demonstrated by the increase in the pension liability shown on the balance sheet (page 42). The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2014.

The principal assumptions used by the actuary are shown below

2015/16	Basis for Estimating Assets and Liabilities	2016/17
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
22.80	Men	22.90
23.70	Women	23.80
	- longevity at 65 for future pensioners (years)	
25.00	Men	25.20
26.00	Women	26.10
3.3%	Rate of inflation - RPI	3.6%
2.4%	Rate of inflation - CPI	2.7%
0.9%	Rate of increase in salaries	1.0%
2.4%	Rate of increase in pensions	2.7%
3.7%	Rate for discounting scheme liabilities	2.7%

The Scheme assets consist of the following categories by proportion and the value of assets held:

2015/16		Category Analysis of the Scheme Assets as at 31 March 2017	2016/17	
%	£'000		%	£'000
66	319,960	Equities	70	397,122
2	8,752	Gilts	2	9,002
9	43,347	Other Bonds	8	46,568
6	29,896	Property	5	29,258
0	1,272	Cash	0	1,729
17	82,845	Multi-Asset Fund	15	86,640
100	486,072	Total	100	570,319

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to the Core Financial Statements

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Adjustment to discount rate (increase or decrease 0.1%)	772,212	800,748
Adjustment to long term salary increase (increase or decrease 0.1%)	787,836	784,858
Adjustment to pension increases and deferred revaluation (increase or decrease 0.1%)	799,242	773,683
Adjustment to mortality rating assumption (increase or decrease 1 year)	816,299	757,522

Note 21 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2016/17 the Council paid £7.331m to teachers' pensions in respect of teachers' retirement benefits, representing 17.2% of pensionable pay (£6.987m and 14.9% up to 31st August 2015 and 17.2% for the remainder in 2015/16). The employer's contribution rate has increased as a result of a revaluation of the Scottish Teacher's pension scheme under the Public Service Pensions Act 2013. There were no contributions remaining payable at the year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers' pensions use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside of the terms of the teachers' Scheme. In 2016/17 these amounted to £0.704m representing 1.65% of pensionable pay (£0.695m and 1.64% in 2015/16).

Note 22 Scottish Borders Council Pension Fund

Scottish Borders Council manages and administers this Fund which provides pensions and other benefits to its employees and a further 17 employers in the Scottish Borders. As at 31 March 2017 there were 10,432 members.

The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 (SSI 2010/234) require an administering authority to publish a separate pension fund annual report. This report will include a Fund Account, Net Asset Statement with supporting notes and disclosures prepared in accordance with proper practices.

A copy of this report is available by contacting Scottish Borders Council, Chief Executive's Department, Council Headquarters, Newtown St Boswells, TD6 0SA.

Note 23 Events After the Balance Sheet Date

There are no known material events after the balance sheet date.

Notes to the Core Financial Statements

Note 24 Inventories

2015/16 £'000		2016/17 £'000
966	Balance outstanding at start of year	1,020
3,136	Purchases	2,801
(3,112)	Recognised as an expense in the year	(2,924)
30	Written back balances	9
1,020	Balance outstanding at year-end	906

Note 25 Provisions

Provisions are recognised in the accounts when:

- The Council has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Where it is estimated that a provision will be utilised within 12 months of the Balance Sheet date it is included within current liabilities.

	Contractual Claims £'000	Equal Pay £'000	Voluntary Severance / Early Retirement £'000	Police Potential Clawback £'000	Asset Decommissioning £'000	Total £'000
Balance at 1 April 2016	(174)	(242)	(277)	(108)	(4,022)	(4,823)
Additional charges to provisions	(52)		(339)		(138)	(529)
Payments made or released	106	4	209	108	149	576
Balance at 31 March 2017	(120)	(238)	(407)	-	(4,011)	(4,776)
Within 12 Months	(120)	(238)	(407)	-	(39)	(804)
Over 12 months	-	-	-	-	(3,972)	(3,972)
Total	(120)	(238)	(407)	-	(4,011)	(4,776)

Note 26 Contingent Liabilities

The following contingent liabilities are noted:

- The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £322,548, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £0 at the Balance Sheet date.

Notes to the Core Financial Statements

- There has been a European Court of Justice ruling relating to workers annual leave payment entitlement. The financial implications of this judgement for Scottish Borders Council are unclear at present and therefore the Council, in agreement with our external auditors, have included this as a contingent liability in this years' annual accounts.
- The Council has a commitment to provide Bridge Homes LLP with a loan facility up to a maximum value of £18.8m in order to allow Bridge Homes LLP to deliver affordable housing in the Scottish Borders in line with the Council's Local Housing Strategy.
- The Council has agreed to act as guarantor for SB Cares and Live Borders with regards to their admission to the Scottish Borders Pension Fund. Should either SB Cares or Live Borders be unable to meet their pension obligations, Scottish Borders Council as guarantor would be liable to do so. Our Actuary, Barnett Waddingham, has provided figures based on the projected bond level that would be need to be established to reflect these pension fund liabilities. For those employees that transferred over to SB Cares the pension liability has been calculated at £6.167m and for Live Borders £2.937m.

Note 27 Contingent Assets

The following Contingent Assets are noted:

- During the year a claim was lodged against Capita Plc by Dumfries and Galloway Council on behalf of itself and Scottish Borders Council for additional expenditure incurred by both Councils due to the delay in the rollout of broadband network and ICT infrastructure across the Scottish Borders and Dumfries and Galloway.

Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2016/17.

2015/16 Restated £'000		2016/17 £'000
	Credited to Taxation and Non Specific Grant Income	
(11,007)	General Capital Grant	(11,438)
(17,569)	Other Grants	(11,880)
(363)	Developer Contributions	(391)
(28,939)	Total	(23,709)
	Credited to Services	
(1,960)	Chief Executive	(2,074)
(1,429)	People	(1,624)
(1,255)	Place	(942)
(29,657)	Other	(30,760)
(34,301)		(35,400)

Notes to the Core Financial Statements

Note 29 Financial Instruments

A financial instrument is any contract which gives rise to a financial asset within one entity and a financial liability within another entity. The term 'financial instrument' covers both financial liabilities and financial assets.

Fair Value Hierarchy:

Under IFRS 13 (Fair Value Measurement) the authority is required to maximise the use of relevant observable inputs and minimise the use of unobservable inputs. To achieve this objective, local authorities are required to follow the fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into the three levels as listed below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Fair Value Hierarchy For Financial Assets And Liabilities That Are Not Measured At Fair Value

	31st March 2017			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(273,197)	-	(273,197)
Market Debt	-	(341)	-	(341)
Other debt	-	(90,038)	-	(90,038)
Total	-	(363,576)	-	(363,576)

	31st March 2016			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(236,795)	-	(236,795)
Market Debt	-	(147)	-	(147)
Other debt	-	(71,016)	-	(71,016)
Total	-	(307,958)	-	(307,958)

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

Notes to the Core Financial Statements

The fair value for financial liabilities and financial assets that are not measured at fair value are shown at their carrying value since this is a reasonable approximation of their fair value. These are short term assets and liabilities such as accounts payables and receivables.

Financial Instruments - Balances

The following categories of financial instrument are carried on the Council's Balance Sheet:

	Long-Term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	-	-	16,476	7,904
Debtors	6,412	8,467	38,402	36,470
Total Loans and Receivables	6,412	8,467	54,878	44,374
Borrowings				
Financial Liabilities (principal amount)	(171,996)	(184,215)	-	-
Accrued interest	-	-	(3,261)	(12,300)
Total Borrowings	(171,996)	(184,215)	(3,261)	(12,300)
Other Liabilities				
PPP and finance lease liabilities	(52,864)	(51,252)	(1816)	(1,692)
Bonds	-	-	(1,420)	(1,460)
Total other long-term liabilities	(52,864)	(51,252)	(3,236)	(3,152)
Creditors				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(48,128)	(50,003)
Total Creditors	-	-	(48,128)	(50,003)

Borrowing is taken principally from the Public Works Loans Board (PWLB), but is also taken from the money market, to meet the Council's overall capital financing requirements.

The following table shows a breakdown of borrowing:

31 March 2016			31 March 2017	
£'000	%		£'000	%
(44,365)	25	Bonds and Mortgages	(44,584)	23
(127,631)	73	Public Works Loan Board	(139,631)	71
(171,996)	98	Long term borrowing (> 1 year)	(184,215)	94
(3,261)	2	Short Term Borrowing repayable within 12 months	(12,300)	6
(175,257)	100	Total Borrowing	(196,515)	100

Notes to the Core Financial Statements

Analysis of Borrowing by Maturity.

2016 £'000		2017 £'000
(3,261)	Less than 1 year	(12,300)
-	Between 1 and 2 years	(94)
(12,979)	Between 2 and 7 years	(14,584)
(3,853)	Between 7 and 15 years	(15,582)
(155,164)	More than 15 years	(153,955)
(175,257)	Total	(196,515)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	2016/17		
	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	
Interest expense	11,879	-	11,879
Interest payable and similar charges	11,879	-	11,879
Interest Income	-	(55)	(55)
Interest and investment income	-	(55)	(55)
Net (gain) / loss for the year	11,879	(55)	11,824

	2015/16		
	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	
Interest expense	12,320	-	12,320
Interest payable and similar charges	12,320	-	12,320
Interest Income	-	(60)	(60)
Interest and investment income	-	(60)	(60)
Net (gain) / loss for the year	12,320	(60)	12,260

Notes to the Core Financial Statements

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(130,371)	(236,795)	(142,405)	(273,197)
Other debt	(44,886)	(71,163)	(54,110)	(90,379)
Total debt	(175,257)	(307,958)	(196,515)	(363,576)
Creditors	(51,364)	(51,364)	(53,155)	(53,155)
Total financial liabilities	(226,621)	(359,322)	(249,670)	(416,731)

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	16,476	16,476	7,904	7,904
Debtors	38,402	38,402	36,470	36,470
Total loans and receivables	54,878	54,878	44,374	44,374

All of the Councils' financial assets were of less than one year duration and therefore the fair value equates to the amortised cost on the balance sheet. The Council does not currently hold any available for sale assets.

Note 30 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its day to day obligations to make payments.
- **Re-financing risk** – the possibility that the Council may need to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Notes to the Core Financial Statements

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are determined through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- By approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing
 - its maximum and minimum exposures to fixed and variable rates
 - its maximum and minimum exposures to the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations.

These are required to be reported and approved at or before setting the Council's annual Council Tax budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each financial year, as is a mid-year update.

These policies are implemented by a central treasury team. The Council maintains a strategy for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The annual Treasury Management Strategy for 2016/17 which incorporates the prudential indicators was approved by the Council on 11 February 2016. The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £307.2m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £272.4m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £272.4m and £95.3m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt were as follows:

Period	Minimum	Maximum
Under 12 months	0%	20%
1 to 2 years	0%	20%
2 to 5 years	0%	20%
5 to 10 years	0%	20%
Over 10 years	20%	100%

Notes to the Core Financial Statements

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch,

Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below

The Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2016/17 was approved by the Council on 11 February 2016 and is available on the Council's website: <http://www.scotborders.gov.uk/>

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses for non-performance by any of its counterparties in relation to its deposits.

Liquidity Risk

Liquidity risk is the risk that the Council may not have sufficient cash available to meet its day to day obligation to make payments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

Notes to the Core Financial Statements

The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt, and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, together with the maximum and minimum limits for fixed interest rates maturing in each period, as approved by the Council in the Treasury Management Strategy on 11 February 2016:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31 March 2016 £'000	Actual 31 March 2017 £'000
Less than one year			63,650	20	3,261	12,300
Between one and two years			63,650	20	0	94
Between two and seven years			63,650	20	12,979	14,584
Between seven and fifteen years			63,650	20	3,853	15,582
More than fifteen years	50,220	20	254,600	80	155,164	153,955
Total					175,257	196,515

Market Risk

There are three main market risks to which the Council is exposed:

(i) **Interest Rate Risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise, and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Similarly the drawing of longer term fixed rates borrowing would be postponed.

Notes to the Core Financial Statements

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investment	(12)
Decrease in fair value of fixed rate borrowing liabilities (No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	64,057

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. However, given the low interest rates currently available on deposits, it may simply mean then that no interest would be available. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

- (ii) **Price Risk** - The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.
- (iii) **Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies at the Balance Sheet date. It therefore has no exposure to loss arising from movements in exchange rates.

Debtor and Creditor Analysis

The Councils short term debtor and creditor balances can be categorised as follows:

Debtors

2015/16 £'000		2016/17 £'000
5,919	Central government bodies	3,621
193	Other local authorities	136
2,376	NHS bodies	3,671
979	Public Corporations and Trading Funds	1,172
38,460	Bodies External to General Government	38,020
47,927		46,620

Debtor and Creditor Analysis

Creditors

2015/16 £'000		2016/17 £'000
(3,903)	Central government bodies	(3,299)
(2)	Other local authorities	-
(106)	NHS Bodies	(2)
(1,764)	Public Corporations and Trading Funds	(1,870)
(45,589)	Bodies External to General Government	(47,984)
(51,364)		(53,155)

Notes to the Core Financial Statements

Note 31 Movement in Reserves

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Balance as at 31 March 2016	Transfers between reserves and funds	Gains or Losses for the Year	Balance as at 31 March 2017
	£'000	£'000	£'000	£'000
Usable Reserves				
General Fund Balances	(23,163)	(474)	5,343	(18,294)
Capital Fund	(6,578)	57	-	(6,521)
Property Maintenance Fund	(102)	102	-	(0)
Insurance Fund	(1,321)	196	-	(1,125)
Unusable Reserves				
Capital Adjustment Account	(118,459)	(8,163)	(480)	(127,102)
Financial Instruments Adjustment Account	5,189	(209)	-	4,980
Revaluation Reserve	(70,201)	3,397	(5,275)	(72,079)
Pensions Reserve	141,592	4,924	69,509	216,025
Employee Statutory Adjustment Account	6,182	170	-	6,352
Total	(66,861)	0	69,097	2,236

Notes to the Core Financial Statements

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

This details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

A summary of all reserves movements are shown below:

Adjustments between accounting basis & funding basis under regulations 2015/16

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(21,247)	-	-	-	(21,247)	21,247	-	12 & 14
Impairment losses (charged to CI&ES)	(1,126)	-	-	-	(1,126)	1,126	-	
Revaluation Losses	(7,754)	-	-	-	(7,754)	7,754	-	
Capital grants and contributions applied	28,939	-	-	-	28,939	(28,939)	-	28
Employee Statutory Adjustments	1,008	-	-	-	1,008	(1,008)	-	
Profit/(Loss) on disposal of assets	(652)	(1,262)	-	-	(1,914)	1,914	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	206	-	-	-	206	(206)	-	
Net retirement charges per IAS 19	(22,496)	-	-	-	(22,496)	22,496	-	
Loans Fund principal repayments and Statutory premia	10,114	-	-	-	10,114	(10,114)	-	
Capital Expenditure charged to General Fund balance	531	-	-	-	531	(531)	-	
Employers contribution payable to Pension Fund	11,250	-	-	-	11,250	(11,250)	-	
Net Transfers to or (from) other reserves	1,841	2,236	(63)	(7)	4,007	(4,007)	-	
Total in year adjustments	614	974	(63)	(7)	1,518	(1,518)	-	

Notes to the Core Financial Statements

Adjustments between accounting basis & funding basis under regulations 2016/17

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(21,971)	-	-	-	(21,971)	21,971	-	12 & 14
Impairment Losses (charged to CI&ES)	(1,199)	-	-	-	(1,199)	1,199	-	
Revaluation Losses	(463)	-	-	-	(463)	463	-	
Capital grants and contributions applied	23,709	-	-	-	23,709	(23,709)	-	28
Employee Statutory Adjustments	(170)	-	-	-	(170)	170	-	
Profit/(Loss) on disposal of assets	(17)	(1,582)	-	-	(1,599)	1,599	-	
Revenue Exp Funded From Capital under Statute	(7,748)	-	-	-	(7,748)	7,748	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	207	-	-	-	207	(207)	-	
Net retirement charges per IAS 19	(15,202)	-	-	-	(15,202)	15,202	-	
Loans Fund principal repayments and Statutory premia	10,203	-	-	-	10,203	(10,203)	-	
Capital Expenditure charged to General Fund balance	146	-	-	-	146	(146)	-	
Employers contribution payable to Pension Fund	10,278	-	-	-	10,278	(10,278)	-	
Net Transfers to or (from) other reserves	1,753	1,639	102	196	3,690	(3,690)	-	
Total in year adjustments	(474)	57	102	196	(119)	119	-	

Notes to the Core Financial Statements

Usable Reserves

Usable reserves are those that can be applied to fund expenditure or reduce the requirement to raise local taxation.

The General Fund Balances are further analysed as follows:

2015/16 Restated £'000	Analysis as at 31 March	2016/17 £'000
	Earmarked Reserves	
(1,906)	People - Devolved School Management	(1,690)
	Specific Departmental Reserves	
(986)	Chief Executive	(160)
(1,817)	People	(504)
(705)	Place	(296)
(1,655)	Other	(1,099)
(1,676)	Revenue Support Grant / Council Tax	(534)
(1,618)	2nd Homes Council Tax	(2,272)
(1,500)	Treasury Reserve	-
(11,863)		(6,555)
(11,300)	Non-Earmarked Reserve	(11,739)
(23,163)	Total General Fund Reserve	(18,294)

Unusable Reserves

Unusable reserves are those that the Council is not able to use to provide services

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Revaluation Reserve

The Revaluation Reserve contains the gains made by an Authority arising from increases in the value of its Property Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Employee Statutory Adjustment Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Notes to the Core Financial Statements

Note 32 Cash Flow

2015/16		2016/17
£'000	Reconciliation to General Fund Surplus	£'000
(4,786)	Net (Surplus) or deficit on the provision of services	5,343
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(21,029)	Depreciation	(21,783)
(8,880)	Impairment & Revaluation Loss through I & E	(1,662)
(218)	Amortisation of intangible assets	(188)
(11,246)	Movement in pension liability	(4,924)
(652)	Gain/Loss on carrying amounts of assets disposed	(17)
54	Net movement in inventories charged to I & E	(114)
9,607	Net movement in debtors charged to I & E	(152)
(5,129)	Net movement in creditors charged to I & E	4,827
(10)	Net movement in provisions charged to I & E	648
(37,503)		(23,364)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
28,939	Capital grants received	23,709
(736)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	181
28,203		23,890
(14,086)	Net Cash Outflow / (Inflow) from Operating Activities	5,869

Note 33

Impairment Losses

During 2016/17 SBC recognised a net impairment loss (including negative revaluations) of £3.184m (£9.187m in 2015/16). A net impairment cost of £1.662m has been charged to the Comprehensive Income and Expenditure Statement and shown within the Net Cost of Services.

Note 34

Cash and Cash Equivalents

The balance of the cash and cash equivalents is made up of the following elements:

2015/16		2016/17
£'000		£'000
57	Cash held by officers	52
4,939	Bank current accounts	5,772
11,480	Short term deposits	2,080
16,476	Total	7,904

Supplementary Financial Statements

Council Tax Income Account

2015/16			2016/17	
£'000	£'000		£'000	£'000
	(57,679)	Gross Charges Levied		(58,004)
5,180		Less: Benefits	4,928	
5,180			4,928	
5,179		Discounts	4,579	
634		Provision for bad debts	645	
93		Miscellaneous	10	
	11,086			10,162
	(46,593)			(47,842)
	(46,593)	Total Income Credited to the Comprehensive Income & Expenditure Statement		(47,842)

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2016

Band	Number of Properties	Proportion	Band D Equivalent	Council Tax 2016/17 £
A	16,568	6/9	11,045	722.67
B	12,743	7/9	9,911	843.11
C	7,000	8/9	6,222	963.56
D	5,891	9/9	5,891	1,084.00
E	6,364	11/9	7,778	1,324.89
F	4,723	13/9	6,822	1,565.78
G	4,366	15/9	7,277	1,806.67
H	455	18/9	910	2,168.00
Total	58,110		55,856	
Less : Reductions for estimated discounts, exemptions, reliefs, rebates, etc. and non-collection			(12,247)	
Council Tax Base			£43,609	

Note 2 Water and Waste Water Charges

The Council is required to bill and collect water and waste water charges on domestic properties along with Council Tax as part of an agency agreement. These charges were determined by Scottish Water and for 2016/17 the Band D charges were £196.20 for water and £227.70 for waste water.

Supplementary Financial Statements

Non-Domestic Rate Income Account

2015/16			2016/17	
£'000	£'000		£'000	£'000
	(44,105)	Gross Rates Levied & Contribution in Lieu		(45,308)
12,877		Less: Reliefs and Other Deductions	12,030	
375		Write-offs of uncollectable debts & allowance for impairment	399	
	13,253	Interest paid on overpaid rates		12,429
	(30,853)			(32,879)
	(135)	Net General Fund expenditure on discretionary reliefs		(155)
	(30,988)	Net Non-Domestic Rate Income		(33,034)
	(170)	Adjustment to Previous Years National Non-Domestic Rates		0
	(31,158)	Contribution to National Pool		(33,034)
	33,707	Distribution received from National Pool		33,594
	(33,707)	Income Credited to the Comprehensive Income & Expenditure Statement		(33,594)

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 31 March 2017

Classification	Number	Rateable Value £'000
Shops	1241	20,736
Public Houses	89	1,633
Offices including Banks	913	8,429
Hotels, Boarding Houses, etc	137	4,079
Industrial and Freight transport	1939	32,437
Leisure, Entertainment, Caravan sites, etc	1025	6,030
Garages and Petrol Stations	221	2,289
Cultural and Sporting	141	1,124
Education and Training	103	9,859
Public Service	432	5,719
Communications	7	16
Quarries, Mines, etc	12	415
Petrochemical	5	1,310
Religious	290	1,259
Health and Medical	98	4,059
Care Facilities	91	2,056
Other	547	2,191
Advertising	9	16
Undertakings	24	2,954
Total	7,324	106,611

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2016/17 was:
 48.4p for properties with a rateable value up to £35,000
 A 2.6p supplement is charged for properties with a rateable value of over £35,000

Trust Funds

Scottish Borders Council administers numerous charitable trusts and bequests. Elected members of the Council act as Trustees of these charities. Those registered with the Office of the Scottish Charity Regulator (OSCR) are detailed below:

- **Scottish Borders Council Education Trust**
- **Scottish Borders Council Community Enhancement Trust**
- **Scottish Borders Council Welfare Trust**

These three charities were registered with OSCR on April 1 2014 and each contains funds that are restricted by purpose and geographical area.

- **The Scottish Borders Council Charitable Trust** contains 76 separate trusts and bequests will be considered for amalgamation into the above three SBC trusts during 2017/18.
- **The Ormiston Trust for Institute** and
- **The Thomas Howden Wildlife Award Fund** remain separately registered trusts with OSCR.

All OSCR registered charities are subject to audit, in line with OSCR requirements and a full set of financial statements compliant with those requirements are published separately. The Council also administers a further 177 non registered charities, which will also be considered for inclusion into the SBC Education, Community Enhancement and Welfare Trusts in 2017/18.

A summary Income and Expenditure Statement and Balance Sheet are detailed below, recognising all registered and unregistered charities administered by the Council.

Comprehensive Income & Expenditure Statements

2015/16		Charitable	Other	2016/17
£'000		£'000	£'000	Total £'000
	Income			
(64)	Dividends and Interest	(38)	(30)	(68)
(55)	Rents	-	(42)	(42)
(4)	Donations & Grants	-	(10)	(10)
0	Unrealised Gain on Investments	3	6	9
	Expenditure			
9	Administration	-	-	-
37	Grants to Beneficiaries	9	192	201
84	Depreciation	26	71	97
7	(Surplus) / Deficit for the Year	-	187	187
(826)	(Surplus) brought forward	(329)	(491)	(820)
(84)	Funding (brought forward/carried forward) to Revaluation Reserve	(26)	(71)	(97)
3	Transfer to Capital Reserve	(3)	(125)	(128)
80	Movement between Revenue & Capital Reserves	-	(10)	(10)
(820)	(Surplus) carry forward	(358)	(510)	(868)

Trust Funds

Balance Sheet

2015/16		Charitable	Other	2016/17
£'000		£'000	£'000	Total £'000
	Non-current Assets			
1,688	Land and Buildings	286	1,502	1,788
2,010	Investments	743	1,130	1,873
2	Long term Loan	-	1	1
	Current Assets			
271	Short Term Investments	75	269	344
22	Sundry Debtors	-	-	-
	Current Liabilities			
(15)	Sundry Creditors	-	(16)	(16)
3,978	Net Assets	1,104	2,886	3,990
	Financed by			
(820)	Revenue Reserve	(358)	(510)	(868)
(1,538)	Capital Reserve	(512)	(890)	(1,402)
(1,620)	Revaluation Reserve	(234)	(1,486)	(1,720)
(3,978)		(1,104)	(2,886)	(3,990)

Common Good Funds

The Council administers the Common Good Funds for nine towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2017, for each of the funds. The accounting policies applied are those as set out in pages 45 to 56.

As per the Council's Common Good Strategy all funds are invested in the Newtown Real Return Fund.

The Common Good Financial Statements are presented in line with previous years. A separate set of financial statements is published compliant with OSCR requirements and subject to full external audit.

Comprehensive Income and Expenditure Statements

Restated 2015/16 £'000		Duns £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Income										
(237)	Fees and Charges	-	-	(107)	-	-	-	(12)	(49)	(70)	(238)
(54)	Investment Income	-	(4)	(11)	-	(25)	(7)	(7)	(10)	(5)	(69)
(105)	Grant Income	(1)	(1)	(6)	-	(1)	(1)	(6)	(6)	(5)	(27)
(396)		(1)	(5)	(124)	-	(26)	(8)	(25)	(65)	(80)	(334)
	Expenditure										
124	Property Costs	(1)	-	74	-	-	-	6	12	22	113
272	Depreciation	-	36	40	17	12	43	11	37	76	272
48	Administrative Costs	2	2	11	-	4	2	10	7	10	48
89	Donations and Contributions	-	-	37	-	76	5	2	24	27	171
533		1	38	162	17	92	50	29	80	135	604
137	(Surplus) / Deficit before unrealised losses	-	33	38	17	66	42	4	15	55	270

The 2015/16 Common Good Fund Comprehensive Income and Expenditure Statement has been restated for the transfer of Innerleithen Memorial Hall and Old Gala House to Innerleithen and Galashiels Common Good Funds respectively as other Recognised Gains/(losses) rather than income.

Common Good Funds

Balance Sheets

Total 2015/16 £'000		2016/17									
		Duns £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Non-current Assets										
10,996	Land & Buildings	-	588	3,596	290	465	779	1,004	839	3,159	10,720
26	Heritage Assets	-	-	3	-	-	19	-	2	2	26
2,362	Investments	-	154	473	-	937	254	258	435	189	2,700
60	Long Term Loan to Third Party	-	-	-	-	38	-	9	-	-	47
	Current Assets										
21	Sundry Debtors	-	-	4	-	5	-	7	2	2	20
475	Short Term Investments	18	10	38	-	7	37	21	41	83	255
	Current Liabilities										
(45)	Sundry Creditors	-	-	(11)	-	-	-	(1)	(8)	(3)	(23)
13,895	Net Assets	18	752	4,103	290	1,452	1,089	1,298	1,311	3,432	13,745

	Financed by										
(508)	Revenue Reserve	(18)	(10)	(31)	-	(49)	(37)	(32)	(35)	(82)	(294)
(2,845)	Capital Reserve	-	(307)	(609)	(135)	(940)	(254)	(264)	(485)	(190)	(3,184)
(10,542)	Revaluation Reserve	-	(435)	(3,463)	(155)	(463)	(798)	(1,002)	(791)	(3,160)	(10,267)
(13,895)	Total Reserves	(18)	(752)	(4,103)	(290)	(1,452)	(1,089)	(1,298)	(1,311)	(3,432)	(13,745)

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code) and relevant accounting standards require local authorities to consider all their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiary and associated entities and joint arrangements. The Local Authority group is defined as the Local Authority and its interests in entities which would be regarded as its subsidiaries or associates or joint arrangements were it subject to the Companies Act. The Code requires that group financial statements include the following statements along with the appropriate notes:

- a Group Movement in Reserves Statement
- a Group Comprehensive Income and Expenditure Statement
- a Group Balance Sheet
- a Group Cash Flow Statement

The Group Account Tables and Notes are set out on pages 101 to 107.

For the purposes of consolidation and incorporation within the Local Authority group, the Council has consolidated the following entities:

Subsidiaries

Subsidiary entities are those over which the Council has been deemed to have control. The following bodies have been recognised as subsidiaries of Scottish Borders Council:

- Common Good Funds
- Charitable Trust Funds
- Bridge Homes LLP
- SB Supports LLP
- SB Cares LLP
- Live Borders

The Council is the sole trustee of the Common Good Funds and the Charitable Trust Funds and summary financial results for these entities appear on pages 95 to 98. Bridge Homes LLP, a partnership between the Council and Scottish Futures Trust Investments Ltd, created to invest in residential property and in which the Council is entitled to 99.999% of the profits and equally exposed to 99.999% of the losses, is also treated as a subsidiary body. SB Supports and SB Cares LLP are registered Limited Liability Partnerships between Scottish Borders Council and SBC Nominees, working in partnership to provide adult social care services. The financial statements for Bridge Homes LLP, SB Supports LLP and SB Cares LLP are available from Council Headquarters.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Arts, Libraries, Archives, Museums, and Galleries, Sport and Leisure facilities previously managed by Borders Sport and Leisure Trust (previously recognised as an Associate) are now also provided by Live Borders. The opening position for the group Movement In Reserves Statement for 2016/17 has been restated to reflect this change in recognition.

Live Borders accounts can be obtained from their Headquarters at Melrose Road, Galashiels, TD1 2DU.

Group Accounts

Associates

Associate entities are those over which the Council has been deemed to exercise significant influence. The following body has been recognised as an associate of Scottish Borders Council:

- Jedburgh Leisure Facilities Trust

This organisation manages the delivery of a range of sport and leisure facilities in Jedburgh. The Council pays a management fee to the company and the leisure facilities are owned by the Council and leased to the company. The company is limited by guarantee and has charitable status. The Council is not represented on the Board of Directors. The percentage for consolidation is 39.7% based on the Council's contribution to incoming resources. Jedburgh Leisure Facilities Trust's accounting period is to 31 March and, for the purposes of consolidation, the draft financial statements to 31 March 2017 have been used. The company's draft Statement of Financial Activities shows an operating profit of £0.003m for the year to 31 March 2017 of which £0.001m has been included in the Group Accounts. The company's draft Balance Sheet as at 31 March 2017 shows net assets of £0.008m of which £0.002m has been included in the Group Accounts.

The Trust's accounts can be obtained from their registered office at Oxnam Road, Jedburgh, TD8 6QH.

Joint Arrangements

Joint arrangements can be either joint operations or joint ventures. Joint operations are joint arrangements where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The following body has been recognised as a Joint Venture.

- Scottish Borders Integration Joint Board

The Council commenced a joint arrangement with NHS Borders to establish The Scottish Borders Health and Social Care Integration Board on 6th February 2016. This is a partnership set up to bring about change in the way health and social care services are planned, commissioned and delivered from 1st April 2016. As there had only been a small amount of staffing expenditure incurred in 2015/16, it was agreed with the council's previous auditors, KPMG, that this would not be consolidated into the Council's Group Accounts as a joint venture (in accordance with IFRS11) until 2016/17.

The Board's draft Comprehensive Income & Expenditure Statement show gross expenditure and income of £165.766m for the year of which £31.475m has been consolidated into the Group Accounts. Both the Balance Sheet and Movement In Reserves Statement show a net position of £0 for 2016/17.

The financial statements for the Scottish Borders Integration Joint Board are available from the Council Headquarters.

Group Movement in Reserves Statement

Movement in reserves during 2015/16 - Restated

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2015	(27,896)	(6,187)	(34,083)	9,579	(12,291)	(2,712)	(36,795)

Movement in reserves during 2015/16

Total Comprehensive Income & Expenditure	(4,786)	(207)	(4,993)	(43,758)	498	(43,260)	(48,253)
Adjustments between accounting basis & funding basis under regulations	1,518	(356)	1,162	(1518)	356	(1,162)	-
Increase or Decrease in 2015/16	(3,268)	(563)	(3,831)	(45,276)	854	(44,422)	(48,253)
Balance at 31/03/2016 carried forward	(31,164)	(6,750)	(37,914)	(35,697)	(11,437)	(47,134)	(85,048)

Movement in reserves during 2016/17

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2016	(31,164)	(6,750)	(37,914)	(35,697)	(11,437)	(47,134)	(85,048)
Restatement Due To Change In Recognition		(814)	(814)		(346)	(346)	(1,160)
Restated Balance at 01/04/2016	(31,164)	(7,564)	(38,728)	(35,697)	(11,783)	(47,480)	(86,208)

Movement in reserves during 2016/17

Total Comprehensive Income & Expenditure	5,343	(240)	5,103	63,754	5,768	69,522	74,625
Adjustments between accounting basis & funding basis under regulations	(19)	(369)	(488)	19	369	488	-
Increase or Decrease in 2016/17	5,224	(609)	4,615	63,873	6,137	70,010	74,625
Balance at 31/03/2017 carried forward	(25,940)	(8,173)	(34,113)	28,176	(5,646)	22,530	(11,583)

Group Comprehensive Income and Expenditure Statement

2015/16 Restated				2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
36,087	(3,267)	32,820	Chief Executive	54,627	(10,759)	43,868
188,955	(17,506)	171,449	People	231,202	(64,029)	167,173
70,822	(15,363)	55,459	Place	65,393	(17,919)	47,474
34,991	(31,218)	3,773	Other	35,184	(32,932)	2,252
1,413	-	1,413	Non-Distributed Costs	4,143	-	4,143
533	(343)	190	Common Good	604	(307)	297
130	(59)	71	Trust Funds	298	(43)	255
2,718	(2,663)	55	Share of Operating Results of Associates & Joint Ventures	31,549	(31,550)	(1)
335,649	(70,419)	265,230	Services provided by the Council	423,000	(157,539)	265,461
335,649	(70,419)	265,230	Net Cost of Services	423,000	(157,539)	265,461
6,600	(6,698)	(98)	Roads Trading Operation (Surplus)/Deficit (External)	10,939	(11,030)	(91)
1,915	(1,263)	652	Other Operating Expenditure (Gain)/Loss on Disposal of Assets	1,598	(1,581)	17
12,320	-	12,320	Financing & Investment Income and Expenditure Interest Payable & Similar Charges	11,879	-	11,879
-	(149)	(149)	Interest Receivable & Similar Income	-	(78)	(78)
21,224	(15,644)	5,580	Net Interest Expense on the Net Defined Benefit Liability	22,468	(17,293)	5,175
3	-	3	Share Of Associates & Joint Ventures Interest Payable	-	-	-
-	(178,870)	(178,870)	Taxation and Non-Specific Grant Income Revenue Support Grant	-	(170,200)	(170,200)
-	(33,707)	(33,707)	Non-Domestic Rates Pool for Scotland	-	(33,594)	(33,594)
11,086	(57,679)	(46,593)	Council Tax	10,162	(58,004)	(47,842)
-	(28,939)	(28,939)	Capital Grants and Contributions	-	(23,709)	(23,709)
		(4,571)	(Surplus)/Deficit on Provision of Services			7,018

Group Comprehensive Income and Expenditure Statement

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		(4,571)	(Surplus)/Deficit on Provision of Services			7,018
		(8,426)	(Surplus)/Deficit on revaluation of Non Current Assets			(5,835)
		(353)	Any Other (Gains) Or Losses			(1,177)
		(34,903)	Actuarial (gains)/losses on pension assets/liabilities			74,619
		(43,682)	Other Comprehensive Income and Expenditure			67,607
		(48,253)	Total Comprehensive Income and Expenditure			74,625

Group Balance Sheet

Restated 2015/16 £'000		2016/17 £'000
318,192	Property Plant and Equipment	325,082
15,361	Other Land and Buildings	18,199
89,035	Vehicle, Plant, Furniture & Equipment	123,534
4,116	Infrastructure	3,838
33,108	Surplus Assets	27,259
1,040	Assets Under Construction	1,062
230	Heritage Assets	52
4,372	Intangible Assets	4,574
1,330	Long Term Investments	198
4,131	Investments in Associates & Joint Ventures	3,914
	Long Term Debtors	
470,915	Long Term Assets	507,712
676	Intangible Assets - Current	411
-	Short Term Investments	-
1,051	Inventories	1,025
48,017	Short Term Debtors	41,482
(9,525)	less Bad Debt Provision	(10,150)
17,902	Cash and Cash Equivalents	13,414
58,121	Current Assets	46,182
(3,261)	Short Term Borrowing	(12,300)
(53,192)	Short Term Creditors	(54,568)
(1,491)	Provisions	(804)
(57,944)	Current Liabilities	(67,672)
(171,996)	Long Term Borrowing	(184,392)
(52,864)	Deferred Liabilities	(51,252)
(422)	Liabilities of Associates & Joint Ventures	(196)
(4,305)	Provisions	(3,972)
(13,868)	Capital Grants Receipts in Advance	(11,852)
(243,455)	Long Term Liabilities	(251,664)
227,637	Net Assets excluding pension liability	234,558
(142,589)	Pension Liability	(222,975)
85,048	Net Assets/(Liabilities) including pension liability	11,583

Group Balance Sheet

2015/16 £'000	Financed By:	2016/17 £'000
	Useable Reserves	
(6,578)	Capital Fund	(6,521)
(23,163)	General Fund Balance	(18,294)
(102)	Property Maintenance Fund	-
(1,321)	Insurance Fund	(1,125)
(6,750)	Share of Group Entities Usable Reserves	(8,173)
	Unusable Reserves	
(118,459)	Capital Adjustment Account	(127,102)
5,189	Financial Instruments Adjustment Account	4,980
(70,201)	Revaluation Reserve	(72,079)
141,592	Pension Reserve	216,025
6,182	Employee Statutory Adjustment Account	6,352
(11,437)	Share of Group Entities Unusable Reserves	(5,646)
(85,048)	Total Reserves	(11,583)

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Group Cash Flow Statement

Restated 2015/16 £'000		2016/17 £'000 £'000	
(4,571)	Net (Surplus) or deficit on the provision of services	7,018	
(57)	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	1	
(39,580)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(30,018)	
28,203	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23,891	
(16,005)	Net Cash Flows From Operating Activities		892
	Investing Activities		
47,958	Purchase of PP&E, investment property and intangible assets	48,930	
(1,263)	Proceeds from PP&E, investment property and intangible assets	(1,581)	
189	Purchase/(Disposal) of short & long term investments	(72)	
(34,685)	Other Items which are Investing Activities	(2,147)	
12,199	Net Cash Flows from Investing Activities		25,860
	Financing Activities		
-	Cash received from loans & other borrowing	(2,134)	
1,462	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,613	
63	Repayments of short and long term borrowing	96	
(620)	Other items which are financing activities	(2,439)	
905	Net Cash Flows from Financing Activities		(22,044)
(2,901)	Net (Increase) or Decrease in Cash and Cash Equivalents		4,708
15,001	Cash and Cash Equivalents at the beginning of the reporting period		18,121
17,902	Cash and Cash Equivalents at the end of the reporting period		13,413
(2,901)	Movement		4,708

Notes to the Group Accounts

Note 1 Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 45 to 56.

The Council has accounted for its interest in each subsidiary using the acquisition method of accounting. The Council's interest in associates and joint ventures has been accounted for using the equity method of accounting. Where applicable, consolidation adjustments have been made to eliminate inter-group transactions.

Note 2 Group Cash Flow

A reconciliation between the Group Income and Expenditure Statement and the revenue activities in the Group Cash Flow Statement is provided in the table below:

Restated 2015/16 £'000		2016/17 £'000
	Reconciliation to General Fund Surplus	
(4,571)	Net (Surplus) or deficit on the provision of services	7,018
(57)	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	1
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(21,385)	Depreciation	(22,467)
(8,901)	Impairment & Revaluation Loss through I & E	(1,662)
(218)	Amortisation of intangible assets	(188)
(11,246)	Movement in pension liability	(6,385)
(652)	Gain/Loss on carrying amounts of assets disposed	(17)
85	Net movement in inventories charged to I & E	(40)
10,808	Net movement in debtors charged to I & E	(489)
(8,061)	Net movement in creditors charged to I & E	581
(10)	Net movement in provisions charged to I & E	648
(39,580)		(30,018)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
28,939	Capital grants received	23,709
(736)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	182
28,203		23,891
(16,005)	Net Cash Outflow / (Inflow) from Operating Activities	892

Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The deficit of £5.3m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £6.9m. The effect on the group balance sheet is an increase in net assets and reserves of £13.8m (£18.2m increase in 2015/16).

Independent Auditor's Report

Independent auditor's report to the members of Scottish Borders Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the Council Tax Income Account, and the Non-domestic Rate Income Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Independent Auditor's Report

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Gillian Woolman MA FCA CPFA

Assistant Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 September 2017

Glossary of Terms

We recognise that financial statements by their nature need to include some technical terms and the purpose of this section is to explain some of the more important ones.

Aggregate External Finance (AEF): this is the term given to the total of funding provided by the Scottish Government. It comprises three parts, which are explained below;

- **Revenue Support Grant (RSG):** this is the largest part of AEF. It is a block grant which helps finance the overall cost of Council services.
- **Non-Domestic Rate Income (NDRI):** local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.
- **Specific Grants:** the final part of AEF. As the name suggests these grants are paid to support specific services/activities and can enable the Scottish Government to more directly influence service provision than with a block grant.

Amortisation: similar to depreciation but applied to intangible assets i.e. the measurement of the value of an asset used during the year.

Budget: the budget sets out what the Council intends to spend and how it will be paid for. Budgets are prepared and approved before the start of a financial year for both revenue and capital expenditure. Each financial year budget is part of a 5 year Revenue or a 10 year Capital Financial Plan.

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Borrowing: this is the element of the Capital Programme not financed by capital and revenue resources (i.e. capital receipts, capital grants and revenue contributions). The capital expenditure will give rise to a borrowing need; however it is important to note that the need may not result in actual external borrowing, and the decision may be taken to finance borrowing from within the Council.

Capital Expenditure: spending on assets of lasting value, whose useful life exceeds the current year. Examples are schools, major road works, improving social work and leisure facilities. Capital expenditure is financed principally from borrowing but can also be funded by capital receipts, grants and revenue contributions (CFCR).

Capital From Current Revenue (CFCR): this is expenditure on capital assets that is financed from the revenue account in the current financial year.

Capital Fund: Established under the Local Government (Scotland) Act 1975. This fund is credited with the receipts of property sales and developer contributions. It can be used to fund capital expenditure or make payments of loan principal.

Capital Grants: grants from bodies such as the European Union and Scottish Government can fund capital projects as can contributions from other organisations.

Capital Receipt: a capital receipt arises when the Council sells a surplus asset, e.g. a piece of land or a building and this can be used to finance further capital expenditure or repay existing debt.

Carrying Amount: the value at which an asset or liability is shown on the Balance Sheet.

Common Good Funds: have been accumulated by former burghs since their foundation from the 12th Century onwards. They are held by the Council as custodian for the benefit of residents of the 9 former burghs, Duns, Innerleithen, Galashiels, Hawick, Jedburgh, Kelso, Lauder, Peebles and Selkirk. They are administered by the Council to have regard to the interest of the inhabitants of the area to which the Common Good formally related.

All of the Common Good Funds are presently registered as a single charity with OSCR.

Glossary of Terms

Component Accounting: where fixed assets are valued and depreciated on the basis of individual components i.e. roof, heating system etc, opposed to one overall value.

Contingent Liability: a possible future financial obligation which is reported as a specific note to the annual accounts because it cannot be judged as probable enough to warrant a provision.

Council Tax: the major part of locally raised revenue income, based on a property being classified into one of eight bands. In the interests of consistency all Councils determine their Council Tax at the Band D level and the charges for properties in all other bands are expressed as a proportion of Band D.

Council Tax Reduction Scheme (CTRS): Replaced Council Tax Benefit which stopped on 1 April 2013 as part of the welfare reform programme. CTRS is a reduction on your council tax that you may be entitled to if you are on a low income. Responsibility for assisting those who need help to pay their Council Tax in Scotland now sits with the Scottish Government and Scottish Local Authorities.

Current Assets: assets of a short-term nature, e.g. short term investments, inventories, short term debtors and cash and cash equivalents.

Current Liabilities: liabilities expected to be due within the next year, e.g. short term creditors, short-term borrowing and provisions.

Depreciation: the measure of the value of a fixed asset used during the year.

Fair Value: is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instruments Adjustment Account: an account that enables the effects of accounting for financial instruments to be neutral in terms of Council Tax.

General Fund: the principal usable reserve of the Council that covers most areas of activity, the main exclusions being SBc Contracts and the Pension Fund.

Group Accounts: statements that reflect the Council's interest in any subsidiaries, associates and joint ventures.

Heritage Assets: assets preserved in trust for future generations because of their cultural, environmental or historical association. It applies to assets held and maintained by the authority principally for the contribution to knowledge and culture.

IAS19: the International Accounting Standard (IAS) which lays down the disclosure and reporting requirements for Retirement Benefits paid from our Pension Fund.

IFRS: The Council's accounts are governed by International Financial Reporting Standards.

Impairment: an asset is impaired when its carrying amount exceeds its recoverable amount.

Infrastructure: assets of a general and supporting nature, e.g. the roads and bridges network, car parks, pathways, sea defences and water/drainage systems.

Insurance Fund: a fund that meets the costs of premiums for a range of external insurance cover, meets the cost of claims not covered by external insurance, and receives contributions from Council services.

Interest on Revenue Balances: the Council's loans fund acts as an internal banker and pays interest where it has utilised any internal credit balances, e.g. the General Fund Reserves.

Inventories: materials etc. that have been purchased but not yet consumed in the delivery of Council services.

Glossary of Terms

Loan Charges: sometimes called debt charges, these are the annual repayments of principal, interest and expenses in respect of loans taken to finance capital expenditure.

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds.

Long-Term Borrowing: are sums borrowed to finance capital expenditure and not yet repaid, nor due to be repaid within one year. The majority of this is borrowed from the Public Works Loan Board and can be for periods of up to 60 years.

Pension Fund: under relevant legislation the Council administers a Pension Fund for its employees (other than teachers, who are members of a national scheme) and employees of certain other 'Admitted Bodies'. It is what is known as a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested.

Provision: a liability of uncertain timing or extent for which an estimate must be included in our annual accounts.

Ratios: financial analysis tools to support the evaluation of the financial health of the organisation.

Rents, Fees and Charges: add in charges for specific service; examples include home care charges, commercial rents, hall lets and library fines.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses/deficits generated by the various funds. They are split between 'usable' and 'unusable' reserves.

Usable Reserves: Capital Fund, General Fund Balance, Property Maintenance Fund and Insurance Fund.

Unusable Reserves: Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and Employee Statutory Adjustment Account.

Revaluation Reserve: the balance represents the difference between the depreciated revalued amount and the depreciated historic cost of fixed assets at 1 April 2007. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure: the day to day recurring costs of providing services. It includes wages and salaries, property costs such as power and light, transport costs and supplies and services. It also includes the annual repayment of loans which have financed capital expenditure. Revenue expenditure is always paid for in full as and when it happens either from Council Tax, rents, fees, charges, grants and Revenue Support Grant (RSG) and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Significant Trading Operations: services provided in a competitive environment and which are charged for on a basis other than a straightforward recharge of costs, e.g. quoted lump sums, fixed rates etc.

Trust Funds: The Council administers 289 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 112 of which have charitable status and have been reorganised into 6 charities registered with the Office of the Scottish Charity Regulator (OSCR).

Virement: because circumstances change, budgets need to remain flexible. Virement is the approved transfer of resources from one area of the budget to another, the creation of new budgets to reflect additional income and related expenditure or the transfer of budget from one financial year to the next.

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Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk

Scottish Borders Council

Common Good Funds

Charity Registration Number: SC031538

annual report and financial statements

for the year to 31 March 2017



Contents

	Page
Foreword	3
Trustee's Annual Report	4
Statement of Trustees' Responsibilities for the Annual Report and Financial Statements	8
Financial Statements	
Statement of Financial Activities	9
Balance Sheet	10
Cash Flow Statement	11
Accounting Policies	12
Notes to the Financial Statements	14
Independent Auditor's Report	17
Additional Information	20

FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity Regulator (OSCR) requires that full audited accounts for this Charity are prepared.

The Charity comprises of the nine Common Good Funds within Scottish Borders Council, each holding property which it is responsible for maintaining, with many distributing grants to local causes which are eligible within its charitable purpose.

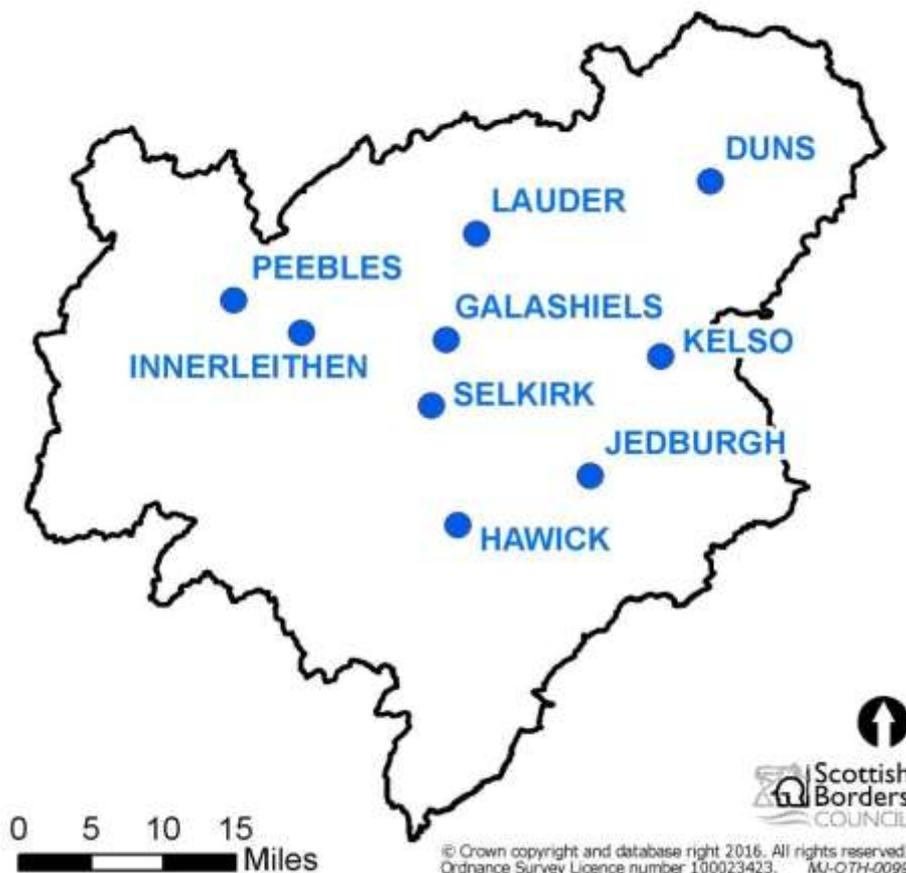
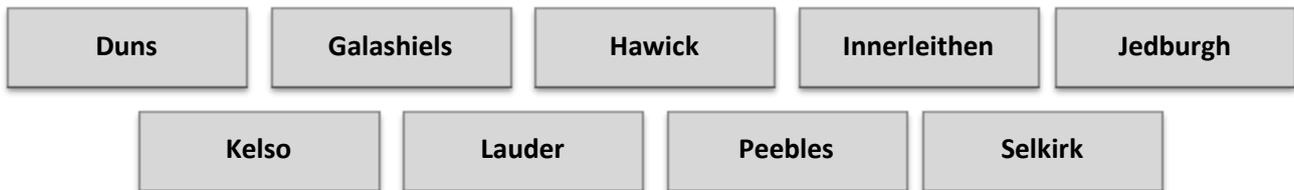
Each Common Good Fund within the charity has financial investments and / or property assets; the operational management of which is overseen by individual Sub-Committees of Elected Members from the relevant ward(s), supported by officers from the Council.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2017.

Structure

a) The Charity comprises a number of separate funds for the former Burghs of:



b) Each fund is administered by a Sub-Committee of Elected Members representing the Council wards in which each Burgh is situated.

Charitable Purpose

- The charitable purposes of the Common Good Funds are that, subject to their legal responsibilities in terms of any assets held by the charities, the **funds are operated for the common good of the residents** of the aforesaid former Burghs and may be used to **provide advancement of citizenship or community development**.
- In respect of those funds which have land and property, the Trustees recognise their obligations to ensure that these assets are maintained.

Summary of the Main Activities

- The Charity has taken steps to ensure that the **assets of the Funds are properly managed and accounted for**. Quarterly budget monitoring reports have been prepared for consideration by the Trustees forming the Working Group for each individual Burgh and the minutes of these meetings reported to the full Council in terms of the Code of Governance.
- Maintenance work has been approved and carried out on fixed assets and responses made to applications for financial assistance as detailed in the Notes to the Financial Statements on page 15.
- Most of the funds have made donations to eligible beneficiaries in their Burghs with a total of £171,022 being paid out in the year.

Plans for the Future

- The Common Good Funds will continue to **maintain their heritable assets and will look to maximise their income** from any of these assets which are let commercially. Where assets are used by third parties towards the Common Good of the Burgh then rental levels may reflect this aspect of the tenants' activity.
- Where funds permit, the Common Good Funds will look to make grants to organisations in their Burghs which will provide benefit to the Burgh residents, as approved by the individual Common Good Committees.

Governance and Management

Type of Governing Documents

- a) The overarching governance of the Charity is the principle of statute and common law. The statutory framework is the successive Acts from the Common Good Act 1491 through to the Local Government Scotland Act 1994, with the Local Government (Scotland) Act 1973 provisions still in force, and the Local Government in Scotland Act 2003. Cognisance is also to be taken of the various judicial opinions in case law governing the treatment of Common Goods.
- b) The funds are governed by Trustees in line with the Local Code of Corporate Governance of Scottish Borders Council, consideration being given to:



- c) When considering any action in connection with the Common Good Funds the Trustees have regard to the interests of the inhabitants of the area to which the Common Good formerly related.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102 (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, i.e. those wards covering former Burgh areas and in terms of the Council's Code of Governance.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all financial obligations in respect of properties owned by the charity, where relevant, and
- all support and governance costs.

At 31 March 2017, the reserves of the Common Good Funds amounted to:

- Restricted Income Funds - £3,478k
- Revaluation Reserves - £10,268k

Investments Per the Councils Common Good and Trust Fund investment strategy the main balance of funds are invested in the Newton Real Return Fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Common Good Funds

Charity registration number SC031538

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2017 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Willie Archibald	Michelle Ballantyne
Stuart Bell	Catriona Bhatia	Jim Brown
Joan Campbell	Michael J Cook	Keith Cockburn
Alastair Cranston	Vicky M Davidson	Gordon Edgar
James A Fullerton	Graham H T Garvie	Iain Gillespie
John Greenwell	Bill Herd	Gavin Logan
Stuart Marshall	Watson McAteer	John G Mitchell
Donald Moffat	Simon Mountford	Alexander J Nicol
David Parker	David Paterson	Francis Renton
Sandy Scott	Ron Smith	Rory Stewart
Jim Torrance	George Turnbull	Tom Weatherston
Bill White		

Due to Local Government elections on 4 May 2017, the trustees for the year to 31 March 2018 will change.

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Common Good Funds which is recognised within *Other: governance costs* in the financial statements. All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

Shona Haslam
Trustee
Scottish Borders Council Common Good Funds
28 September 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity and within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2017

2015/16 £'000 Restated		2016/17 £'000	Notes
	Income from:		
105	Donations and legacies	27	1
54	Investments	69	2
237	Charitable activities	238	
396	Total Income	334	
	Expenditure on:		
(396)	Raising funds	(385)	
(89)	Charitable activities	(171)	
(48)	Other: governance costs	(48)	
(533)	Total Expenditure	(604)	3
(33)	(Losses) / gains on investment assets – unrealised	(8)	
(170)	Net Income / (Expenditure)	(278)	
	Other Recognised Gains / (Losses)		
103	Gains on revaluation of fixed assets	0	
570	Recognition of Fixed Assets and Investments	128	7
503	Net Movement in Funds	(150)	
	Reconciliation of Funds		
13,392	Total funds brought forward	13,895	
13,895	Total Funds Carried Forward	13,745	

2015/16 Statement of Financial Activities has been restated to account for the transfer of Innerleithen Memorial Hall and Old Gala House to Innerleithen and Galashiels Common Good Funds respectively as other Recognised Gains / (Losses) rather than income.

BALANCE SHEET as at 31 March 2017

as at 31 March 2016			as at 31 March 2017		Notes
£'000	£'000		£'000	£'000	
		Long Term Assets			
11,022		Tangible assets	10,746		5
2,361		Investments	2,700		6
60		Long term loan to third party	47		
	13,443	Total Long Term Assets		13,493	
		Current Assets			
21		Debtors	20		
476		Short term investment in SBC loans fund	255		
	497	Total Current Assets		275	
		Current Liabilities			
	(45)	Creditors: Amounts falling due within 1 year		(23)	
	452	Net Current Assets		252	
	13,895	Total Net Assets		13,745	
		The Funds of the Charity			
	(3,353)	Restricted income funds		(3,478)	7
	(10,542)	Revaluation reserve		(10,267)	
	(13,895)	Total Charity Funds		(13,745)	

All of the charity's activities are continuing.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 15 form part of these Financial Statements.

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Shona Haslam
Trustee
Scottish Borders Council Common Good Funds
28 September 2017

CASH FLOW STATEMENT as at 31 March 2017

The Cash Flow Statement shows how the Common Good Funds generate and use cash as classified into operating, investing and financing activities. The amount of cash held by Common Good Funds at the year-end is always nil, as all surplus cash is invested in the short term, in the SBC Loans Fund.

as at 31 March 2016			as at 31 March 2017		Notes
£'000	£'000		£'000	£'000	
		Operating Activities			
	(170)	Net Income / (Expenditure)		(278)	
		Adjustments to Net Income / (Expenditure) For Non Cash Movements			
272		Depreciation & Impairment	275		5
1		Net Movement in Debtors	(1)		
(21)		Net Movement in Creditors	(22)		
	252	Total Adjustments to Net Income / (Expenditure)		252	
	82	Net Cash Flows from Operating Activities		(26)	
		Investing Activities			
(87)		Disposal / (Purchase) of Short Term Assets	221		
(45)		(Purchase) / Disposal of Long Term Assets	(216)		
33		Other Items which are Investing Activities	8		
	(99)	Net Cash Flows from Investing Activities		13	
		Financing Activities			
17		Cash Received from Loans	13		
	17	Net Cash Flows from Financing Activities		13	
	0	Net Movement in Cash		0	

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when the activity they relate to takes place, regardless of when applications are approved.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets and Depreciation

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the last revaluation being undertaken in 2014/15. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year, the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Donations and Legacies

2015/16 £000		2016/17 £'000
1	Duns	2
4	Galashiels	1
16	Hawick	6
0	Innerleithen	0
14	Jedburgh	1
1	Kelso	1
56	Lauder	6
8	Peebles	5
5	Selkirk	5
105		27

2 Income from Investments

2015/16 £000		2016/17 £'000
3	Bank Interest Receivable from SBC Loans Fund	3
51	Income from Investment Portfolio	66
54		69

3 Analysis of Charitable Expenditure

2015/16 Total £'000		Activities Undertaken Directly £'000	Support and Governance Costs £'000	Property Cost & Depreciation £'000	2016/17 Total £'000
4	Duns	0	2	1	3
39	Galashiels	0	2	36	38
142	Hawick	37	11	112	160
17	Innerleithen	0	0	17	17
27	Jedburgh	77	3	12	92
52	Kelso	5	2	43	50
31	Lauder	2	10	17	29
97	Peebles	24	8	49	81
124	Selkirk	26	10	98	134
533		171	48	385	604

4 Governance Costs

Governance costs are comprised of a recharge from SBC and reflect the cost of the proportionate administration, finance, and legal time spent on Common Good funds. No Trustee remuneration or other expenses were incurred.

5 Tangible Assets

The change in the value of tangible assets has been driven by the following movements:

As at 31 March 2016		as at 31 March 2017		
Total		Asset Impairment	Depreciation	Total
£'000		£'000	£'000	£'000
3	Duns	(3)	0	0
625	Galashiels	0	(36)	588
3,638	Hawick	0	(40)	3,598
307	Innerleithen	0	(17)	290
476	Jedburgh	0	(12)	464
840	Kelso	0	(43)	797
1,017	Lauder	0	(11)	1,006
879	Peebles	0	(37)	842
3,237	Selkirk	0	(76)	3,161
11,022		(3)	(272)	10,746

The asset disposal in Duns relates to No. 10 South Street, Duns, **which was transferred at nil consideration to the Queen's & Lord Treasurer's Remembrancer, following investigations relating to legal title of the property.**

Long term assets are broken down between Land & buildings and Heritage assets as follows:

As at 31 March 2016		as at 31 March 2017		
Total		Land & Buildings at Net Book Value	Heritage Assets	Total Long Term Assets
£'000		£'000	£'000	£'000
3	Duns	0	0	0
625	Galashiels	589	0	588
3,638	Hawick	3,595	3	3,598
307	Innerleithen	290	0	290
477	Jedburgh	464	0	464
841	Kelso	778	19	797
1,016	Lauder	1,006	0	1,006
878	Peebles	840	2	842
3,237	Selkirk	3,159	1	3,161
11,022		10,721	25	10,746

6 Investments

All investments are through a recognised investment exchange, as at 31 March 2017 all investments were with the Newton Real Return Fund. Investment amounts and unrealised gains on these investments since inception, as at 31 March 2017, per Common Good Fund are detailed below:

As at 31 March 2016		as at 31 March 2017		
Total Investment		Newton Investment	Unrealised Gain	Total Investment
£'000		£'000	£'000	£'000
0	Duns	0	0	0
25	Galashiels	149	5	154
372	Hawick	459	14	473
0	Innerleithen	0	0	0
941	Jedburgh	915	22	937
255	Kelso	246	8	254
249	Lauder	250	8	258
384	Peebles	422	13	435
135	Selkirk	185	4	189
2,361		2,626	74	2,700

7 Restricted Income Funds

Balance at 31 March 2016 £'000		Unrealised movement on investment assets	Other income: donations	SOFA Surplus	Balance at 31 March 2017 £'000
20	Duns	0	0	1	21
186	Galashiels	(1)	128	3	316
635	Hawick	1	0	3	639
135	Innerleithen	0	0	0	135
1,047	Jedburgh	(4)	0	(53)	990
291	Kelso	(1)	0	1	291
291	Lauder	(1)	0	6	296
497	Peebles	(1)	0	22	518
251	Selkirk	(1)	0	22	272
3,353		(8)	128	5	3,478

The total donation of £128k above represents the capital transfer of Newton investment held by the Ladhope Estate trust into the Galashiels Common Good Fund.

8 Contingent Assets

The charity granted a secured grant to Jedburgh Golf Club in 2004 to purchase land. The grant is to be written down over 20 years. If during this period the land is sold the balance of the remaining funds are to be returned to the charity.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the trustees of Scottish Borders Council Common Good Funds and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and accounts of Scottish Borders Council Common Good Funds for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other prescribed matter

I am required by the Accounts Commission to express an opinion on the following matter. In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Asif A Haseeb OBE
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 September 2017

Asif A Haseeb is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) 1973

ADDITIONAL INFORMATION

Contact Details

For further information on the Common Good Funds, please contact:

Kirsty Robb	Telephone: 01835 – 825249
Capital & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk



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Scottish Borders Council SBC Welfare Trust

Charity Registration Number: SC044765

annual report and financial statements

for the year to 31 March 2017



Contents

	Page
Foreword	3
Trustee's Annual Report	3
Statement of Trustees' Responsibilities for the Annual Report and Financial Statements	7
Financial Statements	
Statement of Financial Activities	8
Balance Sheet	9
Accounting Policies	10
Notes to the Financial Statements	12
Independent Auditor's Report	14
Additional Information	17

FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Welfare Trust, the "Trust", which was established for the purpose of:

- a) The prevention or relief of poverty;
- b) The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage; or
- c) The advancement of health, including the advancement of education in health.

By among other things, the payment of grants and/or loans to such charities or other organisations or to such individuals who are deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purposes of either the prevention or relief of poverty or the relief of those in need or the advancement of health, as appropriate.

During 2016/17 further work on the reorganisation of charity funds continued and will continue in 2017/18 and is expected to result in additional resources being transferred into this Charitable Trust.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2017.

Structure

Following the establishment of the Trust, Scottish Borders Council on 21st May 2015 approved the appointment of the Convenor of Scottish Borders Council as the Chairman and the creation of Charitable Trusts Sub-Committees. The Council has delegated powers to the Sub-Committee to manage the operation of the Trust.

Charitable Purpose

- The prevention or relief of poverty
- The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage or
- The advancement of health, including the advancement of education in health
- By among other things, the payment of grants and/or loans to such charities or other organisations or to such individuals who are deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purposes of either the prevention or relief of poverty or the relief of those in need or the advancement of health, as appropriate.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity made donations to two eligible beneficiaries during the year to 31 March 2017.

Plans for the Future

- The fund will be promoted and continue to grant awards to recipients who may be eligible for disbursement of funds under the eligibility restrictions of the funds.
- It is anticipated that the ongoing reorganisation work undertaken by Scottish Borders Council officers, including further refinement of existing disbursement criteria, will result in the amalgamation of other registered and non-registered trusts and bequests into the SBC Education Trust in 2017/18.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the newly established Charity.
- b) In terms of the Trustee's governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21st May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.

The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2017, the reserves of the SBC Welfare Trust amounted to:

- Restricted Income Funds - £110,968

Investments

Per the Council's Common Good and Trust Fund investment strategy the main balance of funds are invested in the Newton Real Return Fund.

Reference and Administrative Information

Charity Name	SBC Welfare Trust
Charity registration number	SC044765
Business Address	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2017 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Willie Archibald	Michelle Ballantyne
Stuart Bell	Catriona Bhatia	Jim Brown
Joan Campbell	Michael J Cook	Keith Cockburn
Alastair Cranston	Vicky M Davidson	Gordon Edgar
James A Fullerton	Graham H T Garvie	Iain Gillespie
John Greenwell	Bill Herd	Gavin Logan
Stuart Marshall	Watson McAteer	John G Mitchell
Donald Moffat	Simon Mountford	Alexander J Nicol
David Parker	David Paterson	Francis Renton
Sandy Scott	Ron Smith	Rory Stewart
Jim Torrance	George Turnbull	Tom Weatherston
Bill White		

Due to Local Government elections on 4 May 2017, the trustees for the year to 31 March 2018 will change.

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Welfare Fund.

All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

Shona Haslam
Trustee
Scottish Borders Council Welfare Trust
28 September 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2017

2015/16 £		2016/17 £	Notes
	Income From:		
2,677	Investments	2,529	1
2,677	Total Income	2,529	
	Expenditure on:		
176	Charitable activities	(278)	2
176	Total Expenditure	(278)	
(1,678)	(Loss) / gain on investment assets	(407)	
1,175	Net Movement in Funds	1,844	
	Reconciliation of Funds		
107,949	Total funds brought forward	109,124	
109,124	Total Funds Carried Forward	110,968	6

BALANCE SHEET as at 31 March 2017

as at 31 March 2016 RESTATED			as at 31 March 2017		Notes
£	£		£	£	
		Fixed Assets			
98,898		Investments	98,491		4
	98,898			98,491	
		Current Assets			
	10,226	Short term investment in SBC loans fund		12,477	5
		Current Liabilities			
	0	Creditors: Amounts falling due within 1 year		0	
	10,226	Net Current Assets		12,477	
	109,124	Total Net Assets		110,968	
		The Funds of the Charity			
(109,124)		Restricted income funds	(110,968)		6,7
	(109,124)	Total Charity Funds		(110,968)	

All of the charity's activities are continuing.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 and 13 form part of these Financial Statements.

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue of 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Shona Haslam
Trustee
Scottish Borders Council Welfare Trust
28 September 2017

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2015/16 £		2016/17 £
95	Bank Interest Receivable	33
2,582	Income from Investment Portfolio	2,496
2,677		2,529

2 Charitable Activities

Charitable activities during the year related to grants accrued and or paid to:

Galashiels Local Relief Fund - £108.86, and
Senior Citizens Co-Ordinating Committee - £168.33

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund. There were no governance costs paid directly by the charity. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2017 all investments were with the Newton Real Return Fund.

5 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

6 Restricted Funds

The funds held with the Charity are restricted by area, purpose or both. The restrictions for each are shown in the table below. Expenditure in the year relates to net loss on Newton investments made in the year. It is included here to reconcile the restricted balances.

2015/16 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	Loss on investment assets	2016/17 Balance
£	£		£	£	£	£
60,151	Mid & East Berwickshire	a&b	1,361	0	218	61,294
4,188	Galashiels & District	a&b	109	109	18	4,170
8,898	Leaderdale & Melrose	a&b	205	0	33	9,070
19,875	Jedburgh & District	a&b	476	0	77	20,274
8,120	Hawick/Denholm/Hermitage	a&b	192	0	31	8,281
717	Tweeddale East & West	Unrestricted	17	0	3	731
7,175	Tweeddale East & West	a&b	168	168	27	7,148
109,124			2,528	277	407	110,968

7 Reserves Policy

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- any and all applications for grants
- all support and governance costs are covered

At 31 March 2017, the reserves of the SBC Welfare Trust amounted to:

- Restricted Income Funds - £110,968

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the trustees of Scottish Borders Council Welfare Trust and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and financial statements of Scottish Borders Council Welfare Trust for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other prescribed matter

I am required by the Accounts Commission to express an opinion on the following matter. In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Asif A Haseeb OBE
Audit Scotland
102 West Port
Edinburgh
EH3 9 DN

29 September 2017

Asif A Haseeb is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) 1973

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Welfare Trust, please contact:

Kirsty Robb	Telephone: 01835 – 825249
Capital & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk



Scottish Borders Council
SBC Education Trust

Charity Registration Number: SC044762

annual report and financial statements

for the year to 31 March 2017



Contents

	Page
Foreword	3
Trustee's Annual Report	3
Statement of Trustees' Responsibilities for the Annual Report and Financial Statements	7
Financial Statements	
Statement of Financial Activities	8
Balance Sheet	9
Accounting Policies	10
Notes to the Financial Statements	12
Independent Auditor's Report	13
Additional Information	16

FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Education Trust, the "Trust", in 2014/15. Investigative work commenced in 2015/16 to identify further "Educational" trusts which could be integrated into this Charity. This work continued in 2016/17 and is planned to be substantially concluded in 2017/18 with the proposed amalgamation of numerous educational based trusts and bequests into the SBC Education Trust

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2017.

Structure

Following the establishment of the Trust, Scottish Borders Council on 21st May 2015 approved the appointment of the Convenor of Scottish Borders Council as the Chairman and the creation of Charitable Trusts Sub-Committees. The Council has delegated powers to the Sub-Committee to manage the operation of the Trust according to its charitable purpose.

Charitable Purpose

- To advance and/or promote cultural exchange by, among other things, the payment of grants and/or loans, the award of bursaries, the award of prizes, payment towards cultural exchanges that further an educational purpose both within Scottish Borders area and further afield (including abroad), to such educational institutions, charities or other organisations or to such individuals deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purpose of the advancement of education and/or promotion of cultural exchange.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity has made a donation to one eligible beneficiary during the year to 31 March 2017.

Plans for the Future

- The fund will be promoted and continue to grant awards to recipients who may be eligible for disbursement of funds under the eligibility restrictions of the funds.
- It is anticipated that the ongoing reorganisation work undertaken by Scottish Borders Council officers, including further refinement of existing disbursement criteria, will result in the amalgamation of other registered and non-registered trusts and bequests into the SBC Education Trust in 2017/18.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the newly established Charity.
- b) In terms of the Trustee's governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21st May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2017, the reserves of the SBC Education Trust amounted to:

- Restricted Income Funds - £1,811

Investments

Per the Council's Common Good and Trust Fund investment strategy the main balance of funds are invested in the Newton Real Return Fund.

Reference and Administrative Information

Charity Name SBC Education Trust

Charity registration number SC044762

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2017 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Willie Archibald	Michelle Ballantyne
Stuart Bell	Catriona Bhatia	Jim Brown
Joan Campbell	Michael J Cook	Keith Cockburn
Alastair Cranston	Vicky M Davidson	Gordon Edgar
James A Fullerton	Graham H T Garvie	Iain Gillespie
John Greenwell	Bill Herd	Gavin Logan
Stuart Marshall	Watson McAteer	John G Mitchell
Donald Moffat	Simon Mountford	Alexander J Nicol
David Parker	David Paterson	Francis Renton
Sandy Scott	Ron Smith	Rory Stewart
Jim Torrance	George Turnbull	Tom Weatherston
Bill White		

Due to Local Government elections on 4 May 2017, the trustees for the year to 31 March 2018 will change.

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Education Trust.

All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

Shona Haslam
Trustee
Scottish Borders Council Education Trust
28 September 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102.

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2017

2015/16 £		2016/17 £	Notes
	Income from:		
119	Investments	131	
119	Total Income	131	
	Expenditure on:		
(42)	Charitable activities	(50)	1
(42)	Total Expenditure	(50)	
(24)	(Loss) / gains on investment assets	(7)	
53	Net Movement in Funds	74	
	Reconciliation of Funds		
1,684	Total funds brought forward	1,737	
1,737	Total Funds Carried Forward	1,811	

BALANCE SHEET as at 31 March 2017

as at 31 March 2016			as at 31 March 2017		Notes
£	£		£	£	
1,592		Fixed Assets			
		Investments	1,585		3
	1,592			1,585	
		Current Assets			
	145	Short term investment in SBC loans fund.		226	4
	145	Net Current Assets		226	
	1,737	Total Net Assets		1,811	
		The Funds of the Charity			
(1,737)		Restricted income funds	(1,811)		
	(1,737)	Total Charity Funds		(1,811)	

All of the charity's activities are continuing.

The Accounting Policies on pages 10 and 11 and the Notes on page 12 form part of these Financial Statements.

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Shona Haslam
Trustee
Scottish Borders Council Education Trust
28 September 2017

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Charitable Activities

The charity provided a grant to one eligible beneficiary during the year to 31 March 2017.

2 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund. There were no governance costs paid directly by the charity. No Trustee remuneration or other expenses were incurred.

3 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2017 all investments were with the Newton Real Return Fund.

4 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the trustees of Scottish Borders Council Education Trust and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and financial statements of Scottish Borders Council Education Trust for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other prescribed matter

I am required by the Accounts Commission to express an opinion on the following matter. In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Asif A Haseeb OBE
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 September 2017

Asif A Haseeb is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) 1973

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Education Trust, please contact:

Kirsty Robb	Telephone: 01835 – 825249
Capital & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk



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Scottish Borders Council
SBC Community Enhancement Trust
Charity Registration Number: SC044764

annual report and financial statements

for the year to 31 March 2017



Contents

	Page
Foreword	3
Trustee's Annual Report	3
Statement of Trustees' Responsibilities for the Annual Report and Financial Statements	7
Financial Statements	
Statement of Financial Activities	8
Balance Sheet	9
Accounting Policies	10
Notes to the Financial Statements	12
Independent Auditor's Report	14
Additional Information	17

FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Community Enhancement Trust, the "Trust", which was established from 10 funds held by Scottish Borders Council. The purpose of the trust is as follows:

- a) The advancement of community development;
- b) The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets;
- c) The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; or
- d) The advancement of environmental protection or improvement.

During 2016/17 further work on the reorganisation of charity funds continued and it is planned that further resources will be transferred into this Trust in 2017/18.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2017.

Structure

Following the establishment of the Trust, Scottish Borders Council on 21st May 2015 approved the appointment of the Convenor of Scottish Borders Council as the Chairman and the creation of Charitable Trusts Sub-Committees. The Council has delegated powers to the Sub-Committee to manage the operation of the Trust.

Charitable Purpose

- The advancement of Community Development;
- The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets;
- The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; or
- The advancement of environmental protection or improvement.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. No funds have been disbursed during 2016/17.

Plans for the Future

- The fund will be promoted and continue to grant awards to recipients who may be eligible for disbursement of funds under the eligibility restrictions of the funds.
- It is anticipated that the ongoing reorganisation work undertaken by Scottish Borders Council officers, including further refinement of existing disbursement criteria, will result in the amalgamation of other registered and non-registered trusts and bequests into the SBC Community Enhancement Trust in 2017/18.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the newly established Charity.
- b) In terms of the Trustee's governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21st May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:

Financial
Regulations

Code of
Corporate
Governance

Procedural
Standing
Orders

Scheme of
Administration

Scheme of
Delegation

- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2017, the reserves of the SBC Community Enhancement Trust amounted to:

- Restricted Income Funds - £73,560.

Investments

Per the Councils Common Good and Trust Fund investment strategy the main balance of funds are invested in the Newton Real Return Fund.

Reference and Administrative Information

Charity Name SBC Community Enhancement Trust

Charity registration number SC044764

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders

Trustees

The Trustees of this charity for the year to 31 March 2017 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Willie Archibald	Michelle Ballantyne
Stuart Bell	Catriona Bhatia	Jim Brown
Joan Campbell	Michael J Cook	Keith Cockburn
Alastair Cranston	Vicky M Davidson	Gordon Edgar
James A Fullerton	Graham H T Garvie	Iain Gillespie
John Greenwell	Bill Herd	Gavin Logan
Stuart Marshall	Watson McAteer	John G Mitchell
Donald Moffat	Simon Mountford	Alexander J Nicol
David Parker	David Paterson	Francis Renton
Sandy Scott	Ron Smith	Rory Stewart
Jim Torrance	George Turnbull	Tom Weatherston
Bill White		

Due to Local Government elections on 4 May 2017, the trustees for the year to 31 March 2018 will change.

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Community Enhancement Trust.

All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

Shona Haslam

Trustee

Scottish Borders Council Community Enhancement Trust

28 September 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2017

2015/16 £		2016/17 £	Notes
	Income from:		
2,419	Investments	1,873	1
2,419	Total Income	1,873	
	Expenditure on:		
0	Charitable activities	0	2
0	Total Expenditure	0	
(1,097)	(Loss) / gain on investment assets	(304)	4,5
1,322	Net Movement in Funds	1,569	
	Reconciliation of Funds		
70,669	Total funds brought forward	71,991	5
71,991	Total Funds Carried Forward	73,560	5

BALANCE SHEET as at 31 March 2017

as at 31 March 2016			as at 31 March 2017		Notes
£	£		£	£	
73,824		Fixed Assets			
	73,824	Investments	73,521	73,521	4
	0	Current Assets			
		Short term investment in SBC loans fund.	39		
	(1,833)	Current Liabilities			
		Creditors: Amounts falling due within 1 year		0	
	(1,833)	Net Current Assets		39	
	71,991	Total Net Assets		73,560	5
(71,991)		The Funds of the Charity			
		Restricted income funds	(73,560)		
	(71,991)	Total Charity Funds		(73,560)	5

All of the charity's activities are continuing.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 and 13 form part of these Financial Statements.

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Shona Haslam
Trustee
Scottish Borders Council Community
Enhancement Trust
28 September 2017

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2015/16 £		2016/17 £
26	Bank Interest Receivable	10
2,393	Income from Investment Portfolio	1,863
2,419		1,873

2 Charitable Activities

There were no charitable activities during 2016/17.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund. There were no governance costs paid directly by the charity. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2017 all investments were with the Newton Real Return Fund.

5 Restricted Funds

The funds held with the Charity are restricted by area, purpose or both. Expenditure includes grants paid out but also the net unrealised loss on Newton investment during the year. These balances are required to be included in order to reconcile opening and closing balances. They were included in income last year when there was a net unrealised gain on investment.

The restrictions for each are shown in the table below. The purpose of these funds are:

- a) Advancement of Community Development
- b) The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets
- c) The provision of recreational facilities, or the organisation of recreational activities are primarily intended, or
- d) Advancement of environmental protection or improvement

2015/16 Balance	Restricted by Area	Restricted by Purpose	Income	Loss on investment assets	2016/17 Balance
£	£		£	£	£
1,494	Borders Wide	a	36	6	1,524
12,959	Berwickshire	Unrestricted	311	50	13,220
27,817	Berwickshire	b	824	135	28,506
517	Berwickshire	Henderson Park & War Mem.	14	2	529
1,600	Cheviot	Allerley Park	38	6	1,632
1,096	Selkirkshire	Unrestricted	26	4	1,118
19,674	Teviot & Liddiesdale	b	460	74	20,060
6,834	Teviot & Liddiesdale	a&b	164	27	6,971
71,991			1,873	304	73,560

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the trustees of Scottish Borders Council Community Enhancement Trust and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and financial statements of Scottish Borders Council Community Enhancement Trust for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other prescribed matter

I am required by the Accounts Commission to express an opinion on the following matter. In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Asif A Haseeb OBE
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 September 2017

Asif A Haseeb is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) 1973

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Community Enhancement Trust, please contact:

Kirsty Robb	Telephone: 01835 – 825249
Capital & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk



Scottish Borders Council Thomas Howden Wildlife Award Fund

Charity Registration Number: SC015647

annual report and financial statements

for the year to 31 March 2017



Contents

	Page
Foreword	3
Trustee's Annual Report	3
Statement of Trustees' Responsibilities for the Annual Report and Financial Statements	7
Financial Statements	
Statement of Financial Activities	8
Balance Sheet	9
Accounting Policies	10
Notes to the Financial Statements	12
Independent Auditor's Report	13
Additional Information	16

FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

In late 2012/13 the reorganisation of 34 registered charities was formally recognised by OSCR and this work continued in 2015/16 with full approval of OSCR. The Thomas Howden Wildlife Fund was not included in this initial reorganisation but work which commenced in 2016/17 will be completed in 2017/18, in conjunction with OSCR to reorganise this fund into the SBC Education Trust.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2017.

Charitable Purpose

- The bequest is to be used to make provision for 2 prizes at Peebles High School for wildlife educational activities with Trustees discretion not to award in any year.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. No funds have been disbursed during 2016/17.

Plans for the Future

- In 2016/17 work continued to reorganise the Thomas Howden Wildlife Award Fund into the SBC Education Trust which was established in the initial reorganisation of charities. This work was completed in March 2017 with Council approval for the reorganisation. A formal application will be made to OSCR in 2017/18.

Governance and Management

Type of Governing Documents

- a) The Charity came to be administered by the Council during local government reorganisation in 1996. The trust purpose was set out in a deed of trust by Williemeana Mary Andrew Howden in favour of the former education authority, The Borders Regional Council, dated 31 May 1988 although the principal deed is not held by the Council.
- b) The overarching governance of the Charity is the principle of statute and common law governing trusts and bequests. The statutory framework are through the Local Government Scotland Act 1994, with the Local Government (Scotland) Act 1973 provisions still in force, and the Local Government in Scotland Act 2003.
- c) The funds are governed by Trustee's in line with the Local Code of Corporate Governance of Scottish Borders Council, consideration being given to:

Financial
Regulations

Code of
Corporate
Governance

Procedural
Standing
Orders

Scheme of
Administration

Scheme of
Delegation

- d) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- e) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2017, the reserves of the Thomas Howden Wildlife Award amounted to:

- Restricted Income Funds - £4,432.37

Investments

Per the Councils Common Good and Trust Fund investment strategy the main balance of funds are invested in the Newton Real Return Fund.

Reference and Administrative Information

Charity Name Thomas Howden Wildlife Award Fund

Charity registration number SC015647

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2017 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Willie Archibald	Michelle Ballantyne
Stuart Bell	Catriona Bhatia	Jim Brown
Joan Campbell	Michael J Cook	Keith Cockburn
Alastair Cranston	Vicky M Davidson	Gordon Edgar
James A Fullerton	Graham H T Garvie	Iain Gillespie
John Greenwell	Bill Herd	Gavin Logan
Stuart Marshall	Watson McAteer	John G Mitchell
Donald Moffat	Simon Mountford	Alexander J Nicol
David Parker	David Paterson	Francis Renton
Sandy Scott	Ron Smith	Rory Stewart
Jim Torrance	George Turnbull	Tom Weatherston
Bill White		

Due to Local Government elections on 4 May 2017, the trustees for the year to 31 March 2018 will change.

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Thomas Howden Wildlife Award Fund

All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

Shona Haslam

Trustee

Scottish Borders Council Thomas Howden Wildlife Award Fund

28 September 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for year ended 31 March 2017

2015/16 £0.00		2016/17 £0.00	Notes
205.35	Income from: Investments	226.64	1
205.35	Total Income	226.64	
0	Expenditure on: Charitable activities	0	2
0	Total Expenditure	0	
(54.09)	(Loss) / gain on investment assets	(14.97)	
151.26	Net Movement in Funds	211.67	
	Reconciliation of Funds		
4,069.44	Total funds brought forward	4,220.70	
4,220.70	Total Funds Carried Forward	4,432.37	6

BALANCE SHEET as at 31 March 2017

as at 31 March 2016			as at 31 March 2017		Notes
£0.00	£0.00		£0.00	£0.00	
		Fixed Assets			
3,640.85		Investments	3,625.88		4
	3,640.85			3,625.88	
		Current Assets			
	579.85	Short term investment in SBC loans fund.		806.49	5
	579.85	Net Current Assets		806.49	
	4,220.70	Total Net Assets		4,432.37	
		The Funds of the Charity			
(4,220.70)		Restricted income funds	(4,432.37)		6
	(4,220.70)	Total Charity Funds		(4,432.37)	

All of the charity's activities are continuing.

The Accounting Policies on pages 10 and 11 and the Notes on page 12 form part of these Financial Statements.

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Shona Haslam
Trustee
Scottish Borders Council Thomas Howden
Wildlife Award Fund
28 September 2017

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2015/16 £0.00		2016/17 £0.00
1.51	Bank Interest Receivable	1.93
203.84	Income from Investment Portfolio	224.71
205.35		226.64

2 Charitable Activities

There were no charitable activities during 2016/17.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund. There were no governance costs paid directly by the charity. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2017 all investments were with the Newton Real Return Fund.

5 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

6 Reserves Policy

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- any and all applications for grants
- all support and governance costs are covered

At 31 March 2017, the reserves of the Thomas Howden Wildlife Award amounted to:

Restricted Income Funds - £4,432.37.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the trustees of Scottish Borders Council Thomas Howden Wildlife Award Fund and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and financial statements of Scottish Borders Council Thomas Howden Wildlife Award Fund for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other prescribed matter

I am required by the Accounts Commission to express an opinion on the following matter. In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Asif A Haseeb OBE
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 September 2017

Asif A Haseeb is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) 1973

ADDITIONAL INFORMATION

Contact Details

For further information on the Thomas Howden Wildlife Award Fund, please contact:

Kirsty Robb	Telephone: 01835 – 825249
Capital & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk



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Scottish Borders Council
Ormiston Trust for Institute
Charity Registration Number: SC019162

annual report and financial statements

for the year to 31 March 2017



Contents

	Page
Foreword	3
Trustee's Annual Report	3
Statement of Trustees' Responsibilities for the Annual Report and Financial Statements	7
Financial Statements	
Statement of Financial Activities	8
Balance Sheet	9
Accounting Policies	10
Notes to the Financial Statements	12
Independent Auditor's Report	14
Additional Information	17

FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Due to the Ormiston Institute containing heritable assets it has not been included in the new Charities recently established by Scottish Borders Council following a reorganisation of a number of trusts, in consultation with OSCR. The Ormiston Institute remains a single registered charity.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2017.

Structure

The Charity is a single standalone charity for the Ormiston Institute in Melrose and is registered with OSCR.

Charitable Purpose

- The fund is to be used to provide and maintain the property known as the Ormiston Institute in Melrose to provide recreational and educational rooms in the town for the inhabitants of the Town and district.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for.
- The funds generated during 2016/17 have been fully utilized during the year. The funds are expended on behalf of the Charity by Live Borders who manages facility on behalf of the Trustees.

Plans for the Future

- Scottish Borders Council will continue to manage the service on behalf of Trustees ensuring access to the services and building is provided.
- An ongoing project, led by the Trimontium Trust aims to expand and improve the Trimontium Museum, located in the Ormiston Institute.

Governance and Management

Type of Governing Documents

- a) The charity came to be administered by the Council during local government reorganisation in 1996. A Trust Disposition and settlement by the late Charles Walker Ormiston was requested with the books of Council and Session 13 February 1882. The present Council are the statutory successors to that body.
- a) The funds are governed by Trustee's in line with the Local Code of Corporate Governance of Scottish Borders Council, consideration being given to:

Financial
Regulations

Code of
Corporate
Governance

Procedural
Standing
Orders

Scheme of
Administration

Scheme of
Delegation

- c) When considering any action in connection with the Charity the Trustees must act in the interest of the Charity Funds.
- b) The financial statements comply with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, i.e. those wards covering former Burgh areas and in terms of the Council's Code of Governance.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2017, the reserves of the Ormiston Trust for Institute amounted to:

- Restricted Income Funds - £295,897

Investments Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested in the Newton Real Return Fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Common Good Funds

Charity registration number SC019162

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2017 were the duly elected members of the Leaderdale and Melrose ward of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Iain Gillespie

Jim Torrance

David Parker

Due to Local Government elections on 4 May 2017, the trustees for the year to 31 March 2018 will change.

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Ormiston Trust for Institute.

All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute
28 September 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2017

2015/16 £ Restated		2016/17 £	Notes
	Income From:		
256	Investments	257	1
256	Total Income	257	
	Expenditure on		
(25,500)	Raising funds	(25,500)	3
(256)	Charitable activities	(257)	2
(25,756)	Total Expenditure	(25,757)	
(151)	Gains/(Loss) / gain on investment assets	(49)	
(25,651)	Net Movement in Funds	(25,549)	
	Reconciliation of Funds		
347,097	Total funds brought forward	321,446	
321,446	Total Funds Carried Forward	295,897	

BALANCE SHEET as at 31 March 2017

as at 31 March 2016 Restated			as at 31 March 2017		Notes
£	£		£	£	
		Fixed Assets			
311,000		Tangible assets	285,500		4
10,141		Investments	10,092		5
	321,141			295,592	
		Current Assets			
305		Short term investment in SBC loans fund.	305		
	305	Total Current Assets		305	
	321,446	Total Net Assets		295,897	
		The Funds of the Charity			
	(321,446)	Restricted income funds	(295,897)		
	(321,446)	Total Charity Funds		(295,897)	

All of the charity's activities are continuing.

The Accounting Policies on pages 10 and 11 and the Notes on page 12 form part of these Financial Statements.

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue of 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute
28 September 2017

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets and Depreciation

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the last revaluation being undertaken in 2014/15. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

Upon close legal inspection of the Ormiston Trust disposition, it was clarified during 2016/17 that monies invested by the Greenyards Trust belongs to the Ormiston Trust. Therefore, income from bank interest and dividends have been included in restated 2015/16 figures as detailed below.

2015/16 Restated £'000		2016/17 £'000
1	Bank Interest Receivable	1
255	Income from Investment Portfolio	256
256		257

2 Charitable Activities during 2016/17

A single grant is made to Live Borders to maintain the property and provide the services required under the Charity terms.

3 Property Costs

The property costs consist of a depreciation charge for the use of the asset and is funded from the Restricted Funds. This is not a cash transaction.

4 Tangible Fixed Assets

The charity has a fixed asset of the Ormiston Institute building in Melrose. As noted above, it was clarified during 2016/17 upon close legal inspection of the Ormiston Trust disposition that land at Greenyards in Melrose also belonged to the Trust. This land has a net book value of £86,000. The 2015/16 comparative figures in the Balance sheet have been restated to include this. In addition a historical depreciation adjustment has been accounted for in relation to the Ormiston Institute to bring the net book value at 31 March 2017 in line with the Council's fixed asset register.

The movement in the value of Tangible Fixed Assets has been driven solely by the annual depreciation charge in 2016/17 as follows:

	£'000 - Restated
Opening Balance at 1 April 2016	311,000
Depreciation for year	25,500
Closing Balance at 31 March 2017	285,500

5 Investments

As mentioned above, investments in the Newton Fund held by the Greenyards Trust have been included in the restated 2015/16 accounts. All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2017 all investments were with the Newton Real Return Fund.

6 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund. There were no governance costs paid directly by the charity. No Trustee remuneration or other expenses have been incurred.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the trustees of Scottish Borders Council Ormiston Trust for Institute and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and financial statements of Scottish Borders Council Ormiston Trust for Institute for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other prescribed matter

I am required by the Accounts Commission to express an opinion on the following matter. In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Asif A Haseeb OBE
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 September 2017

Asif A Haseeb is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) 1973

ADDITIONAL INFORMATION

Contact Details

For further information on the Ormiston Trust for Institute, please contact:

Kirsty Robb	Telephone: 01835 – 825249
Capital & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk

Scottish Borders Council SBC Charitable Trusts

Charity Registration Number: SC043896

annual report and financial statements

for the year to 31 March 2017



Contents

	Page
Foreword	3
Trustee's Annual Report	3
Statement of Trustees' Responsibilities for the Annual Report and Financial Statements	7
Financial Statements	
Statement of Financial Activities	8
Balance Sheet	9
Accounting Policies	10
Notes to the Financial Statements	12
Independent Auditor's Report	15
Additional Information	18

FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

In late 2012/13 the charitable status of 76 various funds was formally recognised under a single Charity registration.

Work commenced in 2014/15 to re-organise a number of the other registered Charities managed by Scottish Borders Council into three new Charities covering Welfare, Community Enhancement and Education. The next phase of the work of re-organising the remaining funds held within this fund is planned to be completed in 2017/18 with full consultation and approval of OSCR.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2017.

Structure

The Charity comprises some 76 varied charitable funds. Their charitable status was regulated at the end of 2012/13 by OSCR.

Charitable Purpose

- The charitable purpose of this charity is to hold funds for each trust, Endowment or bequest comprising the Charity. Each of these funds have their own purpose related to the general purpose of the prevention or relief of poverty by reason of age, ill-health, disability, financial hardship or other disadvantage.

Summary of the Main Activities

- A number of the funds have made donations to eligible beneficiaries during the year to 31 March 2017 totalling £8,645 including contributions through area based Education Trusts for Further Education including overseas study and travel as well as music and dance expenses.

Plans for the Future

- Work to re-organise these funds will continue during 2017/18 to enable the funds to be more easily used for their charitable purposes. It is anticipated that by the end of 2017/18 all 76 trusts and bequests will be amalgated into the Scottish Borders Education, Community Enhancement or Welfare Trusts in conjunction with all stakeholders, including OSCR.

Governance and Management

Type of Governing Documents

- a) Since this Charity was formed as a holding charity for some 76 individual funds there is no overall governance document. A review is currently being undertaken into each of the constituent funds and this involves looking for governance and founding documentation.
- b) In terms of the Trustee's governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21st May 2015 and have been reflected in its governance codes. The Local Code of Corporate Governance of Scottish Borders Council covers the governance of the Charity and is comprised of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds' are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2017, the reserves of the SBC Charitable Trust Funds amounted to:

Restricted Income Funds - £616,466

Investments

Per the Councils Common Good and Trust Fund investment strategy the main balance of funds are invested in the Newton Real Return Fund.

Reference and Administrative Information

Charity Name	SBC Charitable Trusts
Charity registration number	SC043896
Business Address	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2017 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Willie Archibald	Michelle Ballantyne
Stuart Bell	Catriona Bhatia	Jim Brown
Joan Campbell	Michael J Cook	Keith Cockburn
Alastair Cranston	Vicky M Davidson	Gordon Edgar
James A Fullerton	Graham H T Garvie	Iain Gillespie
John Greenwell	Bill Herd	Gavin Logan
Stuart Marshall	Watson McAteer	John G Mitchell
Donald Moffat	Simon Mountford	Alexander J Nicol
David Parker	David Paterson	Francis Renton
Sandy Scott	Ron Smith	Rory Stewart
Jim Torrance	George Turnbull	Tom Weatherston
Bill White		

Due to Local Government elections on 4 May 2017, the trustees for the year to 31 March 2018 will change.

Chief Executive The Chief Executive of Scottish Borders Council is Tracey Logan.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Charitable Trusts.

All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Newtown St Boswells, Melrose.

Shona Haslam
Trustee
Scottish Borders Council Charitable Trusts
28 September 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2017

2015/16 £		2016/17 £	Notes
	Income from:		
178	Donations and legacies	205	1
28,621	Investments	33,244	2
28,799	Total Income	33,449	
	Expenditure on:		
(18,628)	Charitable activities	(8,645)	3,7
(18,628)	Total Expenditure	(8,645)	
(8,262)	(Loss) / gain on investment assets	(2,280)	
1,909	Net Movement in Funds	22,524	
	Reconciliation of Funds		
592,033	Total funds brought forward	593,942	
593,942	Total Funds Carried Forward	616,466	

BALANCE SHEET as at 31 March 2017

as at 31 March 2016			as at 31 March 2017		Notes
£	£		£	£	
559,237	559,237	Fixed Assets			
		Investments	555,457		5
34,705	34,705	Current Assets		555,457	
		Short term Investment in SBC loans fund	61,009		6
		Total Current Assets		61,009	
	593,942	Total Net Assets		616,466	
(593,942)		The Funds of the Charity			
		Restricted income funds	(616,466)		7
	(593,942)	Total Charity Funds		(616,466)	

All of the charity's activities are continuing.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Shona Haslam
Trustee
Scottish Borders Council Charitable Trusts
28 September 2017

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation and Assessment of Going Concern

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Donations and Legacies

Restricted

The voluntary income is from a number of unregistered funds, managed by Scottish Borders Council, which grant their annual income to the Jedburgh Coal Fund.

2 Investment Income

2015/16 £		2016/17 £
102	Bank Interest Receivable	127
28,519	Income from Investment Portfolio	33,117
28,621		33,244

3 Charitable Activities

The charitable activities during 2016/17 are shown in note 7 by individual fund within the charity. All expenditure incurred was for direct charitable activities.

4 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund. There were no governance costs paid directly by the charity. No Trustee remuneration or other expenses were incurred.

5 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2017 all investments were with the Newton Real Return Fund.

6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

7 Restricted Funds

2015/16 Balance	Fund	Income	Expenditure	2016/17 Balance
£	£	£	£	£
425	Alex Grieves Bequest (1)	11	13	423
291	Alex Grieves Bequest (2)	7	9	289
829	Andrew, Agnes & John Kyle	73	28	874
3,872	Ayton War Memorial Fund	96	98	3,870
6,518	Berwickshire Educational Trust	592	563	6,547
415	Brown Bequest	10	2	423
297	C W Dunnet Award	24	1	320
767	Campbell Calderhead Prize	47	3	811
16,285	Clive Craig-Brown Bequest	390	63	16,612
2,900	Col. Jem Richard Prize Fund	166	10	3,056
872	Coldstream Guards Prize	75	4	943
62	Coldstream War Memorial	2	2	62
1,558	Dalrymple's Mortification	37	6	1,589
1,358	Dr Milne Memorial Fund	75	5	1,428
103,269	Dunlop Bequest	2,473	400	105,342
1,791	Edgar Bequest	43	7	1,827
3,110	Elliot Mortification	75	12	3,173
3,162	Ewan Trust	76	12	3,226
1,100	Ex Provost Mercer's Bequest No1	28	32	1,096
210	Ex Provost Mrs Laidlaw's Benifaction	5	6	209
4,551	F W Dobson VC	344	19	4,876
16,832	Ferguson Dalwhinny Fund	403	65	17,170
2,438	G D Gibson's Bequest	62	72	2,428
15,609	Geoffrey Simpson Bequest	1,587	63	17,133
10,133	George D Gibson's Bequest	243	39	10,337
540	Hans D Langmack Prize Fund	40	2	578
1,885	Henry Laidlaw Trust	48	55	1,878
624	I Wallace Bequest	38	41	621
20,416	J A S Henderson Memorial Scholarship	2,786	58	23,144
2,753	J Purves Bequest	179	11	2,921
992	James Robertson Trust	62	3	1,051
84	James West Brown's Bequest	2	2	84
1,309	Jane Grieve Endowmnt	78	5	1,382
1,719	Jean Kincaird Grieve Endowment	96	6	1,809
10,950	Jedburgh Coal Fund	457	40	11,367
1,505	Jedburgh Public Library Fund	36	6	1,535
1,538	John Herbertson Bequest	39	45	1,532
240	John Hunter's Bequest	6	7	239
631	John Jamieson Prize Fund	34	2	663
96	John Murray's Bequest	2	3	95

Scottish Borders Council Charitable Trusts
Audited Annual Report and Financial Statements For The Year To 31 March 2017

243,936	Sub-total carried to next page	10,847	1,820	252,963
344	Joshua Goodfellow's Bequest	8	1	351
612	Kelso Library Book Fund	15	2	625
592	Kennedy Medal Fund	36	2	626
1,647	Kenneth Cochrane Library Fund	39	6	1,680
26	Lands at Calfward	1	0	27
263	Longformacus Public Park	7	8	262
3,901	Marjoribanks Bequest	95	15	3,981
784	Mary Dickson Prize Fund	58	3	839
545	McKinley Trust	13	2	556
21,794	Miss A T Waldie Trust	744	139	22,399
801	Mr & Mrs W F Johnstone Fund	40	3	838
416	Mrs Adams Bequest	9	1	424
928	Mrs Clelland Memorial Prize	51	3	976
2,778	Mrs Hobkirk's Fund	67	11	2,834
176	Mrs M Cheetham Bequest	4	5	175
2,776	Murray Medal Fund	195	11	2,960
262	Peebles Public Library	7	8	261
21,673	Peeblesshire Educational Trust	2,231	1,239	22,665
25,146	R D Forman's Bequest	603	97	25,652
4,683	Raith's Mortification	114	18	4,779
1,253	Robert Meggit's Bequest	32	37	1,248
53,257	Robert Watson Fund	1,345	1,565	53,037
97,426	Roxburghshire Educational Trust	9,767	4,981	102,212
3,529	Selkirk Library Fund	85	14	3,600
11,400	Selkirkshire Educational Trust	1,227	132	12,495
24,463	Simpson Dalwhinny Fund	1,716	86	26,093
6,372	Sir John Robert's Bequest	152	25	6,499
19,271	Sir Walter Leitch Scholarship	2,786	59	21,998
1,179	Special Air Service Reg. Fund	86	5	1,260
12,073	T J S Roberts Trust	289	47	12,315
2,328	Thomas B Williamson Bequest	56	9	2,375
1,229	Walter Geddes Prize Fund	65	4	1,290
868	Waugh Bequest	22	(173)	1,063
24,445	William Forrester's Bequest	617	718	24,344
464	William Laidlaw Memorial Fund	12	13	463
302	Wm Brown's Bequest	8	9	301
593,942		33,449	10,925	616,466

Income detailed above includes dividends received from the Newton Investment and interest earned on short term investment in SBC loans fund.

Expenditure includes grants paid out but also the net unrealised loss on Newton investment during the year. These balances are required to be included in order to reconcile opening and closing balances. They were included in income last year when there was a net unrealised gain on investment.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the trustees of Scottish Borders Council Charitable Trusts and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and financial statements of Scottish Borders Council Charitable Trusts for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other prescribed matter

I am required by the Accounts Commission to express an opinion on the following matter. In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Asif A Haseeb OBE
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 September 2017

Asif A Haseeb is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) 1973

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Charitable Trusts, please contact:

Kirsty Robb	Telephone: 01835 –825249
Capital & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk

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annual report and financial statements

Bridge Homes LLP

For the year to 31 March 2017

Contents

	Page
Members' Annual Report	2
Statement of Members' Responsibilities for the Members' Report and Financial Statements	5
Financial Statements	
Profit and Loss Account	6
Statement of Total Recognised Gains and Losses	6
Balance Sheet	7
Cash Flow Statement	8
Statement of Changes in Equity	9
Accounting Policies	10
Notes to the Accounts	12
Independent Auditor's Report to the Members	15
Contact Information	18

MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2017.

Reference and Administrative Information

Company Name	Bridge Homes LLP
Company Registration Number	SO304775
Registered Office	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Designated Members

The members who held office during the year and to the date of these financial statements were as follows:

Scottish Borders Council

Scottish Future Trust Investments Ltd

The members who held office at the date of approval of this members report confirm that, so far as they are each aware, there is no relevant audit information of which Bridge Homes' auditor is unaware; and each member has taken all the steps they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that Bridge Homes' auditor is aware of that information.

Auditor KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore remain in office.

Professional support

The Council provides the Administrative, Legal and Financial support and advice to Bridge Homes.

Principal Activity

The principal activity of Bridge Homes during the year was investment in mid-market residential property for domestic rental to meet an identified social need within the Scottish Borders.

Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members

1. Cash received by Bridge Homes, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any accrued interest charges on loan advances, thirdly to reimburse any amounts paid out under the Scottish Government guarantee (see below) and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above payments will be held to apply in early repayment of loan advances. Such balances will not be distributed without the unanimous approval of members and where any payment under the Facility Agreement (between Bridge Homes and Scottish Borders Council) has not been made in accordance with its terms.
2. Cash received from property disposals will be allocated firstly to reimburse any amounts paid out under the Scottish Government guarantee, secondly to pay any operating costs relating to the property disposed, thirdly in payment of any accrued interest charges on loan advances, fourthly to establish and maintain the Reserve Account balance, fifthly to repay any loan principal, sixth to pay any residual disposal proceeds to Scottish Borders Council and finally, following disposal of the final property, to repay the initial capital.

Business Review

Background

Scottish Borders Council (the Council) in partnership with Scottish Futures Trust Investments Ltd (SFT) have established a Council Led House Building Programme (National Housing Trust (NHT) Local Authority (LA) Variant in order to deliver more affordable housing in the Scottish Borders in line with the Local Housing Strategy. This NHT LA Variant, Bridge Homes LLP aims to deliver up to 200 homes for mid-market rent.

Bridge Homes is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £18.8m along with a £3.3m contribution from the Councils' Affordable Housing Investment Budget.

The Scottish Government provides a guarantee of rent to cover the loan of up to £3,000 per housing unit delivered.

SFT monitors the projects as a result of the Scottish Government guarantee for the loans.

Governance

The Bridge Homes Board has been established with 2 Council Senior Officers and 1 SFT Senior Officer on the Board. The Board meets quarterly and the financial viability of projects require to be signed off by all 3 Directors.

A Project Board, supported through the Council, has been established and meets regularly to oversee the development and delivery of the initiative. A Project Team, consisting of officers from the Council, has also been established to identify properties, secure property management service providers, develop systems and deliver the project.

Activity Summary

During 2016/17, Bridge Homes acquired additional programmed properties at Croft Field Court, Denholm [8 x 2 bedroom houses], Henderson's Court, Kelso [8 x 2 bedroomed flats], and Waverley Road, Innerleithen [6 x 2 bedroomed flats]. This increased Bridge Homes' property portfolio up to 45 units. These are all now being managed by Orchard and Shipman on behalf of Bridge Homes.

The managing agent's performance is being monitored by Council Officers, and no issues have been identified.

Council Officers are currently negotiating the anticipated purchase of 4 flats in Peebles which are currently under construction. Subject to market conditions it is hoped that these will be purchased upon completion in late 2017/18.

Unfortunately, the Developer delivering the 7 unit project at Lilliesleaf has gone into liquidation, so it is now considered very unlikely that this project will complete as intended. Council Officers are dealing with the Administrator seeking to recover the deposit paid by Bridge Homes.

As a result of increasing labour and materials costs, fewer financially viable projects are being negotiated and agreed, and potential future pipeline unit numbers are decreasing sharply. Currently 2 sites are classed as being monitored which could potentially deliver 15 units, plus a further 3 sites capable of potentially 30 units are classed as being open. The initiative deadline for unit completions remains 31 March 2019 and Council Officers are now considering the likelihood of these 5 sites delivering additional completed units prior to this deadline.

This report was signed on behalf of the Members by

David Robertson CPFA
Designated Member
Scottish Borders Council
28 September 2017

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS

The members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial period. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that year. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2017

2015/16 £		2016/17 £	Notes
81,472	Turnover	164,504	1
(17,205)	Cost of Sales	(41,045)	2
64,267	Gross Profit	123,459	
(34,451)	Administrative Expenses	(20,569)	3
29,816	Operating Profit	102,890	
(37,663)	Interest Payable & Similar Expenses	(82,146)	4
(7,847)	Profit/ (Loss) For The Financial Year Available For Discretionary Division Among Members	20,744	
	Other Comprehensive Income		
0	Reversal of Previous Impairment on Property	27,373	
0	Revaluation Gain on Property	581,767	
(7,847)	Total Comprehensive Income	629,884	

The LLP's turnover and expenses all relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2017

2015/16 £		2016/17 £
(7,847)	Profit/(Loss) For The Financial Year	20,744
(7,847)	Total Recognised Gains/(Losses) For The Financial Year	20,744

BALANCE SHEET as at 31 March 2017

2015/2016		2016/2017		Notes
£		£	£	
2,667,388	Fixed Assets			
	Land and Buildings		5,863,810	5
	Current Assets			
99,589	Debtors	93,413		6
15,020	Cash at Bank	30,282		
114,609		123,695		
	Creditors			
(29,638)	Amounts falling due within 1 year	(17,980)		7
84,972	Net Current Assets		105,716	
2,752,360	Net Assets attributable to Members		5,969,526	
	Represented By:			
2,343,320	Loans and Other Debts due to Members		4,600,602	8
	Members' Other Interests			
429,002	Capital Account	759,002		
(19,962)	Profit and Loss Reserve	28,155		
0	Revaluation Reserve	581,767		
			1,368,924	
2,752,360	Total Members' Interests		5,969,526	

The Accounting Policies on pages 9 and 10 and the Notes on pages 11 to 13 form part of these Financial Statements.

These financial statements were approved by the members and authorised for issue on 28 June 2017 and are signed on their behalf by:

David Robertson CPFA
Designated Member
Scottish Borders Council
28 June 2017

Company Registered Number: SO304775

CASH FLOW for the year ended 31 March 2017

Restated 2015/16 £		2016/17 £
	Reconciliation of Profit/(Loss) to Net Cash Flow from Operating Activities	
(7,847)	Profit/(Loss) for the Financial Year	20,744
59,043	Adjustments to Profit/Loss for Non Cash Movements/Non-Operating Activities: Interest paid	82,146
(92,006)	(Increase)/Decrease in Debtors	6,176
5,856	Increase/(Decrease) in Creditors due within 1 year	(11,658)
(34,954)	Net Cash Inflow/(Outflow) from Operating Activities	97,408

2015/16 £		2016/17 £
	Cash Flow Statement	
(34,954)	Net Cash Inflow/(Outflow) from Operating Activities	97,408
	Investing Activities	
(1,398,989)	Purchase of Property, Plant and Equipment	(2,587,282)
(1,398,989)	Net Cash Outflow from Investing Activities	(2,587,282)
	Financing Activities	
125,600	Capital Received	330,000
1,356,940	Cash received from loans and other borrowing	2,257,282
(37,663)	Interest Payable	(82,146)
1,444,877	Net Cash Inflow from Financing Activities	2,505,136
10,934	Increase in Cash	15,262
10,934	Movement in Cash in Period	15,262

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To/From Members £	Total £
Balance at 1 April 2016	429,002	(19,962)	0	2,343,320	2,752,360
Profit/(Loss) For The Year Available for Discretionary Division Among Members		20,744			20,744
Loan Funding Provided By Members				2,257,282	2,257,282
Revaluations		27,373	581,767		609,140
Capital Introduced By Members	330,000				330,000
Balance at 31 March 2017	759,002	28,155	581,767	4,600,602	5,969,526

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve	Loans & Other Debts Due To/From Members £	Total £
Balance at 1 April 2015	303,402	(12,115)	0	986,380	1,277,667
Profit/(Loss) For The Year Available for Discretionary Division Among Members		(7,847)			(7,847)
Loan Funding Provided By Members				1,356,940	1,356,940
Capital Introduced By Members	125,600				125,600
Balance at 31 March 2016	429,002	(19,962)	0	2,343,320	2,752,360

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2017) issued by the CCAB (Consultative Committee of Accountancy Bodies).

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Interest payable on capital advances is accounted for based on the applicable 4^{1/2} - 5 year PWLB (Public Works Loan Board) fixed interest rate applicable at the date the borrowing was initially incurred.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

Turnover

Turnover represents invoiced rental income from tenanted investment properties. This rental income is exempt from value added tax.

Tangible Fixed Assets

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land and Buildings are shown at most recent valuation. Any aggregate surplus or deficit arising from changes in market value is transferred to a revaluation reserve.

Under the Revaluation Policy, Property, Plant and Equipment are subject to revaluation every year. The fixed assets were revalued as at 31 March 2017 by Shepherd Chartered Surveyors, Independent Valuers.

Cash and Liquid Assets

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

Inventories

Any inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Support Services

The costs of support services provided by Scottish Borders Council are charged to Bridge Homes LLP in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP).

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

2015/16 £		2016/17 £
72,540	Rental Income	155,093
8,932	Revenue Grant	9,411
81,472		164,504

2 Cost of Sales

2015/16 £		2016/17 £
15,650	Management Charges	40,619
1,427	Insurance	0
0	Landlord Registration	218
128	Utilities	208
17,205		41,045

3 Administrative Expenses

2015/16 £		2016/17 £
4,997	Accountancy and Legal	11,007
800	Professional Fees	0
21,380	Revaluations	0
3,935	Audit	5,130
3,030	Estates and Housing	4,015
309	Miscellaneous	418
34,451		20,569

4 Interest Payable & Similar Charges

2015/16 £		2016/17 £
42	Bank Charges	192
37,621	Interest Payable on loan from Local Authority	81,955
37,663		82,146

5 Land and Buildings

2015/16 £		2016/17 £
1,398,989	Additions at Cost	2,587,282
(21,380)	Revaluations	609,140
2,667,388	NBV at 31 March	5,863,810

6 Debtors

2015/16 £		2016/17 £
5,550	Unpaid Rental Income	0
0	Grant for Central Support Costs	9,411
94,039	Other Debtors	84,002
99,589		93,413

7 Creditors: Amounts Falling Due Within One Year

2015/16 £		2016/17 £
433	Management Charges	0
800	Professional Fees	0
3,000	Audit	4,500
0	Accountancy	2,349
0	Legal Fees	6,968
0	Miscellaneous	4,163
25,405	Interest Payable on loan from Local Authority	0
29,638		17,980

8 Loans & Other Debts Due To Members

Loan advances shall be repaid in full on the Final Repayment Date. Interest is payable on each Advance at a fixed rate per annum, based on the prevailing PWLB interest rate.

2015/16 £		2016/17 £	Cumulative Total £
1,356,940	Loan from Local Authority	2,257,282	4,600,602

9 Members' Capital

2015/16 £		2016/17 £
	Initial Capital - Scottish Borders Council	
125,600	Initial Capital – Scottish Futures Trust Investments Ltd	330,000
	Capital Grant - Scottish Borders Council	
125,600		330,000

10 Related Party Transactions

Throughout the year Bridge Homes was controlled by the members. During the year, Bridge Homes entered into the following transactions with Scottish Borders Council:

Debtor/ (Creditor) At 31 March 2016 (Restated) £		Transaction £	Debtor/ (Creditor) At 31 March 2017 £
(2,343,320)	Loan	2,257,282	(4,600,602)
-	Capital Funding	330,002	-
-	Revenue Grant		9,411
-	Service Charge		(9,411)
(25,405)	Loan Interest	81,995	-
		2,669,339	

11 Ultimate Controlling Party

The Bridge Homes is controlled by the Designated Members as detailed on page 2.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIDGE HOMES LLP

We have audited the financial statements of Bridge Homes LLP for the year ended 31 March 2017 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 5, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or

- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG
29th September 2017

Statement of members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

Lynn Mirley	Telephone: 01835 – 825016
Corporate Finance Manager	E-mail: lmirley@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Scottish Borders Supports LLP

Members' report and financial statements

Registered number SO305176

For the year ended 31 March 2017

Contents

Members' report	3
Statement of members' responsibilities in respect of the Members' Report and the financial statements	7
Independent auditor's report to the members of Scottish Borders Supports LLP	8
Profit and Loss Account	10
Other Comprehensive Income	10
Balance Sheet	11
Statement of changes in net assets attributable to partners	12
Notes	13

Members' report

The members present their annual report and audited financial statements for the year ended 31 March 2017.

Principal Activity

The principal activity of Scottish Borders Supports LLP (SB Supports) is the provision of Adult Social Care services.

These financial statements represent the results of the year from 1 April 2016 until 31 March 2017.

The partnership employs 10 staff (10 full time equivalents) in 10 positions.

Designated Members

SB Supports LLP had two members during the year, Scottish Borders Council and SBC Nominees Limited, both of whom are designated members.

Business Review

Governance

The Board of Management is subject to the provision of the Members Agreement and neither the LLP nor the Board of Management shall make decisions in respect of the reserved matters set out in the agreement.

The Board of Management consists of:

- a) The Managing Director
- b) The Finance and Commercial Director
- c) The Operations Director
- d) The Chair

In addition up to five additional persons can be assumed to the Board of Management, where the persons have skills, knowledge or experience deemed to be useful to the Board of Management in fulfilling its obligations and functions to the LLP and its members. There were two additional persons on the Board of Management at the balance sheet date

The meetings of the Board of Management are held on a monthly basis. The LLP meets with Scottish Borders Council quarterly at the Council's Limited Liability Partnership Strategic Governance Group Committee. In addition the Chief Executive of Scottish Borders Council may at any time invite the LLP Officers to attend a meeting of the Council's Corporate Management Team to discuss such matters related to the Members Agreement and the Services of the Business.

The overall business structure remained consistent in 2016/17.

Members' report (continued)

Financial Results for the Year

In the year ended 31 March 2017, SB Supports LLP generated a loss of £310k. No profit distribution was made to members for the year. Net current liabilities were £20k and total net liabilities attributable to members were £20k. SB Supports LLP's financial statements have been prepared on a going concern basis.

Overall SB Supports performed as expected in its original Business Case for its second year of trading in being able to deliver a contribution to Scottish Borders Council of £1.127m.

Risk Management

SB Supports LLP recognises the importance of the management of corporate risk and applies appropriate corporate governance to ensure it is successfully monitored and managed.

The overall pressure on public finances whilst there is increasing demand for services continues to be the dominant risk to the LLP. Budget pressures and service reduction within Scottish Borders Council has an effect as the LLP provides key services to this main client group. SB Supports continues to monitor the change in business operation and address the mitigation of risk proactively.

Cash flow management procedures are in place to ensure that resources are managed effectively. This management of resources has ensured the company has never been required to use a bank overdraft facility.

SB Supports has adopted Scottish Borders Council's (SBC's) corporate risk policy to embed risk management into its business practices. During 2015 SB Supports Senior Management attended SBC's refreshed corporate risk management training course in recognition that risk management is part of their job. SB Supports has developed its risk register to reflect risks and mitigations associated with the delivery of its 2017-2022 Business Plan. The risk register will be regularly reviewed by its Senior Management Team and Board of Management as part of its performance monitoring processes. Scottish Borders Council's Internal Audit function, through a Service Level Agreement, carries out regular audits of business functions and areas of risk whose findings are reported to the Board of Management.

The partnership is subject to review and scrutiny by the Council's LLP Strategic Governance Group.

Employees & Stakeholders

SB Supports LLP is an Equal Opportunities employer and is committed to eliminating discrimination, victimisation, bullying and harassment amongst our workforce. Our Equal Opportunities Policy and Equality and Diversity Programme are in place to ensure our staff will be treated fairly and with dignity and respect at all times.

Members' report (continued)

Our commitment to equality is supported by a legal duty to provide all services and employment opportunities fairly and to adhere to all relevant codes of practice. We welcome our responsibilities as an employer, as a provider of services, and value the legislation that supports our policy commitments to equality and fairness.

Consultation with stakeholders is a key element in ensuring that continuous improvement in service provision is achieved and maintained. SB Supports LLP is responsive to the needs of its communities, citizens, customers and other stakeholders, and its plans and priorities are based on such an understanding. Involving key stakeholders in the decision-making process will continue to help to identify future policy and service priorities, and improvements that are required.

Transactions with Members

No remuneration of members occurred during the year. The members' share in the profit or loss for the year is accounted for as an allocation of profits with unallocated profits and losses included within 'other reserves'. SB Supports LLP transacts with one of its members, Scottish Borders Council. These transactions are covered by Service Provision Agreements agreed on 1st April 2015.

Activity Summary

SB Cares supported 12,000 clients, families and carers in 2016/17 through the provision of its adult social cares services by:

- Delivering 821,000 visits to enable people to remain in their own homes
- Issuing 45,000 pieces of ability equipment to support people live more independently
- Supporting 3,200 clients maintain independence with 24 hour monitored personal alarms
- Providing 24 hour support to 190 clients in a care home environment with for those people with higher level needs
- Supporting 150 clients in our day services enabling people to remain at home and providing respite to families and carers

The Board of Management delivered a number of the objectives set out in the 2016/17 business plan during:

- Improving the quality of our services with 84% of services receiving Care Inspectorate grades of good or above
- establishing itself as provider of last resort stepping in on behalf of Scottish Borders Council to provide emergency support to vulnerable clients
- delivering efficient and effective services through new ways of working by sharing staff and expertise across services types
- create the ability to provide and sell a range of services to people who do not meet the Council's current eligibility criteria launching our direct sales of personal alarms and ability equipment
- identifying and deliver recurring procurement savings through a new procurement strategy for the business working in partnership with our suppliers

Members' report (continued)

SB Cares Board of Management has set out its Business Plan for 2017-2022 with the focus on delivering our three strategic aims with 6 key priorities.

Strategic Aims

1. Quality – have a team of staff who can deliver seamless, high quality care and support to every client
2. Efficiency – to develop our staff, resources and finances as efficiently and effectively as possible, ensuring best value
3. Business growth – to expand and grow the services we provided for the people of the Scottish Borders and generate income to invest in future care services

Our Priorities:

1. Invest in our staff
2. Make our services as efficient and effective as possible
3. Modernise our services through technology
4. Grow and develop our business
5. Build on key partnerships
6. Develop excellent governance

Disclosure of information to auditor

The members who held office at the date of approval of this members' report confirm that, so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be appointed and KPMG LLP will therefore be in office.

The financial statements were authorised for issue on 18 September 2017.

Approved by the members and signed on 18 September 2017 by

For and on behalf of
Scottish Borders Supports LLP
Designated member

Registered Office:-

SB Cares
Council HQ
Newtown St Boswells
TD60SA

Statement of members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the LLP financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the LLP financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Scottish Borders Supports LLP

We have audited the financial statements of Scottish Borders Supports LLP for the year ended 31 March 2017 set out on pages 10 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 7 the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Independent auditor's report to the members of Scottish Borders Supports LLP (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Hugh Harvie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

Date

Profit and Loss Account

For the year ended 31 March 2017

	Notes	2017 £000	2016 £000 Restated
Turnover	2	17,538	17,521
Cost of sales		<u>(17,075)</u>	<u>(16,722)</u>
Gross profit		463	799
Administrative expenses		<u>(779)</u>	<u>(516)</u>
Operating (loss)/profit		(316)	283
Interest receivable and similar income	5	<u>6</u>	<u>7</u>
(Loss)/profit on ordinary activities before and after taxation		<u>(310)</u>	<u>290</u>
 (Loss)/profit for the financial year available for discretionary division among members		 <u>(310)</u>	 <u>290</u>

All of the LLP's operations are classed as continuing.

Other Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 £000	2016 £000 Restated
(Loss)/profit for the year available for discretionary division among members		(310)	290
Total comprehensive income for the year		<u>(310)</u>	<u>290</u>

The accompanying notes form integral part of these financial statements.

Balance Sheet

at 31 March 2017

	Note	2017 £000	2016 £000 Restated
Fixed assets	7	<u>678</u>	<u>342</u>
Current assets			
Stock	8	74	31
Debtors	9	221	782
Cash at bank and in hand		<u>2,946</u>	<u>1,408</u>
		3,241	2,221
Creditors: amounts falling due within one year	10	<u>(3,939)</u>	<u>(2,273)</u>
Net current (liabilities)		<u>(698)</u>	<u>(52)</u>
Total assets less current liabilities		<u>(20)</u>	<u>290</u>
Net (liabilities)/assets		<u>(20)</u>	<u>290</u>
Members' other interests			
Members' capital		-	-
Other reserves		<u>(20)</u>	<u>290</u>
Total other reserves		<u>(20)</u>	<u>290</u>

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the members on 18 September 2017 and were signed on its behalf by:

For and on behalf of
Scottish Borders Supports LLP
Designated member

Company registered number: **SO305176**

Statement of Change in Net Assets Attributable to Partners

For the year ended 31 March 2017

	Members' Capital	Other Reserves	Total Other Reserves	Total Members' Interest
	£000	£000	£000	£000
Balance at 31 March 2015 as previously reported	-	-	-	-
Loss for the financial period	-	(25)	(25)	(25)
Balance at 31 March 2016 as previously reported	-	(25)	(25)	(25)
Restatement due to change of accounting policy (see note 1)	-	315	315	315
Balance at 31 March 2016 restated	-	<u>290</u>	<u>290</u>	<u>290</u>
Loss for the financial year	-	<u>(310)</u>	<u>(310)</u>	<u>(310)</u>
Balance at 31 March 2017	-	<u>(20)</u>	<u>(20)</u>	<u>(20)</u>

The accompanying notes form an integral part of the financial statements

Notes *(forming part of the financial statements)*

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

The financial statements have been prepared in accordance with FRS101. In preparing these financial statements, the Company applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions have been taken.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- a cash flow statements and related notes;
- comparative period reconciliations of share capital;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

The LLP's financial statements are fully consolidated in the group financial statements prepared and published by Scottish Borders Council. This entitles the LLP to use the exemption from the preparation of a cash flow statement as stated in International Accounting Standard 1 'cash flow statements' ("IAS1").

As the LLP is a wholly owned subsidiary of Scottish Borders Council, the LLP has taken advantage of the exemption contained in International Accounting Standard 24 'related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position, are set out in the members' report on page 3. The members have a reasonable expectation that despite there being a negative net worth at the end of the year the LLP has adequate resources to continue in operational existence for the foreseeable future with a service provision agreement in place for Adult Social Cares service from Scottish Borders Council, until 2020 Thus the members continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes (continued)

Members' remuneration and allocation of profits

Members are not remunerated by the LLP. A member's share in the profit or loss for the accounting period is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

Members' capital

The capital requirements of the LLP are determined from time to time by the members. No interest is paid on capital.

Value added tax

The LLP is registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Fixed assets

Assets purchased in excess of the de minimis level of £1,000 or grouped £5,000 are included in the balance sheet as fixed assets. Depreciation is applied in the period from 1 April in the financial year following their acquisition.

Depreciation is charged on a straight line basis and the useful life of an asset is deemed to be:

I.T. Systems	3 years
Plant and Equipment	5 years
Rehabilitation Equipment	5-10 years

Assets disposed of, or taken out of use will be fully written off in period of disposal or removal from use.

Restatement - Fixed Assets

The accounts have been restated to incorporate the effect of a change in accounting policy with regard to rehabilitation equipment. This equipment is held for distribution to clients for use to maintain independence in their own homes.

This expenditure was previously expensed through the profit and loss account. The Board of Management have reviewed the policy and have agreed that it is more appropriate to capitalise some of this expenditure in the balance sheet and apply depreciation over the estimated economic useful life of the asset. This provides a more accurate reflection of the resources deployed by SB Supports LLP in supplying its services.

Notes (continued)

Summary of the prior year accounting impact: Balance sheet

	As previously stated £000	Adjustment £000	Restated £000
Fixed assets	27	315	342
Current assets	2,221	-	2,221
Creditors	(2,273)	-	(2,273)
Net assets/(liabilities)	(25)	315	290
Represented by:			
Members' capital	-	-	-
Other reserves	(25)	315	290

Summary of the prior year accounting impact: Profit & Loss account

	As previously stated £000	Adjustment £000	Restated £000
Turnover	17,521	-	17,521
Cost of sales	(17,037)	315	(16,722)
Other expenses	(509)	-	(509)
Operating profit	(25)	315	290

Taxation

Taxation on all partnership profits is solely the liability of individual members. Consequently neither taxation nor related deferred taxation arising in the LLP are accounted for in these financial statements.

Income recognition

Income is recognised in the accounting period to which it relates. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest model, less any impairment losses.

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

Stock

Stock is valued at the lower of cost and net realisable value in line with the requirements of International Accounting Standard 2 "Inventories" ("**IAS2**")

Notes (continued)

2 Turnover

Turnover represents the invoiced value of goods and services supplied under the principal activities of the LLP.

3 Staff numbers and costs

The average Full Time Equivalent number of persons employed by the LLP during the year, analysed by category, was as follows:

Number of employees (FTE)

	2017	2016
	£000	£000
Administration	<u>11</u>	<u>10</u>

Staff costs for the above persons were:

Wages and salaries	419	331
Social security costs	43	30
Pension costs	<u>56</u>	<u>44</u>
	<u>518</u>	<u>405</u>

4 Expenses and auditors' remuneration

Included in the (loss)/profit for the year are the following

	2017	2016
	£000	£000
Audit of these financial statements	<u>22</u>	<u>15</u>

5 Other interest receivable and similar income

	2017	2016
	£000	£000
Other interest receivable	<u>6</u>	<u>7</u>

6 Particulars of members

The number of members of the Limited Liability Partnership for the year was two. No remuneration was paid to either member.

Notes (continued)

7 Fixed assets

	IT Systems £000	Plant & Equipment £000	Rehabilitation equipment £000	Total £000
At 31 March 2016 as previously stated	15	12	-	27
Recognition of assets due to change in accounting policy (see note 1)	-	-	315	315
At 31 March 2016 as restated	<u>15</u>	<u>12</u>	<u>315</u>	<u>342</u>
Additions	-	57	313	370
At 31 March 2017	<u>15</u>	<u>69</u>	<u>628</u>	<u>712</u>
Depreciation				
At 31 March 2016	-	-	-	-
Charge for the year	4	3	27	34
At 31 March 2017	<u>4</u>	<u>3</u>	<u>27</u>	<u>34</u>
Net book value				
At 31 March 2016	<u>15</u>	<u>12</u>	<u>315</u>	<u>342</u>
At 31 March 2017	<u>11</u>	<u>66</u>	<u>601</u>	<u>678</u>

8 Stock

	2017 £000	2016 £000
Raw materials and consumables	<u>74</u>	<u>31</u>

9 Debtors

	2017 £000	2016 £000
Trade debtors	21	39
Amounts owed by group undertakings	55	576
Prepayments and accrued income	<u>145</u>	<u>167</u>
	<u>221</u>	<u>782</u>

Notes (continued)

10 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	18	38
Amounts owed to group undertakings	366	415
Other creditors	706	541
Value added tax	507	839
Accruals and deferred income	<u>2,342</u>	<u>440</u>
	<u>3,939</u>	<u>2,273</u>

11 Financial instruments

The financial instruments held are trade receivables, cash and cash equivalents, trade creditors and other creditors. All are held at amortised cost which, given their short term nature is estimated to equate to fair value.

The partnership's exposure to credit risk is considered to be minimal given its principal trade debtor is Scottish Borders Council. Similarly given the nature of its business it is considered to have limited liquidity risk.

12 Post Balance Sheet Events

There were no post balance sheet events requiring adjustment or disclosure within the financial statements.

13 Ultimate parent organisation

The LLP's ultimate parent undertaking is Scottish Borders Council, one of its designated members, as this is the largest group into which the results of the LLP are consolidated. The consolidated group financial statements of Scottish Borders Council may be obtained from its registered office at the Scottish Borders Council offices, Newtown St Boswells, TD6 0SA.

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Scottish Borders Cares LLP

Members' report and financial statements

Registered number SO305156

For the year ended 31 March 2017

Contents

Members' report	3
Statement of members' responsibilities in respect of the Members' Report and the financial statements	8
Independent auditor's report to the members of Scottish Borders Cares LLP	9
Profit and Loss Account	11
Other Comprehensive Income	11
Balance Sheet	12
Statement of changes in net assets attributable to partners	13
Notes to accounts	14

Members' report

The members present their annual report and audited financial statements for the year ended 31 March 2017.

Principal Activity

The principal activity of Scottish Borders Cares LLP (SB Cares) is the provision of Adult Social Care services.

These financial statements represent the results of the year of trading from 1 April 2016 until 31 March 2017.

The partnership employs **830** staff (**501** full time equivalents) in **198** positions with a number of staff having more than one role.

Designated Members

SB Cares LLP had two members during the year, Scottish Borders Council and SBC Nominees Limited, both of whom are designated members.

Business Review

Business Structure

The Board of Management is subject to the provision of the Members Agreement and neither the LLP nor the Board of Management shall make decisions in respect of the reserved matters set out in the agreement.

The Board of Management is employed by Scottish Borders Supports LLP and consists of:

- a) The Managing Director
- b) The Finance and Commercial Director
- c) The Operations Director
- d) The Chair

In addition up to five additional persons can be assumed to the Board of Management, where the persons have skills, knowledge or experience deemed to be useful to the Board of Management in fulfilling its obligations and functions to the LLP and its members. There are currently two additional persons on the Board of Management.

The meetings of the Board of Management are held on a monthly basis. The LLP meets with Scottish Borders Council quarterly at the Council's Limited Liability Partnership Strategic Governance Group Committee. In addition the Chief Executive of Scottish Borders Council may at any time invite the LLP Officers to attend a meeting of the Council's Corporate Management Team to discuss such matters related to the Members Agreement and the Services of the Business.

The overall business structure remained consistent in 2016/17.

Members' report (*continued*)

Financial Results for the Year

In the year ended 31 March 2017, SB Cares LLP generated a loss of £2.676m. This result includes the adjustments required in respect of **International Accounting Standards 19 (IAS 19)** 'retirement benefits' totalling £2.627m. The IAS 19 adjustment is met through a transfer between the pension reserve and other reserves within the Reconciliation of Movement on Members' Funds.

The underlying, pre-**IAS 19** results of SB Cares LLP generated a loss of £50k for the year after accounting for a movement in the annual leave accrual of £50k.

Overall SB Cares performed as expected for the year of trading delivering services through its contract with Scottish Borders Supports LLP.

SB Cares LLP's financial statements have been prepared on a going concern basis.

Risk Management

SB Cares LLP recognises the importance of the management of corporate risk and applies appropriate corporate governance to ensure it is successfully monitored and managed.

The overall pressure on public finances continues to be the dominant risk to the LLP. Budget pressures and service reduction within Scottish Borders Council has an effect as the LLP provides key services to this main client grouping. SB Cares continues to monitor the change in business operation and address the mitigation of risk proactively.

Cash flow management procedures are in place to ensure that resources are managed effectively.

SB Cares has adopted Scottish Borders Council's (SBC's) corporate risk policy to embed risk management into its business practices. During 2015 SB Cares Senior Management attended SBC's refreshed corporate risk management training course in recognition that risk management is part of their job. SB Cares has developed its risk register to reflect risks and mitigations associated with the delivery of its 2017-2022 Business Plan. The risk register will be regularly reviewed by its Senior Management Team and Board of Management as part of its performance monitoring processes. Scottish Borders Council's Internal Audit function, through a Service Level Agreement, carries out regular audits of business functions and areas of risk whose findings are reported to the Board of Management.

The partnership is subject to review and scrutiny by the Council's LLP Strategic Governance Group.

Employees & Stakeholders

SB Cares LLP is an Equal Opportunities employer and is committed to eliminating discrimination, victimisation, bullying and harassment amongst our workforce. Our Equal Opportunities Policy and

Equality and Diversity Programme are in place to ensure our staff will be treated fairly and with dignity and respect at all times.

Members' report (*continued*)

Our commitment to equality is supported by a legal duty to provide all services and employment opportunities fairly and to adhere to all relevant codes of practice. We welcome our responsibilities as an employer, as a provider of services, and value the legislation that supports our policy commitments to equality and fairness.

Consultation with stakeholders is a key element in ensuring that continuous improvement in service provision is achieved and maintained. SB Cares LLP is responsive to the needs of its communities, citizens, customers and other stakeholders, and its plans and priorities are based on such an understanding. Involving key stakeholders in the decision-making process will continue to help to identify future policy and service priorities, and improvements that are required.

SB Cares LLP utilises a number of methods to communicate with staff. These include:

- Staff Newsletters -regularly keep staff updated with company information and news.
- Staff Briefings - Staff are regularly briefed on developments relevant to their work
- Staff Roadshows - information sharing sessions with frontline staff.
- Staff Supervision-face to face management and appraisal sessions with individual staff.

Transactions with Members

No remuneration of members occurred during the year. The members' share in the profit or loss for the year is accounted for as an allocation of profits with unallocated profits and losses included within 'other reserves'. SB Cares LLP transacts with SB Supports LLP not with Members.

These transactions are covered by a five year Service Provision Agreements between SB Cares LLP and SB Supports which commenced on 1st April 2015.

Activity Summary

SB Cares supported 12,000 clients, families and carers in 2016/17 through the provision of its adult social cares services by:

- Delivering 821,000 visits to enable people to remain in their own homes
- Issuing 45,000 pieces of ability equipment to support people to live more independently
- Supporting 3,200 clients to maintain independence with 24 hour monitored personal alarms
- Providing 24 hour support to 190 clients in a care home environment for those people with higher level needs
- Supporting 150 clients through our day services enabling people to remain at home and providing respite to families and carers

The Board of Management delivery a number of the objectives set out in the 2016/17 business plan:

- Improved the quality of our services with 84% of services receiving Care Inspectorate grades of good or above
- established its self as provider of last resort stepping in on behalf of Scottish Borders Council to provide emergency support to vulnerable clients

Members' report (*continued*)

- delivered efficient and effective services through new ways of working by sharing staff and expertise across services types
- created the ability to provide and sell a range of services to people who do not meet the Council's current eligibility criteria launching our direct sales of personal alarms and ability equipment
- identified and delivered recurring procurement savings through a new procurement strategy for the business working in partnership with our suppliers

SB Cares Board of Management has set out its Business Plan for 2017-2022 with the focus on delivering our three strategic aims with 6 key priorities.

Strategic Aims

1. Quality – have a team of staff who can deliver seamless, high quality care and support to every client
2. Efficiency – to develop our staff, resources and finances as efficiently and effectively as possible, ensuring best value
3. Business growth – to expand and grow the services we provided for the people of the Scottish Borders and generate income to invest in future care services

Our Priorities:

1. Invest in our staff
2. Make our services as efficient and effective as possible
3. Modernise our services through technology
4. Grow and develop our business
5. Build on key partnerships
6. Develop excellent governance

Disclosure of information to auditor

The members who held office at the date of approval of this members' report confirm that, so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The financial statements were authorised for issue on 18 September 2017.

Approved by the members and signed on 18 September 2017 by

For and on behalf of
Scottish Borders Council
Designated member

Registered Office:
Council HQ Newtown St Boswells
TD6 0SA

Statement of members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the LLP financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the LLP financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Scottish Borders Cares LLP

We have audited the financial statements of Scottish Borders Cares LLP for the year ended 31 March 2017 set out on pages 11 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 8 the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

**Independent auditor's report to the members of Scottish Borders Cares LLP
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

Date

Profit and Loss Account

For the year ended 31 March 2017

	Note	2017 £000	2016 £000 Restated
Turnover	2	14,920	14,547
Cost of sales	2	<u>(16,000)</u>	<u>(16,012)</u>
Gross loss		(1,080)	(1,465)
Administrative expenses		-	<u>(32)</u>
Loss on ordinary activities before and after taxation		<u>(1,080)</u>	<u>(1,497)</u>
Loss for the financial year available for discretionary division among members		<u>(1,080)</u>	<u>(1,497)</u>

All of the LLP's operations are classed as continuing.

Other Comprehensive Income

For the year ended 31 March 2017

	Note	2017 £000	2016 £000 Restated
Loss for the year available for discretionary division among members		(1,080)	(1,497)
Actuarial (Loss)/Gain	7	<u>(1,596)</u>	<u>203</u>
Total comprehensive loss for the year		<u>(2,676)</u>	<u>(1,294)</u>

The accompanying notes form an integral part of the financial statements.

Balance Sheet

at 31 March 2017

	Note	2017 £000	2016 £000
Current assets			
Debtors	5	429	372
Cash at bank and in hand		4	3
Net current assets		<u>433</u>	<u>375</u>
Creditors: amounts falling due within one year	6	<u>(779)</u>	<u>(672)</u>
Net current liabilities		<u>(346)</u>	<u>(297)</u>
Provisions for liabilities – Pension and similar obligations	7	<u>(3,624)</u>	<u>(997)</u>
Net liabilities		<u>(3,970)</u>	<u>(1,294)</u>
Members' other interests			
Members' capital		-	-
Pension reserve		(3,624)	(997)
Other reserves		<u>(346)</u>	<u>(297)</u>
Total other reserves		<u>(3,970)</u>	<u>(1,294)</u>

The accompanying notes form integral part of the financial statements.

These financial statements were approved by the members on 18 September 2017 and were signed on its behalf by:

For and on behalf of
Scottish Borders Council
Designated member

Company registered number: **SO305156**

Statement of Changes in Net Assets Attributable to Partners

For the year ended 31 March 2017

	Members Capital	Pension Reserves	Other reserves	Total other reserves	Total Members Interest
	£000	£000	£000	£000	£000
Balance at 15 Dec 2015	-	-	-	-	-
Movement in the period	-	203	(1,497)	(1,294)	(1,294)
Transfers to/from the pension reserve		<u>(1,200)</u>	<u>1,200</u>	=	=
Balance as 31 March 2016	-	<u>(997)</u>	<u>(297)</u>	<u>(1,294)</u>	<u>(1,294)</u>
Balance at 1 April 2016	-	(997)	(297)	(1,294)	(1,294)
Movement in the year	-	(1,596)	(1,080)	(2,676)	(2,676)
Transfers to/from the pension reserve		<u>(1,031)</u>	<u>1,031</u>	=	=
Balance as 31 March 2017	-	<u>(3,624)</u>	<u>(346)</u>	<u>(3,970)</u>	<u>(3,970)</u>

The accompanying notes form an integral part of the financial statements

Notes *(forming part of the financial statements)*

1 - Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

The financial statements have been prepared in accordance with FRS101. In preparing these financial statements, the Company applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions have been taken.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- a cash flow statements and related notes;
- comparative period reconciliations of share capital;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the LLP is a wholly owned subsidiary of Scottish Borders Council, the LLP has taken advantage of the exemption contained in **International Accounting Standard 24 'related parties' ("IAS24")** and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position, are set out in the members' report on page 3. The members have a reasonable expectation that despite there being a significant negative net worth at the end of the year the LLP has adequate resources to continue in operational existence for the foreseeable future with a service provision agreement in place with Scottish Borders Supports LLP until March 2020 and a guarantee for SB Cares pension liability by Scottish Borders Council. Thus Members continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Members' remuneration and allocation of profits

Members are not remunerated by the LLP. A member's share in the profit or loss for the accounting period is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

Members' capital

The capital requirements of the LLP are determined from time to time by the members. No interest is paid on capital.

Notes (continued)

1 Accounting policies (continued)

Value added tax

The LLP is registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Taxation

Taxation on all partnership profits is solely the liability of individual members. Consequently neither taxation nor related deferred taxation arising in the LLP are accounted for in these financial statements.

Income recognition

Income is recognised in the accounting period to which it relates. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest model, less any impairment losses.

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

Notes (continued)

1 Accounting policies (continued)

Retirement benefits

All existing and new members of staff have the option of joining the SB Cares Pension Fund ("the Fund"). The Fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Fund are held separately from those of the LLP. Fund assets are measured using market values. For quoted securities the current bid price is taken as market value. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Restatement-Retirement Benefits

It has been necessary to revise the presentation of accounting entries in respect of retirement benefits made in the year ended 31st March 2016.

In that year only the value of employer's contributions to the pension scheme was recognised in the Profit and Loss account. This has now been revised to recognise the full service cost in the Profit and Loss account. The effect in the year ended 31st March 2016 is to increase staff costs by £1.2 million.

The revised presentation has also been followed in the current year.

Summary of the prior year accounting impact:

Profit & Loss account

	As previously stated £000	Adjustment £000	Restated £000
Turnover	14,547	-	14,547
Cost of sales	(14,812)	(1,200)	(16,012)
Other expenses	(32)	-	(32)
Operating profit	(297)	(1,200)	(1,497)

Other Comprehensive Income

Loss for the period available for discretionary division among members	(297)	(1,200)	(1,497)
Actuarial Gain	203	-	203
Expenses recognised in the profit and loss account	(1,200)	1,200	-
Total comprehensive loss for the period	(1,294)	-	(1,294)

Notes (continued)

2 Turnover

Turnover represents the invoiced value of goods and services supplied under the principal activities of the LLP.

3 Staff numbers and costs

The average Full Time Equivalent number of persons employed by the LLP during the year, analysed by category, was as follows:

	2017	2016
	£000	£000
		Restated
Number of employees (FTE)		
Front Line Services	501	479
Staff costs for the above persons were		
Wages and salaries	11,828	11,705
Social security costs	777	652
Pension costs	<u>2,790</u>	<u>2,859</u>
	<u>15,395</u>	<u>15,216</u>

4 Particulars of members

The number of members of the Limited Liability Partnership for the year was two. No remuneration was paid to either member.

5 Debtors

	2017	2016
	£000	£000
Trade debtors	2	3
Amounts owed by group undertakings	376	337
Prepayments and accrued income	3	6
Value added tax	22	-
Other debtors	<u>26</u>	<u>26</u>
	<u>429</u>	<u>372</u>

Notes (continued)

6 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Other creditors	3	-
Other taxation and social security	344	347
Accruals and deferred income	<u>432</u>	<u>325</u>
	<u>779</u>	<u>672</u>

7 Employee benefits

The information disclosed below is in respect of the LLP's share of assets and liabilities within the Scottish Borders Council Pension Fund, in which it is a participating employer. The latest full actuarial valuation was carried out as at 31 March 2014.

The Scottish Borders Council Pension Fund is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

In accordance with the agreement between Scottish Borders Council and SB Cares LLP, no liability was transferred from the Council to SB Cares LLP at the date of incorporation.

Governance

The administering authority for the Fund is Scottish Borders Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Scottish Borders Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Risk exposure

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

-Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;

-Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;

-Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and

Notes (continued)

7 Employee benefits (continued)

-Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Scottish Borders Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Amendments, curtailments and settlements

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

We are not aware of any additional benefits which were granted over the year ending 31 March 2017.

Curtailments

The cost of curtailments arising as a result of the payment of unreduced pensions on early retirement have been calculated at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, one former employee became entitled to unreduced early retirement benefits. The capitalised cost of the additional benefits on FRS101 compliant assumptions is calculated at £58,000. This figure has been included within service cost in the statement of profit and loss.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

The assets and defined benefit obligations prior to the 1st April 2015 will be accounted and disclosed for within Scottish Borders Council for service prior to the transfer date.

Notes (continued)

7 Employee benefits (continued)

	2017	2016
	£000	£000
Present value of funded defined benefit obligations	(8,864)	(3,184)
Fair value of plan assets	5,240	2,187
Net liability	<u>(3,624)</u>	<u>(997)</u>

Movements in present value of defined benefit obligation

	2017	2016
	£000	£000
At 31 st March 2016	3,184	-
Current service cost	2,784	2,830
Past service costs	-	58
Interest cost	132	9
Actuarial losses/(gains)	2,169	(229)
Contributions by members	545	503
Estimated benefits paid net of transfers in	<u>50</u>	<u>13</u>
At 31 st March 2017	<u>8,864</u>	<u>3,184</u>

Movements in fair value of plan assets were as follows:

	2017	2016
	£000	£000
At 31 st March 2016	2,187	-
Expected return on plan assets	699	12
Contributions by employer	1,759	1,659
Contributions by members	545	503
Estimated benefits paid plus unfunded net of transfers in	<u>50</u>	<u>13</u>
At 31 st March 2017	<u>5,240</u>	<u>2,187</u>

Notes (continued)

7 Employee benefits (continued)

Expenses recognised in the profit and loss account

	2017 £000	2016 £000 Restated
Current service cost	2,784	2,830
Past service cost/(gain)	0	58
Interest on defined benefit pension plan obligation	5	(29)
Administration expenses	1	-
At 31 March	<u>2,790</u>	<u>2,859</u>

Re-measurements in other comprehensive income

	2017 £000	2016 £000 Restated
Return on Fund assets in excess of interest	573	(26)
Change in financial assumptions	(2,169)	229
At 31 March	<u>(1,596)</u>	<u>203</u>

The fair value of the plan assets and the return on those assets were as follows:

	2017 £000	2016 £000
Equities	3,648	1,439
Corporate bonds	428	195
Real Estate	269	135
Other	<u>895</u>	<u>418</u>
	<u>5,240</u>	<u>2,187</u>

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2017 %	2016 %
Discount rate	2.8	3.8
Future salary increases	3.7	4.3
Pension increase rate	2.7	2.5
RPI	3.6	3.4
CPI	2.7	2.5

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below.

Notes (continued)

7 Employee benefits (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Salary increases are expected to be 1% p.a. until 31 March 2016 and 1.8% p.a. thereafter
- Current pensioner aged 65: 22.8 years (male), 23.7 years (female)
- Future retiree upon reaching 65: 25 years (male), 26 years (female)

The LLP expects to contribute approximately £1,622k to its defined benefit plan in the next financial period.

Sensitivity Analysis

Adjustment to discount rate	+0.1%	. 0.0%	-0.1%
Present value of total obligation	8,657	8,864	9,076
Projected service cost	3,768	3,858	3,950
Adjustment to long term salary increase	+0.1%	0.0%	0.1%
Present value of total obligation	8,865	8,864	8,863
Projected service cost	3,860	3,858	3,856
Adjustment to pension increases and deferred reevaluation	+0.01%	0.0%	-0.1%
Present value of total obligation	9,075	8,864	8,657
Projected service cost	3,948	3,858	3,770
Adjustment to life expectancy assumptions	+1 year	None	-1 Year
Present value of total obligation	9,148	8,864	8,589
Projected service cost	3,981	3,858	3,739

Notes (continued)

8 Financial instruments

The financial instruments held are trade receivables, cash and cash equivalents, trade creditors and other creditors. All are held at amortised cost which, given their short term nature is estimated to equate to fair value.

The partnership's exposure to credit risk is considered to be minimal given its principal trade debtor is Scottish Borders Council. Similarly given the nature of its business it is considered to have limited liquidity risk.

9 Contingent Liabilities

There has been a European Court of Justice ruling relating to the payment of mobile workers. The financial implications of this judgement for Scottish Borders Cares LLP are unclear at present and therefore, in agreement with our external auditors, a contingent liability has been included in this years' annual accounts.

10 Post balance sheet events

There were no post balance sheet events requiring adjustment or disclosure within the financial statements.

11 Ultimate parent organisation

The LLP's ultimate parent undertaking is Scottish Borders Council, one of its designated members, as this is the largest group into which the results of the LLP are consolidated. The consolidated group financial statements of Scottish Borders Council may be obtained from its registered office at the Scottish Borders Council offices, Newtown St Boswells, TD6 0SA.

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Scottish Borders Council Pension Fund

2016/17 Annual Audit Report

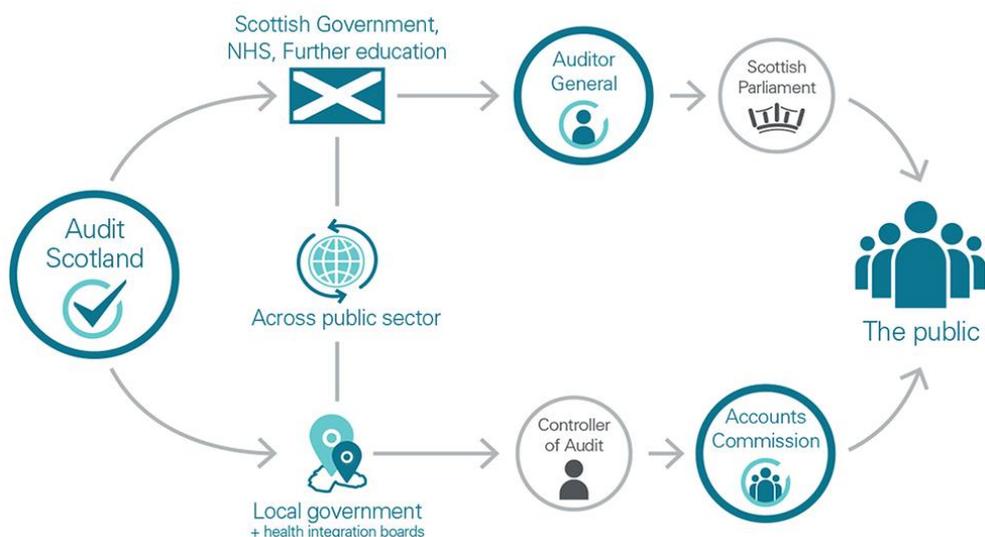


To Scottish Borders Council as administering authority for Scottish Borders Council Pension Fund and the
Controller of Audit
25 September 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Introduction	5
Part 1 Audit of 2016/17 annual report and financial statements	7
Part 2 Financial management	10
Part 3 Financial sustainability	14
Part 4 Governance and transparency	16
Part 5 Value for money	18
Appendix 1 Action plan 2016/17	21
Appendix 2 Significant audit risks identified during planning	22
Appendix 3 Summary of national performance reports 2016/17	24

Key messages

2016/17 annual report and financial statements

- 1 We have issued unqualified opinions on the financial statements, management commentary, annual governance statement and governance compliance statement.

Financial management

- 2 The Fund has effective arrangements in place for financial management. This includes comprehensive reporting of investment performance.

Financial sustainability

- 3 The continued increase in pensioners in the Fund's membership will make future funding of pension payments increasingly challenging. Cash flow projections show that the Fund will continue to rely on investment income to pay pensions for the foreseeable future. Therefore management has revised the Investment Strategy. This has resulted in a move away from growth generating assets such as equities to income generating assets. This has enabled the more immediate needs of the Fund to be met.

Governance and transparency

- 4 The Fund has effective governance arrangements in place that support scrutiny of decisions made by the Pension Fund Committee.
- 5 Decisions are transparent with committee papers and minutes of meetings of the Pension Fund Committee available on the Scottish Borders Council website.

Value for money

- 6 The Fund's performance is subject to regular review and scrutiny by the Pension Fund Committee. The Fund reviews the value for money that it receives from its investment managers on an on-going basis. Adequate arrangements are in place through monitoring of investment performance and participation in fee and performance benchmarking surveys.
- 7 Individual investment manager performance is reported on a quarterly basis to the Pension Fund Committee. In addition all investment managers are subject to review by the Investment & Performance Sub-Committee . This is consistent with good practice.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Scottish Borders Pension Fund ('the Fund' or 'the Pension Fund').

2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Scottish Borders Council Audit and Risk Committee. This report comprises:

- an audit of the annual report and financial statements
- consideration of the wider dimensions set out in the Code of Audit Practice (2016) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:

- an interim audit of the Fund's main financial systems and governance arrangements
- an audit of the Fund's 2016/17 annual report and financial statements including the issue of an independent auditor's report setting out our opinions.

4. Scottish Borders Council ('the Council') is the administering authority for the Pension Fund. The Council is responsible for establishing effective governance and financial arrangements. The Council delegates this responsibility to the Pension Fund Committee. Additionally, the Pension Fund Committee is required to

review the effectiveness of internal control arrangements and approve the annual report and financial statements.

5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supporting guidance, and are guided by the auditing profession's ethical guidance.

6. As public sector auditors we provide independent opinions on the annual report and financial statements. We also review and report on the arrangements within the Fund to manage its performance and use of resources such as money and assets. In doing this, we aim to support improvement and accountability.

7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#),

8. This report raises matters from the audit of the annual report and financial statements, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.

9. Our annual audit report contains an action plan at [Appendix 1 \(page 21\)](#). It sets out specific recommendations, responsible officers and dates for implementation.

10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

11. This report is addressed to both the members of the Scottish Borders Council as administering authority of the Fund, and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

12. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual report and financial statements



Main judgements

Our audit opinions are all unqualified. These cover the financial statements, the management commentary, the annual governance statement and governance compliance statement.

Unqualified audit opinions

13. The annual report and financial statements for the year ended 31 March 2017 were reviewed by the Scottish Borders Council Audit & Scrutiny Committee on 25 September 2017 and approved by the Council on 28 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements;
- unqualified audit opinions on the management commentary, annual governance statement and governance compliance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required to report by exception.

Submission of annual accounts for audit

15. We received the unaudited annual report and financial statements on 22 June 2017, in line with our agreed audit timetable.

16. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly. We feel that the introduction of Business World, a new accounting system, will provide an opportunity to improve procedures in preparing the financial statements and associated working papers.

Risks of material misstatement

17. [Appendix 2 \(page 22\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and our conclusions thereon.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. The assessment of what

The annual report and financial statements are the principal means of accounting for the stewardship of resources and the performance in the use of those resources.

is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report and financial statements was undertaken during the planning phase of the audit, based on the value of Benefits paid and Transfers out at 31 March 2016. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the 2016/17 unaudited annual report and financial statements and prior to completion of audit testing we reviewed our original materiality calculations and concluded that our original calculations remained appropriate. Materiality used throughout the audit is detailed in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 10% of Benefits paid & Transfers Out for the year ended 31 March 2016, this has remained unchanged.	£2.15 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 60% of overall materiality.	£1.29 million
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 4% of overall materiality.	£85,000

Evaluation of misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit. The only misstatement identified related to an overstated debtor and creditor with the Council of £168k. This was adjusted by finance officers.

Significant findings

22. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit. These are summarised below in [Exhibit 3](#) on page 9. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Exhibit 3

Significant findings from the audit of financial statements

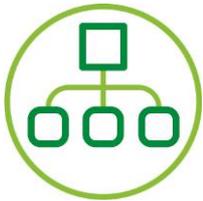
Issue	Resolution
<p>1. Adjusted Error</p> <p>Debtors and Creditors due from/to Scottish Borders Council were overstated by £168k. This error is due to the respective creditor not being netted off against the debtor in the accounts.</p>	<p>This error has been adjusted by netting the balances off. This may have been avoided by timely and complete working papers.</p>
<p>2. Completeness of Disclosures</p> <p>We identified a number of fair value disclosures relating to investment balances that were incomplete.</p>	<p>The disclosures have been added as appropriate to the final version of the annual report and financial statements.</p> <p>The CIPFA Disclosure Checklist should be used to ensure completeness of disclosures, as suggested in Action Plan in Appendix 1, point 3</p>

Other Findings

23. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

Part 2

Financial management



Main judgements

The fund has effective arrangements in place for financial management. This includes comprehensive reporting of investment performance.

Financial performance in 2016/17

24. Pension fund finances are independently assessed every three years by an actuary. This assessment determines the employer contribution rates and deficit funding payments for the upcoming three year period and takes account of the strength of employer covenants and the Fund's investment strategy.

25. The Fund's performance in 2016/17 is summarised in [Exhibit 4](#)

Exhibit 4

Assets, liabilities, funding level and investment performance

Increase in net assets per custodian	Increase in estimated actuarial liabilities	Funding level	Investment performance
			
£112 million (+20.1%)	£210 million (+30.1%)	101% 2014 Triennial funding valuation	21.5% Return on investments 2016/17
£654 million Closing net assets	£907 million Closing liabilities	101% 2017 Triennial funding valuation due December 2017	10.9% Return on investments over 3 years

Source: Scottish Borders Council Pension Fund 2016/17 Financial Statements

26. The net assets of the Fund increased to £654 million at 31 March 2017 from £542 million at 31 March 2016. This significant increase of £112 million (20%) reflects the investment policy in place at the Pension Fund as well as the rise in the overall investment market over 2016/17 as illustrated in [Exhibit 6](#) on Page 12.

27. During 2016/17, benefits paid out totalled £20 million. This was in excess of contributions paid into the Fund which totalled £18.4 million. 2016/17 is the fourth year that benefits have exceeded contributions, requiring the Fund to rely on income from investments to make up the difference.

28. At the March 2014 Triennial Funding Valuation the Fund was assessed by the actuary, Barnett Waddingham, to be 101% funded, meaning the investment assets were larger than the liabilities.

29. In addition to the Triennial Funding Valuation, the Fund's actuary also undertakes a valuation of pension fund liabilities (actuarial present value of promised retirement benefits) at the accounting date as required by International Accounting Standard (IAS) 26, and calculated in line with IAS 19 assumptions. This uses the same base data as the Triennial Funding Valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund does not take account of liabilities to pay pensions and other benefits in the future.

30. The actuarial present value of promised retirement benefits estimates the Fund's liabilities rising from £697 million at 31 March 2016 to £907 million at 31 March 2017 (£210 million increase).

31. It should be recognised that not all funds have liabilities assessed on the same prudential scales. The use of differing actuarial firms and assumptions creates difficulties in direct comparisons. It should be noted that this valuation is an accounting estimate.

32. The 2017 triennial valuation due at the end of 2017 will provide a more accurate funding position.

33. Fund Officers are beginning to use Cashflow Modelling to understand the maturing position of the Fund allowing them to tailor the investment strategy to meet demands as they arise.

Financial management arrangements

34. The Chief Financial Officer for Scottish Borders Council is responsible for the preparation of the annual report and financial statements of the Scottish Borders Council Pension Fund. The financial regulations of Scottish Borders Council, as administering authority, apply to the Pension Fund. We consider these to be comprehensive, and current, and promote good financial management.

35. Investment and administration performance reports are submitted to the Pension Fund Committee on a quarterly basis. Reports are comprehensive, detailing the performance of investments and providing insights into the state of the economy and potential impacts on the Fund's investments. Also, through our attendance at the Pension Fund Committee we have observed a good level of review and scrutiny by members.

36. Based on evidence reviewed to date, being the financial regulations of the Council, investment updates to Committee and investment decisions made, our view is that the financial management arrangements in place at Scottish Borders Council Pension Fund are sufficient to ensure the ongoing success of the Fund.

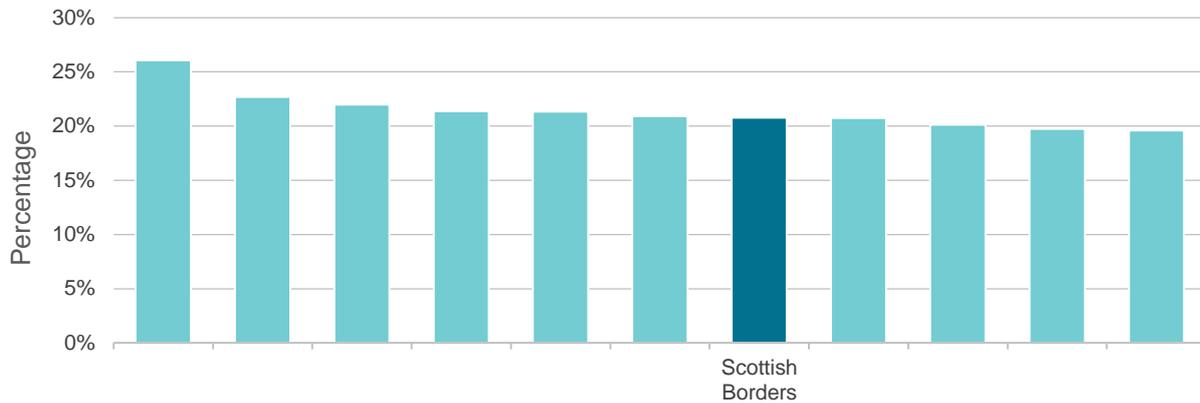
Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial outcomes

37. 2016/17 has been a strong year for investment performance for most Local Government Pension Scheme (LGPS) pension funds across Scotland as illustrated in [Exhibit 5](#).

Exhibit 5

LGPS pension funds – Net return on investment 2016/17 (unaudited figures)



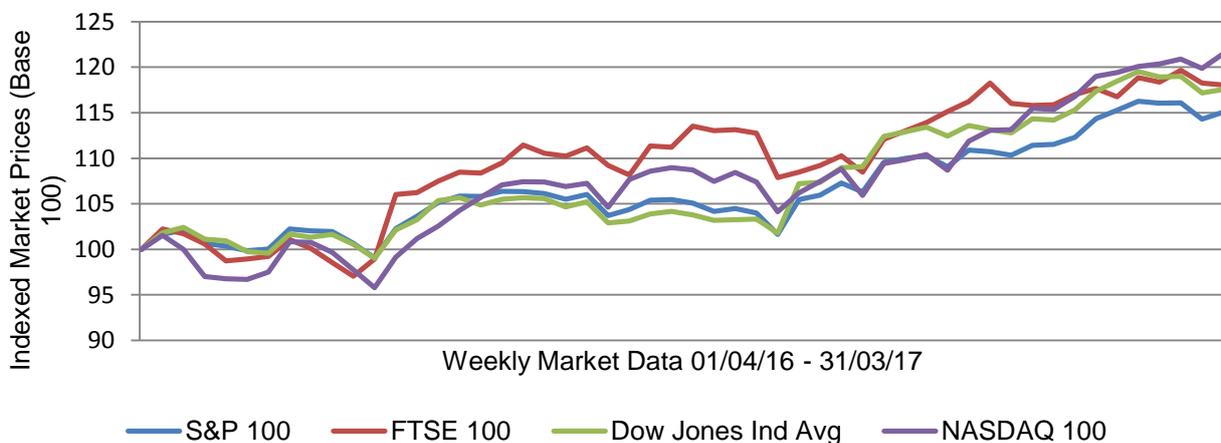
Source: 2016/17 LGPS pension fund unaudited financial statements

38. Most funds achieved their benchmarks in 2016/17 and Scottish Borders Council Pension Fund achieved a return of 21.8% on its investments. This is above the Fund benchmark of 20.9% for 2016/17. The three year Fund return is 10.9%, compared to the benchmark of 10%.

39. The Fund’s investment performance has been positive in 2016/17 as a result of strong but volatile investment markets as [Exhibit 6](#) demonstrates. The average increase in value of the selected indices was 18%.

Exhibit 6

Indexed market prices 16/17



Source: Investing.com

Internal controls

40. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. The primary systems for the Fund are maintained and controlled by the administering authority, Scottish Borders Council. Our objective is to gain assurance that Scottish Borders Council Pension Fund has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

41. Our findings were included in an interim audit report presented to the Audit & Scrutiny Committee on 28 June 2017. We concluded that the majority of controls were operating effectively with the exception of bank reconciliations. These had not been prepared for a number of months year due to staffing pressures arising from staff absence and implementing a new accounting system. Refer to [Action Plan in Appendix 1, Point 1](#).

Fraud prevention and detection

42. We assessed the Fund's arrangements for the prevention and detection of fraud. The Fund relies on the administering body's (Scottish Borders Council) arrangements for the prevention and detection of fraud and corruption. These include a Code of Conduct for members and officers, a whistleblowing policy and an anti-fraud strategy.

43. We concluded through planning work and controls testing that appropriate arrangements were in place for preventing and detecting fraud and corruption in 2016/17.

Part 3

Financial sustainability



Main judgement

The continued increase in pensioners in the Fund's membership will make funding future pension payments increasingly reliant on returns from invested assets.

Funding position

- 44.** The March 2014 triennial valuation reported that the Fund assets were sufficient to meet 101% of its liabilities. The March 2017 triennial valuation is due for publication around December 2017.
- 45.** The Fund has started to analyse its cashflows to help inform investment and disinvestment decisions to ensure cashflow needs are met.
- 46.** Contribution rates will be considered by the Actuary at the next triennial funding valuation date of 31 March 2017, scheduled for publication around December 2017. Following this, officers will review and update the Funding Strategy Statement.
- 47.** We have concluded that despite forecast cash flows being negative in the medium to long term, management has taken this into account and revised the Investment Strategy. This has resulted in a move away from growth generating assets such as equities to income generating assets. The actuary determines that investment assets should deliver 5.5% per annum to ensure the Fund is fully funded for the current contribution rates set.
- 48.** The upcoming Triennial Valuation will determine whether contributions require to be adjusted to ensure the ongoing viability of the Fund.

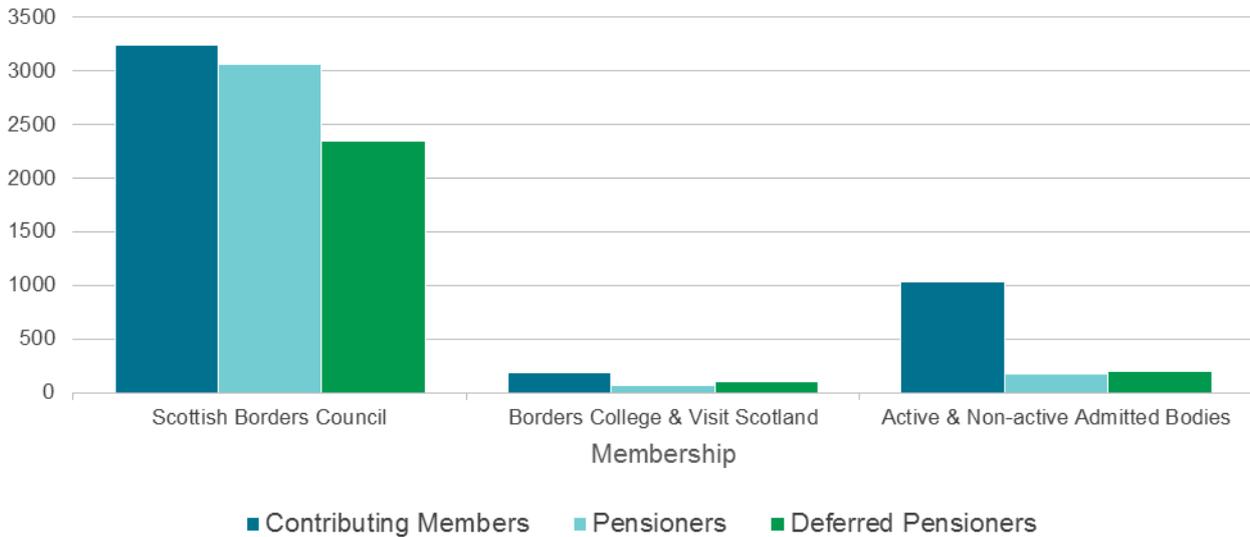
Financial sustainability looks forward to the medium and longer term to consider whether the Fund maintains the capacity to meet the current and future needs of its members.

Membership levels

- 49.** The Pension Fund is a multi-employer fund, including the Council and 11 other employers. The current membership profile is shown at [Exhibit 7](#). There are still more active members than pensioners.

Exhibit 7

Scottish Borders Council Pension Fund membership



Source: Scottish Borders Council Pension Fund 2016/17 financial statements

50. Total membership of the Fund increased by 173 to 10,432 members at 31 March 2017, however active members decreased from 4,594 as at 31 March 2016 to 4,466 (128, or 2.8%).

51. The Fund gives its members a guarantee that in exchange for contributions during their employment, the Fund will pay a pension until the end of each member's life. It is important that the fund maintains the capacity to meet the current and future needs of its members through attracting new, contributing members and ensuring investment assets match the liability of pensions due in the future.

Contributions

52. Following the last triennial valuation in 2014, the Actuary agreed employer contribution rates with individual employers for the period 2015 to 2018.

53. The Fund reported net withdrawals of £2.2 million in 2016/17. This means that pension payments exceeded member contributions and investment income was used to ensure pensions were paid. The Fund's cash flow projections show that the Fund will continue to rely on investment income to pay pensions. The continued increase in pensioners in the Fund's membership will make funding pension payments increasingly challenging.

Part 4

Governance and transparency



Main judgements

The fund has effective governance arrangements in place that support scrutiny of decisions made by the Pension Fund Committee.

Governance arrangements

54. Scottish Borders Council is the administering body of the Pension Fund. The Council has delegated responsibility for governance to the Pension Fund Committee. This committee, supported by the Pension Board (made up of four scheme employer representatives and four trade union representatives), is responsible for establishing arrangements that ensure the proper conduct of the affairs of the Pension Fund. It is also responsible for ensuring that decisions are made within the terms of the LGPS.

55. We found effective scrutiny and challenge of policy and investment decisions, good quality information being made available to committee members by officers and evidence that committee and board members receive appropriate and sufficient training in order to carry out their roles.

Other aspects of governance

56. We reviewed various other aspects of governance that apply to the Fund including standing orders and arrangements for reporting breaches of regulation to the Pensions Regulator.

57. Overall, we concluded that there are open and transparent arrangements in place.

Pensions Regulator Public Service Code

58. Scottish Borders Council Pension Fund members were consulted as part of a national review of LGPS governance commissioned by the Scottish Public Pensions Authority (SPPA). The final report has not yet been received by Scottish Borders Council Pension Fund. However we have been advised that no material issues were identified. Additionally no breaches by the Fund were reported to the Regulator in 2016/17. We are aware that a breach will be reported in 2017/18 as a result of the Pension Fund not meeting the deadline for issuing benefit statements.

Internal audit

59. Internal audit provides the Fund with independent assurance on the Administering Authority's overall risk management, internal control and corporate governance processes.

60. The internal audit function is carried out by Scottish Borders Council Internal Audit Service. We carried out a review of the adequacy of the internal audit

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

61. We noted that the Fund's annual governance statement refers to the work performed by internal audit during the year. However the 2016/17 internal audit annual report makes no specific reference to the assurances provided for the Pension Fund. Refer to [Action Plan in Appendix 1, Point 2](#).

Transparency

62. Transparency means that the public, in particular members, have access to understandable, relevant and timely information about how the Fund is taking decisions and how it is using resources.

63. There is evidence from a number of sources which demonstrate the Fund's commitment to transparency. For example, the Fund's annual report and financial statements are available on the Scottish Borders Council website, as well as the Funding Strategy and Statement of Investment Principles. This information provides stakeholders with sufficient information to scrutinise the effectiveness and management of the Pension Fund.

64. Meetings of the Pension Fund Committee and Pensions Board are held in public with the minutes made publicly available on the Council's website. Appropriate sections of the meetings are held in private, largely being discussion around investment strategy.

65. Overall, we concluded that the Fund conducts its business in an open and transparent manner.

Part 5

Value for money



Main judgements

The Fund's performance is subject to regular review and scrutiny by the Pension Fund Committee with appropriate input from their Independent Investment Consultant.

The Fund reviews the value for money that it receives from its investments on an ongoing basis. Adequate arrangements are in place through monitoring of investment performance and participation in fee and performance benchmarking surveys.

Investment performance

66. The Pension Fund Performance and Investment Sub-Committee meets bi-annually. Presentations by, and review of fund managers' performance is a standing item on the committee's agenda. At each meeting, committee members receive a report outlining overall Fund performance including an analysis of risks and returns as prepared by the Independent Investment Consultant, KPMG.

67. [Exhibit 8](#) shows that the Fund outperformed its benchmark in 2016/17 and for the 5 year period to 31 March 2017. As shown earlier in [Exhibit 5](#) net investment performance was comparable to other LGPS Funds in Scotland.

Exhibit 8

Fund investment performance



Source: KPMG - 2017 Quarter 1 Investment Performance Report

68. Fund manager and investment performance is reported to the quarterly Pension Fund Committee meetings. With advice from the Independent Investment Consultant, the Committee are ultimately responsible for the investment strategy and the cost of implementing that strategy.

69. Investment return and risk are inextricably linked and it is not possible for us to comment on the relative performance of the Fund's investments given the risk exposure of the asset allocation and investments made. However, what we can say is that the asset allocation is largely in line with the Fund's investment strategy. The introduction of a new Independent Investment Consultant has seen a change to the investment mix in the strategy, largely reducing investments in equities and moving towards lending and longer-term investments in order to improve certainty and reduce the risk of exposure to inflation in Fund liabilities.

Value for money is concerned with using resources effectively and continually improving services.

Management expenses

70. There are three main categories of management expense, with the largest being investment management costs. Other expenses are the cost of the administration services provided by the council and the governance fees for actuarial and audit services.

71. CIPFA published revised guidance on local government pension scheme management expenses. This guidance sets out a framework for the reporting of investment management costs and was applied from 2016/17.

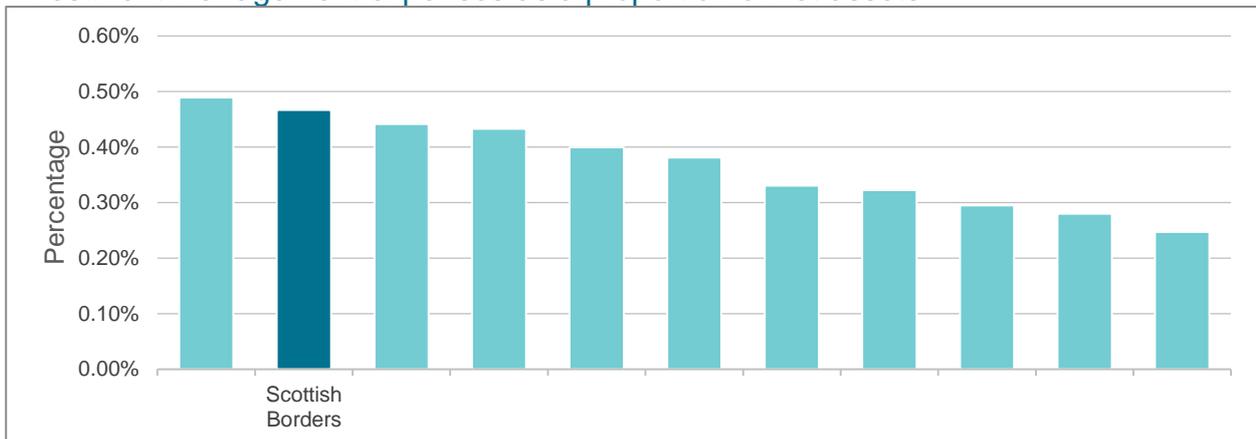
72. External investment manager fees are agreed in the respective mandates governing their appointments. Generally these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments changes throughout the year.

73. Investment management expenses have increased from £2.75 million in 2015/16 to £3.1 million in 2016/17.

74. Exhibit 9 shows figures for investment management expenses relative to net assets across the Scottish Pension Funds, with investment management expenses for Scottish Borders Council Pension Fund highlighted. The Fund had the second highest percentage in Scotland; and is the third smallest pension fund. Variances in investment strategies and administrative structures (e.g. in-house staff vs. outsourced services) will impact on the amount of external investment management expertise procured. Also, a comparison of investment management expenses may not reflect the risk profile or returns of the individual funds.

Exhibit 9

Investment management expenses as a proportion of net assets



Source: 2016/17 unaudited local government pension fund financial statements

75. We concluded that the Fund has adequate arrangements in place for monitoring investment performance. However focus should be given to reducing investment management expenses where possible to ensure value for money.

Administrative expenses

76. The workload of the pension administration section continues to grow, primarily due to the introduction of the career average pension scheme (CARE) from 1 April 2015. Other factors impacting on the administration workload include auto enrolment, the issuing of benefits statements and the Guaranteed Minimum Payment reconciliation. Pension Fund officers have identified opportunities to outsource resource intensive tasks such as the Guaranteed Minimum Payment reconciliation through the use of a procurement framework.

77. The Fund's business plan sets out a range of service standards against which administration performance is monitored. These are measured on a regular basis and are reported to the Pensions Fund Committee quarterly.

78. Employers are required to submit year end contribution returns to the Fund by May for the preceding 31 March year end. This is an important control over the accuracy of pension contributions received and recorded in the pensions systems and is of increased importance following the introduction of CARE as the member benefit statement requires actual salary data from all employers. All year end contribution returns relating to 2016/17 have been received.

National performance audit reports

79. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Fund. These are outlined in [Appendix 3 \(page 24\)](#) accompanying this report.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement



Issue/risk



Recommendation



Agreed management action/timing

1. Financial & HR Capacity

We found that staff capacity was showing signs of pressure. There is dependency on key staff in Finance and in HR. Staff absence has meant key reconciliations and working papers were not available or prepared to a level suitable for audit.

Resource requirement of the Pension Fund should be assessed and addressed to ensure administration of the Fund is efficient and effective.

An assessment of pension fund resources will be undertaken following the audit to ensure the council retains sufficient capacity and expertise to continue to support the pension effectively. This in house expertise will be augmented by the cost effective use of external resources to provide specialist services where required.

Chief Financial Officer and Service Director Human Resources

31 December 2017

2. Governance

Our review of the Annual Governance Statement of the Fund found that Internal Audit perform an assessment of Governance and Controls in place over the Pension Fund. However, the Internal Audit Annual Report makes no specific reference to the assurance provided for the Pension Fund.

The Internal Audit Annual Report should include a specific reference to Scottish Borders Council Pension Fund, as their work over the systems and controls in place at Scottish Borders Council covers the same systems for the Pension Fund, and the Pension Fund Governance statement refers to Internal Audit assurance over their controls and systems.

The SBC Internal Audit Annual Report is the internal audit assurance report for the Council. A separate Internal Audit assurance report will be prepared for and presented to the Pension Fund from 2017/18.

Chief Officer Audit and Risk

31 March 2018

3. Financial Statement Disclosures

Our review of the unaudited annual report and financial statements identified disclosures that were incomplete. These include disclosures relating to debtors, creditors and investment fair values. Including these will improve transparency and understanding of the financial statements.

CIPFA disclosure checklist and example accounts guidance should be used to ensure disclosures are complete.

Noted, a review of the disclosures recommended by the CIPFA checklist will be undertaken and these will be included in the 2017/18 pension fund accounts where they are considered to add value and enhance transparency.

Chief Financial Officer

31 March 2018

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and financial statements and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Substantive procedures over reviewing journals, estimates and accrued income provided assurance that there was no occurrence of management override of key controls.</p>
<p>2 Risk of fraud over expenditure</p> <p>Practice Note 10 (Audit of financial statements of public sector bodies in the UK) and the Code of Audit Practice expands the ISA 240 requirements to aspects of expenditure such as pension payments and investments.</p>	<p>Regular budget monitoring and reporting</p> <p>Robust internal controls in financial systems to mitigate risk of error or manipulation</p>	<p>Audit procedures over income, spend and investment assets were performed. No instances of fraud were identified.</p>
<p>3 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement of investment assets for a pension fund by investment managers. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Actuarial valuation to provide pension figures for the financial statements. Officer review of actuary information to ensure data and assumptions used are reasonable.</p>	<p>An assessment was made over the competence and capability of Actuary and Custodian to provide sound estimates and valuations.</p> <p>No issues identified.</p>
<p>4 Disclosure Requirements</p> <p>New disclosure requirements require the application of International Financial Reporting Standard (IFRS) 13 for pension fund investment</p>	<p>Officers preparing the accounts keep their knowledge of the Code up to date.</p>	<p>Review of the financial statements against the Disclosure Checklist and example accounts guidance from CIPFA provided assurance or identified issues over disclosures</p>

Audit risk	Assurance procedure	Results and conclusions
<p>assets, as well as changes to the way management expenses are disclosed per the 2016/17 Code of Practice in local authority accounting in the United Kingdom ("the Code") . These changes introduce the risk that the financial statements are not prepared in accordance with financial reporting standards.</p>		<p>made. Refer to Action Plan in Appendix 1, Point 3.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>5 Financial sustainability</p> <p>There is a risk to financial sustainability as a result of the pension fund maturing and the number of pension benefits paid out being greater than the contributions paid in.</p> <p>Additionally, should scheduled or admitted bodies to the fund cease whilst their share of assets are in deficit, the remaining bodies have to make up the shortfall.</p>	<p>Management review and revise the funding strategy every 3 years based on actuary's triennial valuation.</p> <p>Funds are managed to ensure that deficits are minimised.</p>	<p>Our review of minutes of committee meetings, discussions with officers and review of investment consultant reports concluded that the negative cashflow position is being managed effectively.</p> <p>Due to low numbers of 'exiting employers', being smaller bodies with no active members, the Fund has historically subsumed any liability. We will continue to monitor this throughout our audit appointment.</p>
<p>6 Change in Custodian</p> <p>During the year there was a change in Custodian. This introduces the risk that investment assets are not properly managed and secured.</p>	<p>Custodian procured to ensure experienced and secure management of investment assets.</p>	<p>An assessment was made over the competence and capability of the custodian, Northern Trust, as well as the procurement arrangements.</p> <p>No issues identified.</p>
<p>7 Budgetary control</p> <p>The Fund does not prepare an annual budget; there is a risk of lack of transparency and scrutiny available over the costs that can be controlled by the pension fund such as administration and investment costs.</p>	<p>Budget setting will be assessed to determine the value of scrutiny.</p>	<p>A budget for management expenses has been prepared for 2017/18. This will provide Members with useful information to scrutinise the cost and efficiency of the Fund.</p>

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	Superfast broadband for Scotland: a progress update
			Scotland's colleges 2016
Sept		Social work in Scotland	Scotland's new financial powers
Oct		Angus Council: Best Value audit report	NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	i6: a review
			Managing new financial powers: an update

Pension fund relevant reports

[Local Government in Scotland Financial Overview 2015/16 – LGPS Supplement](#) – November 2016.

Scottish Borders Council Pension Fund

2016/17 Annual Audit Report

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Scottish Borders Council
Pension Fund

annual report and financial statements

for the year to 31 March 2017



Contents

	Page
Introduction by Chairman of Pension Fund Committee	2
Management Commentary	3
Management and Financial Performance	3
Investment Strategy	8
Review of Investment Performance	9
Funding Position	12
Pensions Administration Update	13
Governance	17
Annual Governance Statement 2016/17	17
Governance Compliance Statement 2016/17	19
Risk Management Statement	24
Statement of Responsibilities for the Statement of Accounts	25
Statement of Accounts 2016/17	26
Fund Account 2016/17	26
Net Assets Statement as at 31 March 2017	27
Notes to the Statement of Accounts	28
Independent Auditor's report	50
Annex 1 Statement of Investment Principles	53
Annex 2 Barnett Waddingham Valuation Report	79
Annex 3 Glossary of Terms	104
Additional Information	106

REPORT BY CHAIRMAN OF PENSION FUND COMMITTEE

Introduction

Welcome to the Annual Report and Accounts for the Scottish Borders Council Pension Fund for the year ended 31 March 2017. This Annual Report has been produced to provide Elected Members, Scheme Members and Employers and other interested parties with information concerning the administration and performance of the Fund in financial year 2016/17.

Highlights for the Year

Pension Fund Committee/Pension Board

The Pension Fund Committee has worked hard during the year in response to the continually growing governance agenda and increasingly complex pension administration environment that the Fund operates within.

The Committee members have engaged with training events both locally and nationally to expand their knowledge and understanding. The recent local elections has resulted in change of Membership for the Committee going forward but due to the hard work and dedication of the out-going Members the fund is in a strong position.

The Joint meetings of the Committee and Board continued during 2016/17 to be productive and informative due to the positive engagement of all members.

The Investment and Performance Sub-Committee, has met all investment managers twice during the year, which has allowed the committee full scrutiny of funds managed.

Investment Assets

Following the strong market recovery and strong performance from key fund managers over the last couple of years, 2016 has proved to be challenging but successful time. The level of volatility across markets, especially global equities has continued to be

unprecedented. Despite this the fund has managed to increase in value by £112m during the year.

The overall performance of the Fund was 21.5% for 2016/17, outperforming the benchmark by 1.0%.

Procurement Activity

Following the completion of the Strategic Asset Allocation review 3 new managers were successfully appointed to the Fund. The Fund has also entered an agreement to work along with Lothian Pension Fund to access the Infrastructure market.

Cashflow Modelling

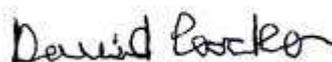
Work has continued during 2016 modelling the Funds cashflow position. This work will continue into 2017 as the Fund continues to mature and the balance between contributions and expenditure continues to widen.

Pensions Administration

During the year the Pensions Administration Team successfully issued all of the Annual Benefit statements to Employees, by the required deadline, and incorporating the new CARE scheme.

Acknowledgement

I would like to thank the Members of the Pension Fund Committee, Pension Fund Board, officers within the Council, our investment managers, KPMG and Barnett Waddingham for their hard work during the year and their ongoing commitment to ensuring the Fund's continued success.



**Chairman, Pension Fund Committee
Scottish Borders Council**

MANAGEMENT COMMENTARY

Management and Financial Performance

Scottish Borders Council Pension Fund

2016/17 Key Highlights

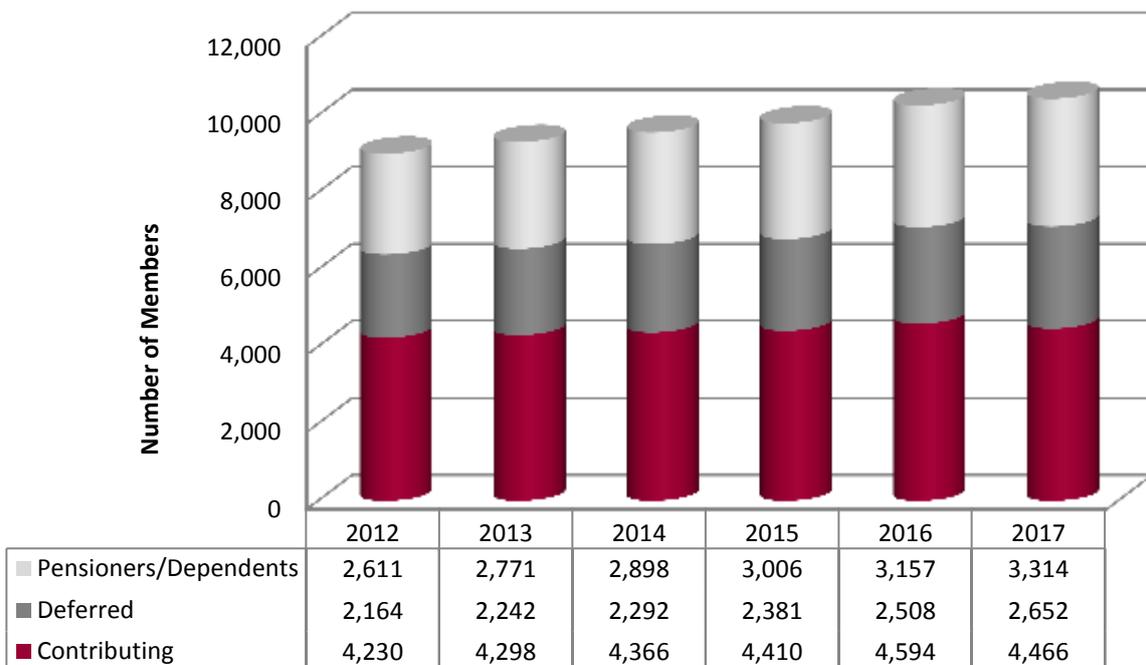
- £654m Net Assets, an increase of £112m on 2015/16
- Strong performance return of 21.5% for 2016/17 and 10.9% for the rolling 3 year period
- Continued sound governance of the Fund and good engagement of Members in the training programme
- 10,432 Members, an increase of 173 on previous year

The Scottish Borders Council Pension Fund (the Fund) as part of the Local Government Pension Scheme (LGPS) is administered by Scottish Borders Council (the Administering Authority). Note 1 to the Annual Accounts, page 28 provides a description of the Fund.

The Note sets out information in relation to the Fund's regulatory environment, funding, benefits and membership.

Overview of Fund Membership

Current membership of the Fund is 10,432 of which 4,466 are actively contributing and 3,314 are in receipt of pension benefits. The following chart summarises the trends in membership:



The chart on the previous page demonstrates that although there has been a relatively static position in relation to active contributing membership, there has been a continuing rise in the number of pensioners. Since 2012 the total membership has increased by 1,427 members (a 16% increase overall). During this period the number of pensioners and their dependants has increased by 25%, and the number of active contributing members has increased by 6%. This presents a challenge to the Fund to ensure that it manages its future cash flows effectively as the fund matures. This was included as part of the considerations when undertaking the full investment review.

A full reconciliation of the movement in membership during 2016/17 is included in Note 25 to the Accounts, page 49.

Financial Performance

The Financial Statements for the Fund are set out from page 26.

Key Figures from these are set out below:

	Restated 2015/16 £'000	2016/17 £'000
Net (Withdrawals) from Dealings with Members	(1,971)	(2,229)
Net Return on Investments	2,018	118,278
Net Increase/(decrease) in the Fund during the Year	(3,225)	112,493
Closing Net Assets of the Scheme	541,900	654,393

These highlight two key messages in relation to the Financial Position of the Fund:

- ***Strong financial returns from Fund Managers have resulted in an increase of £112m in Net Assets***
- ***A Net Withdrawal position in relation to dealing with Fund Members***

The strong asset position, along with the 2014 Triennial Valuation of funding levels, demonstrates that the Fund is well placed to meet its future pension and other benefit liabilities.

The slightly increasing net withdrawal position supports the trend that is seen in the membership chart as outlined on page 3.

Recent changes in the legislation around what pensioners are able to do with their pension benefit entitlements have increased individual freedom to withdraw from the Fund potentially triggering significant transfer movements. The fund has not however seen any significant withdrawal from the fund as a result of this legislation but is continuing to monitor this position.

Governance and Decision Making

Following the significant changes required in the governance arrangements which came into force on 1 April 2015 the Pension Fund Board was established. Joint meetings of the Pension Fund Committee and Pension Fund Board have been held regularly during 2016/17.

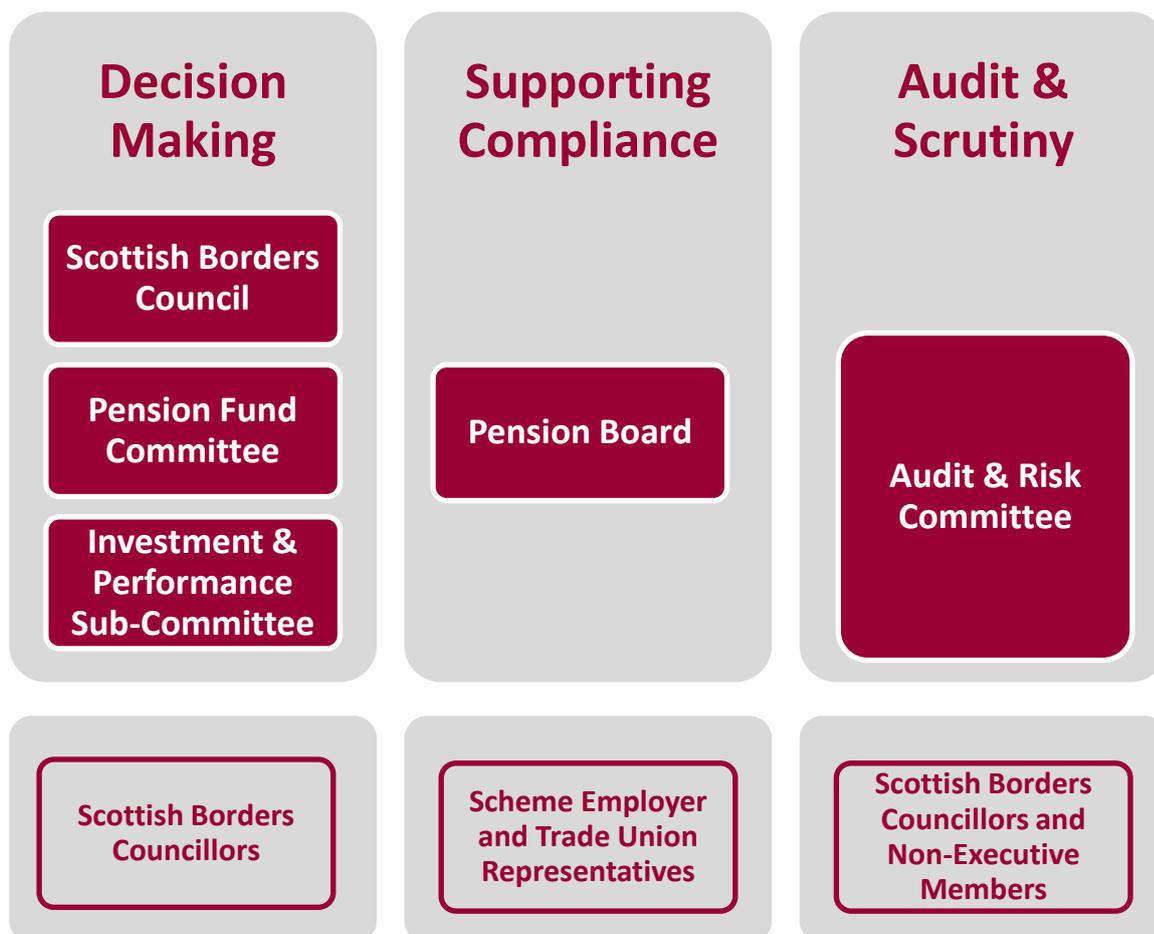
The remit of the Pension Fund Board is to assist the Council (as administering authority) in relation to:

- a) securing compliance with the regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- b) securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator; and
- c) such other matters as the regulations may specify.

This body is made up of four scheme employer representatives and four trade union representatives.

The membership of the Pension Fund Committee comprises elected members from the administering authority, Scottish Borders Council.

The governance of the Fund is as follows:



The Annual Governance Statement and Governance Compliance Statement 2017 can be found on pages 17 to 23.

Knowledge and Skills

The Training Policy for the Fund was updated and agreed on 16 June 2016 reflecting the governance arrangements set out on page 5.

Following the annual training needs assessment, the 2016/17 training programme was developed. It was delivered to all members of both the Pension Fund Committee and the Pension Fund Board and covered the following areas:

- Financial Markets and Investment Products
- Role of Custodian
- General Pension Fund regulatory environment
- LGPS regulatory environment

The Training Policy sets out a target for all members of the Pension Fund Committee and Pension Fund Board in relation to attendance at Committee meetings and training events. The 2016/17 performance is set out below.

<i>Pension Fund Committee</i>	Number of Members Attending	
% Attendance	Committee (Target – 2 meetings)	Training (Target – 2 sessions)
100% (4 sessions or more)	2	2
75% (3 sessions)	3	3
50% (2 sessions)	1	1
≤ 25% (1 or no sessions)	1	1

<i>Pension Fund Board</i>	Number of Members Attending	
% Attendance	Committee (Target – 2 meetings)	Training (Target – 2 sessions)
100% (4 sessions or more)	1	3
75% (3 sessions)	4	5
50% (2 sessions)	2	-
≤ 25% (1 or no sessions)	1	-

The Policy also requires members of the Pension Fund Board and Committee to attend at least two meetings per year and two training events. All Members of the Pension Fund Board fully met the training targets set in the Training Policy and 87.5% met the attendance target. 85.7% of the Pension Fund Committee met the training and attendance target.

The Fund is able to demonstrate full compliance with the relevant best practice standards and this is set out in the Governance Compliance Statement from page 19.

Fund's Aims and Objectives

Primary Aim of the Fund

- To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefits basis.

Funding Objectives

- Set levels of employer contribution that will **build up a fund of assets that will be sufficient to meet all future benefit payments** from the Fund.
- Build up the required assets in such a way that ensure levels of **employer contribution that are stable**

Pensions Administration

- Deliver a **High Quality Pension Service to Members.**

Governance

- Ensure that Scottish Borders Pension Fund is **managed effectively, transparently and remains compliant.**

The Fund approved a Business Plan for the period covering 2016/17 – 2018/19 on 16 June 2016 and this presented the action plan associated with supporting the delivery of these aims and objectives. The key following actions were completed during 2016/17.

- ***Full review of Investment Strategy based on asset and liability modelling completed***
- ***Strategic Asset Allocation review completed and new fund managers appointed***
- ***Custodian procurement complete and services transferred successfully to Northern Trust***
- ***2015/16 Annual Report and Financial Statements produced within prescribed timescales with no audit qualifications***

A full copy of the Business Plan can be found at www.scotborders.gov.uk/pensions.

MANAGEMENT COMMENTARY

Investment Strategy

The Statement of Investment Principles (SIP) approved on the 22 June 2017 sets out the Fund's current Investment Strategy and a copy of this document can be found at: www.scotborders.gov.uk/pensions. An extract of the key elements of the SIP are included in Annex 1 and the Investment Strategy is summarised below:



The following table indicates the actual position at 31 March 2017 in relation to asset allocation versus the revised benchmark which was agreed as part of the Investment Strategy:

Asset Class	Asset Allocation at 31/3/16 %	Asset Allocation at 31/3/17 %	Strategic Benchmark %
UK Equity	18.8	18.2	14.0
Global Equity	46.8	49.8	33.5
Bonds	10.8	9.7	15.0
Alternatives	17.0	16.9	22.5
Property	6.1	5.1	15.0
Cash	0.5	0.3	0.0
Total	100.0	100.0	100.0

As can be seen from the table on the above there has not been any major changes in the position of the allocation of assets between 2015/16 and 2016/17. The Fund has taken a deliberate decision to run underweight in the Bonds allocation due to the current market conditions. A revised asset allocation was agreed in December 2016 with greater focus on index linked assets including long leased property, with some initial reallocation of fund taking place before 31 March and it is anticipated the required transfers will be implemented during 2017/18 due to the nature of the new investment areas.

The strategic benchmark represents the asset allocation split as approved in December 2016 and contained with the 2017 Statement of Investment Principles.

MANAGEMENT COMMENTARY

Review of Investment Performance

2016/17 in Numbers

- **Strong 3 year annualised investment performance of 10.9%, 0.9% above benchmark**

- **Strong 1 year performance** to March 2017 with investment returns of 21.5% in the year to a benchmark of 19.5%

Key Successes 2016/17

Investment Markets

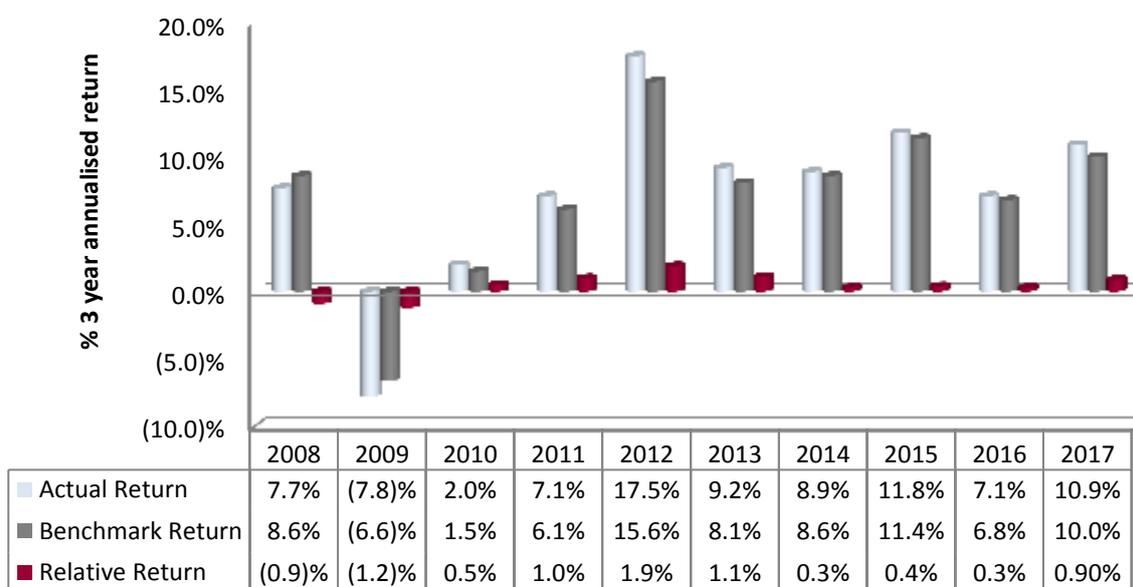
During 2016/17 there was an unprecedented level of volatility across a number of markets due largely to global political events. Over the 1 year rolling period a positive return was experienced in Equities both UK and Global. The 3 year rolling period is still positive compared to its benchmark, although lower due to the lower than benchmark returns during 2015/16. The factors affecting the markets were:

- Election of new US administration with promise of fiscal stimulus led to strong “risk on” environment as global equities rallied from 2015/16 levels.
- Uncertainty around BREXIT resulted in an element of volatility during the year but following the outcome markets have remained positive..
- Corporate bonds performed positively amidst a backdrop of improving global economic growth.

Investment Performance

The Fund's performance against benchmark over the past 10 years is highlighted in the chart below. This chart demonstrates that the rolling 3 year annualised relative return (i.e. Fund's return achieved compared with the benchmark) since 2010 has been positive, and that over the 10 year period there has only been one year of negative returns overall for the Fund and that was during the financial crisis.

3 Year Annualised Returns ending 31 March



Including the impact of the passive currency hedge, the overall fund return over 3 years was 10.9% p.a. versus the benchmark of 10.0% p.a., and the Fund return over 1 year was 21.5% p.a. compared to a benchmark of 19.5% p.a. Excluding the impact of the currency hedge, the fund return over 3 years was 11.9% p.a. versus the benchmark of 11.3% p.a. and the fund return over 1 year was 22.9% p.a. versus the benchmark of 20.9% p.a.

The Fund achieved these favourable returns in 2016/17 despite the volatile period in the markets during the year. The fluctuations in currency and the resulting currency hedge payments pulled the overall performance of the fund down by 1.4% during the year and 1% over the 3 year period. The currency hedge was fully removed from the fund in December 2016.

Each quarter the Investment Consultants, KPMG, reported on the Fund's quarterly performance by individual investment manager and mandate to the Joint Pension Fund Committee, and Pension Board. The Investment and Performance Sub Committee also met each Manager twice during the year giving members an opportunity to gain a deeper understanding of the investments, the decision making process and their performance.

The following table provides an analysis of how the Fund's investments performed against the Funds Benchmark.

Return on Investment as at 31/3/2017	1 year rolling return		3 year rolling return	
	Fund %	Bench ¹ %	Fund %	Bench ¹ %
Total Fund including Currency Hedging	21.5	19.5	10.9	10.0
Total Fund excluding Currency Hedging	22.9	20.9	11.9	11.3
Global Equities including UK	31.0	29.6	16.6	15.4
UK Equities	22.0	22.0	7.9	7.7
UK Government Bonds	6.6	6.6	11.6	10.5
UK Corporate Bonds	11.8	9.2	7.8	7.4
Pooled Bonds	6.9	3.3	n/a	n/a
Property	1.9	3.7	10.0	10.2
Alternatives	7.5	4.5	5.4	4.5
Cash				

Key:

¹ **Bench:** Benchmark Return which reflects the overall performance of the individual markets available to the manager within the mandate given to them.

The performance of the Fund overall has exceeded the rolling 1 year and 3 year benchmark. The rolling 1 year performance was aided by strong performance from Harris Associates in global equities, off-setting an under performance from Morgan Stanley in global equities and UBS Property portfolios.

Top 20 Direct Equity Holdings at 31 March 2017

Company	Market Value of Holding £ m	Company	Market Value of Holding £ m
Prudential	6.8	Glencore	3.4
Amazon	6.7	Allianz SE	3.3
Royal Caribbean Cruises	5.2	Richemont	3.3
Naspers	4.6	CNH Industrial	3.3
Taiwan Semicon.SPN.ADR.1:5	4.2	Anthem Inc	3.2
SAP	4.0	Credit Suisse	3.2
Moodys Corp	3.9	Daimler	3.1
ADR Baidu	3.5	CRH PLC	3.0
Alphabet Inc	3.5	AIA Group	2.9
BNP Paribas	3.4	Samsung Electronic	2.8

MANAGEMENT COMMENTARY

Funding Position

2014 Valuation

- 101 % Funding Level for the Fund
- Stable Common Employer Contribution Rates at 18%

Triennial Valuation 2014

The Triennial Funding Valuation as at the March 2014 was undertaken during 2014/15 and the final certified report was presented to the joint meeting of the Pension Fund Committee and Pension Board on 18 June 2015. A copy of the report is available via the Council's committee papers website <http://scottishborders.moderngov.co.uk/>.

The outcome of the 2014 Valuation was a funding level of 101% and a Fund which is no longer in a funding deficit position. As a result there was no change in the overall Fund common employer contribution rate, although some individual employer rates did change for specific circumstances.

Valuation Date as at 31 March	Past Service Funding Position – Scottish Borders Council Pension Fund		
	2008 £m	2011 £m	2014 £m
Value of the Scheme Liabilities	(310.1)	(402.2)	(487.6)
Smoothed Asset Value	299.2	384.8	490.5
Surplus/ (Deficit)	(10.9)	(17.4)	2.9
Funding Level	96%	96%	101%

Note 26 to the Statement of Accounts on page 47, contains details of the outcome and assumptions used in the 2014 Valuation and the impact that it had on employer contribution rates.

This is the first valuation that has taken into account the move to an LGPS based on career average earnings rather than final salary which came into effect on 1 April 2015.

A major contributing factor to the improvement in the funding level has been the strong investment performance that the Fund has achieved over the past 3 years.

Valuation for Statutory Accounts at 31 March 2017

Note 27 to the Statement of Accounts on page 48, contains the actuarial present value valuation for the Fund as required by the International Accounting Standard (IAS) 26. This shows a net liability for the Fund of £254.2m. However the liabilities for this figure are calculated on an IAS 19 basis and therefore will differ from the results of the 2014 Triennial Funding Valuation because IAS 19 stipulates a specific discount rate to enable comparability rather than a rate that reflects the market rate for investment returns on the Fund's assets. It is therefore not appropriate to use this as a measure for setting employer contribution rates or assessing the overall long term funding health of the fund. The full version of the actuary report and the current Funding Strategy is available via the Councils website: www.scotborders.gov.uk/pensions

MANAGEMENT COMMENTARY

Pensions Administration Update

2016/17 in Numbers

- 18 Scheme Employers
- £21.7m of Pension and Other Benefits paid during year
- £19.4m of Contributions Received from 4,466 Active Members and their Employers
- 6,515 Benefits Statements issued

- All Annual Benefit Statements issued by deadline, incorporating the new CARE benefits
- Testing of Business World for processing Pension payments achieved in advance of 1st April 2017 implementation
- Successful admission of additional Bodies to the Fund

Key Successes 2016/17

Scheme Employer Liaison

The Scheme Employer Liaison meeting was held during 2016/17 and covered the requirements for the year end returns, requirements for the triennial valuation and an overview of investments. The opportunity was also taken to reinforce the scheme changes and the impact of these for the Fund and employers.

The good relationship with the main Scheme Employers also has resulted in the continued involvement of 4 employers as representatives in the new Pension Board.

MEMBERSHIP

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Teachers are not included as they come within other national pension schemes.

There are 18 employer organisations within the Fund including the Council itself and membership by employer is analysed over the page.

Membership Details as at 31 March 2017	Number of Contributors	Pensioners	Deferred Pensioners	Total
Scheduled Bodies:				
Scottish Borders Council	3,246	3,067	2,344	8,657
Borders College	182	66	96	344
Visit Scotland (Scottish Borders)	1	6	9	16
	3,429	3,139	2,449	9,017
Active Admitted Bodies:				
Scottish Borders Housing Association	100	84	67	251
LIVE Borders	209	16	29	254
SBCares	673	43	89	805
Jedburgh Leisure Facilities Trust	2		2	4
L&B Community Justice Authority	2	1	5	8
Amey Community Limited	6	5	3	14
CGI	45			45
	1,037	149	195	1,381
Admitted Bodies with No Active Contributing Members:				
Gala Youth Project		1	1	2
Scottish Borders Careers		1	3	4
Others		24	4	28
	0	26	8	34
Total	4,466	3,314	2,652	10,432

Member Engagement

This has been identified as an area for development within the Pension Fund Business Plan 2016/17 – 2018/19. The development of a Communication Policy and associated action plan is included as an action for delivery within the next three year period. This will include exploiting the use of the web to engage with members via self-service interaction with the new pension administration system and improved information being available on the website.

Trade Unions as member representatives have also shown good engagement through their attendance at the Pension Fund Committee and also by securing 4 representatives for the Pension Board and identifying several substitutes.

Pensions Administration Strategy

The Fund's Pensions Administration Strategy was approved in September 2015. This sets out scheme employer and administering authority roles and responsibilities and defines the service performance standards.

How have we done?

A comprehensive report on Pensions Administration performance for 2016/17 was presented to the joint meeting of the Pension Fund Committee and Pension Board on 22 June 2017 and a copy of the report is available via the Council's committee papers website <http://scottishborders.moderngov.co.uk/>.

Administering Authority Performance Measures

Many of the performance standards have been met in 2016/17 and are comparable with the positive performance in the previous year. During 2015/16 the target performance days for responding to general queries was reduced from 10 to 5 days and 100% of queries were replied to within this new target.

Service Standard - Estimates

Standard	Volume of Requests	Target Response	2016/17 % on Target
Estimates – Transfer In	80	20 Days	21.25%
Estimates – Transfer Out	59	20 Days	25.42%
Estimate – All Other	875	10 Days	90.40%
Total Estimates	1,014		

Service Standard – Query Response Turnaround

Standard	2015/16		2016/17	
	Volume of Queries	% on Target	Volume of Queries	% on Target
Query responses – within 5 working days	1,075	100%	972	100%
Benefit Statement queries – within 20 working days	55	100%	78	46%
Total	1,130		1,050	

Service Standard - Other

Area	Measure	Completed
Employer Liaison Meetings	1 per annum	Yes
Benefit Statements	by end of August	Yes

There was a reduction in performance with meeting the 20 day target for responding to the Annual Benefit Statement queries, however, this was as a result of the growing complexity of queries with them now covering up to three sets of scheme benefits.

The main area that continues to be behind target is in relation to Transfers. However, all Scottish Pension Funds will have suffered delays with the transfer process this year, due to legislative changes (change to CARE scheme, “discount rate” announced in the budget), and the resultant change in methodology to calculate transfer values. The issue of GAD (Government Actuaries Department) guidance and translation into pension administration software has delayed the turnaround of transfer requests.

Employer Performance Measures

Service Standard – Employer Notifications

Standard	Volume of Notifications	Target %	% Achieved
New starts notification - within 20 working days	530	90%	100%
Changes notified – within 20 working days	571	90%	100%
Retirement info – at least 20 working days before	206	90%	100%
Early leaver notification – within 20 working days	544	90%	100%
Death in service notification – within 10 working days	3	90%	100%

Service Standard – Pension Contribution Payments

The following tables compare the date contribution payments are received against the target date for each of the Scheduled and Active Admitted Bodies.

Employer Body	Number of Monthly Payments Received		
	By Target Date (19 th of Month)	Late	% On Time
Scottish Borders Council	12	-	100%
Visit Scotland	12	-	100%
Borders College	12	-	100%
Scottish Borders Housing Association	12	-	100%
Jedburgh Leisure Facilities Trust	10	2	83%
LIVE Borders	6	6	50%
AMEY Community Limited	12	-	100%
SBCares	12	-	100%
CGI	6	-	100%

During 2016/17 there was an increase in the number of payments being received late when compared to 2015/16. Due to the repeat nature of late payments made by Live Borders they were written to and reminded of their responsibility to make payment on time. The payments dates continue to be monitored on a monthly basis.

Councillor David Parker
Chairman
Pension Fund Committee

Tracey Logan
Chief Executive
Scottish Borders Council

David Robertson
Chief Financial Officer
Scottish Borders Council

28 September 2017

GOVERNANCE

Annual Governance Statement 2016/17

Introduction

The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.

The key document summarising the governance arrangements for the Pension Fund is the Governance Policy and Compliance Statement (as amended on 18 June 2015) which is available on the website www.scotborders.gov.uk/pensions.

The Governance Framework

The key elements of the Pension Fund's governance arrangements include:

- a) Scottish Borders Council is the Administering Authority for the Local Government Pension Scheme set up for the Scottish Borders geographic area.
- b) The Council has delegated its responsibilities as Scheme Manager to the Pension Fund Committee. The members of the Committee act as quasi-trustees and oversee the management of the Scottish Borders Council Pension Fund.
- c) The introduction of the Pensions Board, which meets jointly with the Committee, formalises the involvement of the employers and trade unions representing the membership. All members of the Committee and Board are covered equally by the Training Policy to give them full opportunity to contribute effectively.
- d) The approval of the Pension Fund Business Plan covering the period 2016/17 – 2018/19 to improve planning and monitoring of the performance of the Fund and to demonstrate the "Myners Principle" relating to effective decision making. The business plan supports the delivery of the objectives of the Fund which are to deliver a high quality pension service to members that was managed effectively, transparently and was compliant.
- e) The Pension Fund appoints professional advisers and external service providers, covering investment advisory, custodian and actuarial services.
- f) The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of delegation, scheme of administration, supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular, the system includes comprehensive accounting systems that record income and expenditure for both member and investment activities, regular reviews of investment reports that measure investment returns against agreed benchmarks, regular reviews of investment manager reports that measure performance against agreed targets, and independent performance reviews of the Fund by the Fund's investment consultant and performance monitoring services provider.
- g) The Pension Fund follows the Council's approach to risk management and assesses risk using a scoring methodology and subjects the risk register to regular review.
- h) The Chief Financial Officer (Section 95 officer) for the Council is responsible for ensuring the proper administration of the financial affairs of the Pension Fund. This includes ensuring appropriate professional advice is sought and is given to the Pension Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.

- i) The Chief Officer HR for the Council is responsible for the pension benefit policy oversight and day-to-day administration of member benefits in accordance with statutory legislation and the approved pensions' administration strategy.
- j) The Chief Officer Audit & Risk (Head of Internal Audit) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review in conformance with the Public Sector Internal Audit Standards.
- k) The Pension Fund responds to findings and recommendations of external audit and internal audit, as appropriate. The Audit and Risk Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Review of Framework

The Council as Administering Authority of the Pension Fund conducts an annual review of the effectiveness of its overall governance framework which is presented to the Audit and Risk Committee whose role includes high level oversight of the Pension Fund's governance, risk management, and internal control arrangements.

The review is informed by the work of an officer assessment of the Fund's compliance with the best practice principles and the detail of this is set out in the Governance Compliance Statement 2016/17, Annex 1 (pages 19 – 23).

The review of the effectiveness of the system of internal financial control is informed by the work of professional accountancy staff within the Council, the assurances from the Chief Officer Audit & Risk's annual internal audit opinion and report on the work of internal audit, and by the external auditors' reports.

The review cycle for the risk register is undertaken in line with agreed practice and the current status is summarised in the Risk Management Statement.

The conclusion from the review activity outlined above is that in 2016/17 the Pension Fund continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective.

Improvement Areas of Governance

The review has identified some areas where further improvements can be made to enhance the existing governance arrangements:

- a) Development of a communications plan to improve awareness and understanding of stakeholders and encourage maximum membership of the Fund.
- b) Continue to monitor the implications of new national policy on freedom of choice of pension sums.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council Pension Fund's systems of internal control and governance. Although areas for further improvement have been identified the annual review demonstrates sufficient evidence that the Pension Fund's Governance Policy is operating effectively and that the Pension Fund fully complies with the best practice principles as demonstrated in the Governance Compliance Statement, Annex 1 (pages 19 – 23).

Councillor David Parker
Chairman
Pension Fund Committee
28 September 2017

Tracey Logan
Chief Executive
Scottish Borders Council

GOVERNANCE

Governance Compliance Statement 2016/17

The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via number of best practice principles. The following table contains an assessment of the Fund's compliance with these principles and reflects the changes following the introduction of the Pension Board.

Principle		Full Compliance	Comments
Structure			
A	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes	<p>Scottish Borders Council acts as administering authority for the Pension Fund and delegates its responsibilities as Scheme Manager to the Pension Fund Committee (the Committee).</p> <p>The Committee comprises of 7 elected members.</p> <p>The Council's Scheme of Administration sets out the Committee's remit.</p>
B	Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Yes	<p>The Pensions Board (the Board) formalises the involvement of the employers and trade unions representing the membership.</p> <p>The Fund's Board has 8 members, 4 employer representatives and 4 trade union representatives covering all pension fund members.</p> <p>The Board constitution is in line with the regulations, a copy of which is included in the Fund's Governance Policy and Compliance Statement.</p> <p>The Board meets jointly with the Committee and the Board Constitution and the Scheme of Administration set out how disputes between the two bodies should be resolved.</p> <p>The Investment and Performance Sub-Committee (the Sub-Committee) established under the Committee has its remit set out in the Scheme of Administration. The Membership of the Sub-Committee is comprised of the 7 elected members from the Committee and 2 (non-voting) members from the Board.</p>

Principle		Full Compliance	Comments
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes	Minutes of the Sub-Committee and any other Sub-Groups are submitted to Committee for approval. 2 members from the Board and all members of the Committee are part of the Sub-Committee which has a remit to monitor investment performance.
D	Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	The Scheme of Administration states that any Sub-Group established will have member(s) of the Committee as part of its membership.
Committee Membership and Representation			
A	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members), (iii) where appropriate, independent professional observers, and (iv) expert advisors (on an ad-hoc basis)	Yes	The Board and Committee meet jointly ensuring employer and member (trade union) representation at meetings. The Investment Sub-Committee has two non-voting members from the Board. The Independent Investment Consultant and key Finance and HR Officers also attend in an advisory capacity.
B	Where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee and Board are covered equally by the Training Policy (as amended annually in June). The Board was established by Council on 2 April 2015. The Scheme of Administration for the Committee and Board Constitution provides for the joint meetings with equal rights to receive papers and access meetings in the same way.

Principle		Full Compliance	Comments
Selection and role of lay members			
A	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	For elected members this is part of Council's Code of Governance along with Member induction programme. In addition the Fund's Training Policy provides for an annual training needs assessment, and an annual programme of training to be made available to all members of the Committee and Board.
B	At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Yes	Part of Council's Code of Governance requires the declaration of members' interests as a standard agenda item on all committees.
Voting			
A	The policy of individual administrating authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	This is set out in the Council's Scheme of Administration and the Board's Constitution.
Training/Facility time/Expenses			
A	In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes	The Members Expenses are managed under the Council's policies. The Training Policy also covers the reimbursement of Training Related Expenses.
B	Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	Training policy for all members of Pension Fund Board and Committee approved by Board and Committee annually in June.

Principle		Full Compliance	Comments
C	The Administering Authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	Annual Training Plan produced and logs of training are being maintained.
Meetings (frequency/quorum)			
A	An administering authority's main committee or committees meet at least quarterly.	Yes	The joint meetings of the Committee and Board are quarterly.
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with dates when the main committee sits.	Yes	Investment Sub-Committee meets every six months in between main joint Committee/Board meetings.
C	An administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	Pension Board formally provides for the stakeholders engagement.
Access			
A	Subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes	Papers sent to all Committee/Board members detailed in Scheme of Administration.

Principle		Full Compliance	Comments
Scope			
A	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Yes	The Scheme of Administration sets out that the Committee as having a remit which covers all matters relating the Council's role as the Administering Authority for the Scottish Borders Council Pension Fund, within the terms of all relevant Local Government Pension Scheme legislation and the requirements of the Pension Regulator.
Publicity			
A	Administering authorities have published details of their governance arrangements in such a way that stakeholders, with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes	Minutes and Public papers available via Council website, as are various governance and scheme policy documents.

GOVERNANCE

Risk Management Statement

The Fund is committed to a strong control environment to ensure that risks are identified, understood, managed and monitored appropriately.

The Risk Register for the Pension Fund has been developed in line with the Council's approach to risk management and assesses risk using a scoring methodology based on likelihood and impact.

A full risk review was undertaken in June 2016 and subsequent reviews have followed the Council's cycle, as shown below:

Level of risk (Inherent risk score)	Reporting and Review Cycle
RED -Very High (15-25)	3 monthly reviews of action progress throughout the year
AMBER – High (6-12)	6 monthly review
GREEN – Low (1-5)	Annual review

The headings under which the Council consider risk are set out below and the analysis of the level and number of risks are set out below:

Risk Category	Risk Assessment					
	Before Controls			After Controls		
	Red	Amber	Green	Red	Amber	Green
Asset & Investment	3	6	-	-	7	2
Employer	-	4	-	-	3	1
Resource & Skill	-	5	-	-	3	2
Liquidity	2	4	-	1	4	1
Administrative	-	8	-	-	3	5
Regulatory & Compliance	1	3	-	1	1	2
Reputation	1	4	-	-	2	3
Total Number of Risks	7	34	-	2	23	16

The two risks that remain at red assessment i.e. high risk as at 31 March 2017 are:

- ***Change in the composition of the Pension Fund Membership between active/deferred/pensioners***
- ***Legislation Changes impacting on the Fund***

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Scottish Borders Council Pension Fund (the Fund) and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer.
- Manage the affairs of the Fund to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts of the Fund (in Scotland, the audited accounts must be laid before a meeting of the Authority within two months of receipt of the audit certificate)

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts in accordance with the Local Government Pension Scheme (Administration) (Scotland) Regulations 2014, as updated by the Local Government Pension Scheme Amendment (Scotland) Regulations 2010 (SSI 2010/234) and supporting guidance issued by the Scottish Government.

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice on Local Authority Accounting

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

Statement of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the Scottish Borders Council Pension Fund as at 31 March 2017, and of its income and expenditure for the year ended 31 March 2017.

Councillor David Parker
Chairman
Pension Fund Committee

David Robertson (CPFA)
Chief Financial Officer
Scottish Borders Council

28 September 2017

STATEMENT OF ACCOUNTS 2016/17 FUND ACCOUNT

Restated 2015/16 £'000		2016/17 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme:		
18,642	Contributions	18,373	8
411	Transfers in from other pension funds	1,074	9
19,053		19,447	
(20,357)	Benefits	(19,986)	10,11
(667)	Payments To And On Account Of Leavers	(1,690)	12
(21,024)		(21,676)	
(1,971)	Net Additions/(Withdrawals) from Dealings with Members	(2,229)	
(3,272)	Management expenses	(3,555)	13
	Return on Investments:		
6,451	Investment Income	8,292	14
(4,282)	Profits and (Losses) on Disposal of Investments and Changes in the Market Value of Investments	110,098	15
(151)	Taxes on Income	(113)	
2,018	Net Return on Investments	118,277	
(3,225)	Net Increase/(Decrease) in the Fund during the Year	112,493	
545,125	Opening Net Assets of the Scheme	541,900	
541,900	Closing Net Assets of the Scheme	654,393	

NET ASSETS STATEMENT as at 31 March 2017

Restated 2016 £'000		2017 £'000	Notes
	Investment Assets		
203,952	Equities	257,512	17
	Managed Funds:		
32,546	Property	32,169	
82,947	Global Equities	105,284	
62,415	UK Equities- Passive	74,744	
18,643	Bonds	20,379	
39,913	Diversified Fixed Income	42,814	
92,526	Alternatives	110,322	
1,674	Open Ended Investment Contracts	1,825	
1,447	Derivatives – Forward Foreign Exchange	-	
5,715	Cash Deposits	8,158	
541,778	Total Investment Assets	653,207	
926	Other Investment Balances	1,355	
	Current Assets & Liabilities		
1,365	Cash Balances	1,507	
210	Contributions due from Employers	251	
387	Other Current Assets	172	21
(2,766)	Other Current Liabilities	(2,099)	22
122		1,186	
541,900	Net Assets	654,393	

The Fund Account and Net Assets Statement do not show any liability to pay pensions or other benefits in the future. The liability to pay pensions is detailed in the Actuarial Statement in Note 21.

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

NOTES TO THE STATEMENT OF ACCOUNTS

1 DESCRIPTION OF THE FUND

A) GENERAL

The Scottish Borders Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Scottish Borders Council.

The LGPS scheme is governed by the Public Service Pensions Act 2013. The fund is administered by the Council in accordance with the following secondary legislation:

- The Local Government Pension Scheme (Scotland) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014
- The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010
- The Local Government Pension Scheme (Governance)(Scotland) Regulations 2015

It is a contributory defined benefit pension scheme administered by Scottish Borders Council to provide pensions and other benefits for pensionable employees of Scottish Borders Council and a range of other scheduled and admitted bodies within the Scottish Borders area.

Organisations participating in the Fund include:

- Scheduled Bodies – which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted Bodies – which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

B) FUNDING

Pensions and other benefits are funded by contributions from employees, employers and investment earnings.

The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions, which for 2016/17 were based on the valuation undertaken as at the 31 March 2014 as amended by specific changes agreed by the Committee relating to an individual employer. The overall contribution rate was 18% for the Fund as a whole; however employer contribution rates during 2016/17 ranged from 15.5% to 19.0%.

Contributions from active members of the Fund are paid on a tiered basis, the contribution rate being determined by the amount of salary falling into each earnings tier. These rates are made in accordance with the 2008 Regulations and ranged from 5.5% to 12.0% of pensionable pay for the financial year ending 31 March 2017. *From 1 April 2015 these contributions will be based on the LGPS Regulations 2014 in line with the updated LGPS Scheme.*

C) BENEFITS

Prior to 1 April 2015, pension benefits under the LGPS have been based on final pensionable pay and length of pensionable service as summarised below:

	Service before 1 April 2009	Service after 31 March 2009 until 31 March 2016
Pension	Each year worked is worth 1/80 th x final pensionable salary	Each year worked is worth 1/60 th x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A one off payment of £12 is paid for each £1 of pension given up.

From the 1 April 2015, the scheme will become a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements summarise the Fund's transactions for the 2016/17 financial year and its position as at the 31 March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. In addition, consideration has been given to the *Local Government Pension Scheme Fund Accounts 2016/17 - example accounts and disclosure checklist* published by the Chartered Institute of Public Finance Accountants (CIPFA).

The financial statements also present the net assets available to pay pension benefits. These do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. Local authorities responsible for administering a pension fund that forms part of the LGPS are required by The Local Government Pension Scheme (Scotland) Regulations 2014 to publish a pension fund annual report, which is required to include a Fund Account and Net Assets Statement prepared in accordance with proper accounting practices.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account

Accruals Basis

In accordance with the Code, the Fund's Financial Statements are generally prepared on an accruals basis. The Net Assets Statement does not include liabilities to pay pensions and benefits after the end of the Fund year and the accruals concept is applied accordingly. Receipts and payments in respect of the transfer of benefits from and to other schemes are treated on a cash basis.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when the member liability is accepted or discharged.

Investment Income

i) Interest income

Interest is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any income not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1(1) of Sch 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Administration Expenses

All administration expenses are accounted for on an accruals basis. Central Support Costs from Scottish Borders Council have been recharged to the Fund on the basis of time spent by staff on the service. The recharge includes overheads apportioned to this activity.

Investment Management Expenses

Fees of the external investment managers and custodian are agreed in the respective mandates or subscription agreements governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Assets Statement

Valuation of Investments

The values of investments as shown in the net assets statement have been determined as follows:

- Market-quoted investments – Investments listed on recognised Stock Exchanges are valued at the bid price on the closing business day.
- Unquoted investments – Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The

valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement

- Pooled investment vehicles – are valued at bid price on the closing business day

The processes of the fund managers, who are listed in Note 15, page 38 are subject to external audit and verification and this is reported in their respective assurance reports on internal controls (in accordance with Technical Release AAF 01/06).

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks (in particular currency) arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of the derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 26, calculated in line with IAS 19 and relevant actuarial standards.

The financial statements summarise the transactions of the Fund during the year and its net assets at the year end. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the year. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 27, page 48).

Additional Voluntary Contributions (AVCs)

Additional Voluntary Contributions are invested separately from the main Fund, securing additional benefits on a money purchase basis for those members that have elected to contribute. All AVCs are managed by Standard Life and the value at 31 March 2017 was £1.037m (2015/16 £0.846m). During the year contributions totalled £0.153m, while payments out of the AVC fund totalled £0.056m. In accordance with regulation 4(2) (b) of the Government Pension Scheme (Management and Investment of Funds)(Scotland) Regulations 2009 (SI 2009/3093), AVCs are not included in the Pension Fund accounts.

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICES

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2017 was £25.2m.

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary (currently Barnett Waddingham), with annual updates in the intervening years. The methodology used is in line with the accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 27 page 47. This estimate is subject to significant variances based on changes to the underlying assumptions.

5 PRIOR YEAR ADJUSTMENTS

Work undertaken prior to the implementation of the new finance system on 1st April 2017 and the transitional work required during the change of custodian in December 2016 highlighted a number of discrepancies. Further investigation was undertaken resulting in the restatement of the previous year accounts. The table below details the figures restated.

FUND ACCOUNT	2015/16 Published Accounts £000's	2015/16 Restated Figures £000's	Variance £000's
Investment Income	6,359	6,451	92
Profit and (losses) on disposal of Investments and changes in the Market Value of Investments	(3,519)	(4,282)	763
Closing Net Assets for the Scheme	542,570	541,900	(670)

NET ASSETS STATEMENT	2015/16 Published Accounts £000's	2015/16 Restated Figures £000's	Variance £000's
Other Current Liabilities	(2,096)	(2,766)	670
Net Assets	542,570	541,900	(670)

NOTE 14 – INVESTMENT INCOME	2015/16 Published Accounts £000's	2015/16 Restated Figures £000's	Variance £000's
Dividends from Equities	(5,569)	(5,661)	92

NOTE 15 – (PROFITS) AND LOSSES ON DISPOSAL OF INVESTMENTS AND CHANGES IN MARKET VALUE OF INVESTMENTS	2015/16 Published Accounts £000's	2015/16 Restated Figures £000's	Variance £000's
Unrealised	2,494	3,257	763

6 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the financial statements at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Actuarial Present Value of Promised Retirement Benefits (Note 21)</p>	<p>Estimation of the net liability to pay pensions in the future depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham is engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <ul style="list-style-type: none"> - A 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £44m - A 0.5% increase in the Consumer Price Index assumption for inflation would increase the value of the liabilities by £27m - A 0.5% increase in the long-term rate of salary increase would increase value of the liabilities by £6m, and - A 1.25% increase in assumed life expectancy would increase the deficit by £5m <p style="text-align: right;"><i>Source – Triennial Valuation 2014</i></p>
<p>Portfolio of alternative assets held in a fund of funds</p>	<p>The alternative assets fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds directors or independent administrators judge necessary. The fund of funds is not publically listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total portfolio of alternative assets held in a fund of funds is valued in the Financial Statements at £98.7m. There is a risk that this investment may be under- or overstated in the accounts.</p>

7 EVENTS AFTER THE REPORTING DATE

There are no known events since the 31 March 2017.

8 CONTRIBUTIONS RECEIVABLE

2015/16				2016/17		
Employers £'000	Members £'000	Total £'000		Employers £'000	Members £'000	Total £'000
13,373	4,401	17,774	Normal	13,627	4,514	18,141
772	-	772	Special/Pension Fund Strain	202	-	202
-	96	96	Additional Voluntary	-	30	30
14,145	4,497	18,642	Total	13,829	4,544	18,373

9 TRANSFERS IN

There were no group transfers in to the scheme during 2016/17 or 2015/16 and the total of £1.074m (2015/16: 0.411m) represents the total of transfer values in respect of individual members joining the scheme.

10 BENEFITS PAYABLE

2015/16 £'000		2016/17 £'000
15,234	Pension Payments	15,910
5,123	Lump Sums/Death Benefits	4,076
20,357		19,986

11 ANALYSIS OF CONTRIBUTIONS AND BENEFITS

2015/16			2016/17	
Benefits Payable £'000	Contributions Receivable £'000		Benefits Payable £'000	Contributions Receivable £'000
19,340	14,811	Scottish Borders Council	18,868	13,684
261	594	Scheduled Bodies	275	657
756	3,237	Admitted Bodies	843	4,032
20,357	18,642	Total	19,986	18,373

12 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015/16 £'000		2016/17 £'000
68	Contributions Returned	88
599	Individual Transfers to Other schemes	1,602
667		1,690

13 MANAGEMENT EXPENSES

2015/16 £'000		2016/17 £'000
301	Administrative costs	263
2,754	Investment management expenses	3,051
217	Oversight and governance costs	241
3,272	Total	3,555

13(a) INVESTMENT MANAGEMENT EXPENSES

2015/16 £'000		2016/17 £'000
2,543	Management Fees	2,878
-	Performance Related Fees	-
51	Transaction Costs	59
145	Custody Fees	102
15	Other Fees	12
2,754	Total	3,051

14 INVESTMENT INCOME

Restated 2015/16 £'000		2016/17 £'000
(5,661)	Dividends from equities	(7,142)
(771)	Income from Pooled Investment Vehicles	(1,133)
(19)	Interest on Cash Deposits	(17)
(6,451)		(8,292)

15 (PROFITS) AND LOSSES ON DISPOSAL OF INVESTMENTS AND REALISED CURRENCY PROFITS AND LOSSES

Restated 2015/16 £'000		2016/17 £'000
1,025	Realised	17,514
3,257	Unrealised	92,584
4,282		110,098

16 AUDITOR'S REMUNERATION

In 2016/17 the agreed audit fee for the year was £19,710. There were no other fees during 2016/17 paid to Audit Scotland, the Pension Fund's auditor.

17 ANALYSIS OF NET INVESTMENT ASSETS

Market Value at 31 March 2016				Market Value at 31 March 2017		
UK £'000	Overseas £'000	Total £'000		UK £'000	Overseas £'000	Total £'000
			Investment Assets			
46,438	157,515	203,953	Equities	53,293	204,219	257,512
			Managed Funds:			
32,546	-	32,546	Property	32,169		32,169
64,089	82,947	147,036	Equities	76,569	105,284	181,853
18,643	-	18,643	Bonds	20,379		20,379
-	39,913	39,913	Diversified Fixed Income		42,814	42,814
-	92,526	92,526	Alternatives		110,322	110,322
3,936	1,778	5,714	Cash Deposits	6,826	1,332	8,158
165,652	374,679	540,331	Total Investment Assets	189,236	463,971	653,207
			Investment Liabilities			
1,447	-	1,447	Derivative - Passive Currency Hedge			
167,099	374,679	541,778	Net Investment Assets	189,236	463,971	653,207

Alternative asset portfolio at 31 March 2017

The investment in the alternative asset portfolio, managed by LGT Capital Partners and valued at £98.734m at 31 March 2017, is allocated to the following asset classes at 31 March 2016: Convertible Bonds, Emerging Markets Debt, High Yield (Bonds), Commodities, Insurance-Linked Securities, Property, GTAA/Global Macro, Event Oriented, Market Neutral, Thematic Opportunities, Infrastructure and Private Equity.

Investment Movement Reconciliation

	Opening Market Value £'000	Purchases & Derivative Payments £'000	Sales & Derivative Receipts £'000	Other Movements £'000	Closing Market Value £'000
Investment Assets					
Equities	203,952	46,538	(43,747)	50,769	257,512
Managed Funds:					
Property	32,546	7,888	(3,741)	(4,524)	32,169
Equities	147,036	109	(1,240)	35,948	181,853
Bonds	18,643			1,736	20,379
Diversified Fixed Income	39,913	1,133		1,768	42,814
Alternatives	92,526	11,588		6,208	110,322
Derivative Contracts:					
Passive Currency Hedge	1,447		(1,447)		0
Other Investment balances - Cash	5,715			2,443	8,158
Net Investments	541,778	67,256	(50,175)	94,348	653,207

Significant Transactions during the year:

Following strategic asset allocation review £11.5m an initial investment was made to Private credit allocation with Alternatives.

Investments representing more than 5% of Net Assets

The value of the following investments exceeds 5% of the total value of the net assets of the Pension Fund at 31 March 2017. Each of the investments comprises units in a managed fund.

Value as at 31 March 2016	£'000
M&G Alpha Opportunities Fund	42,814
Morgan Stanley Global Brands Fund	105,284
LGT Crown SBC Segregated Portfolio	98,734
UBS UK Passive Equities	74,744

Investments Analysed by Fund Manager

Investment Management was undertaken on behalf of the Fund during the financial year by seven firms of investment managers: UBS Global Asset Management, Baillie Gifford & Co, Morgan Stanley, Harris Associates and M&G, Partners Group and LGT Capital Partners. The Fund's passive currency hedging programme to December 2017 was provided by State Street Global Advisors. As at 31 March 2016 the market value of the assets under management, broken down by manager and mandate (including cash held within each mandate) was:

31-Mar-16				31-Mar-17	
£'000	%			£'000	%
62,415	11.49	UBS	UK Equities - Passive	74,745	11.44
39,111	7.20	Baillie Gifford	UK Equities	44,112	6.75
120,370	22.16	Baillie Gifford	Global Equities	151,003	23.12
50,278	9.26	Harris	Global Equities	69,221	10.60
82,947	15.27	Morgan Stanley	Managed Fund - Global Equities	105,284	16.12
39,913	7.35	M&G	Managed Fund - Diversified Income	42,814	6.55
18,643	3.43	M&G	Managed Fund - Bonds	20,379	3.12
32,812	6.04	UBS	Property	33,257	5.09
92,337	17.00	LGT	Managed Fund - Alternatives	98,734	15.12
1,447	0.27	State Street	Derivatives - Passive Currency Hedge		
		Partners Group	Managed Fund – Private Credit	11,588	1.77
2,871	0.53	Internal	Internally Managed Cash & Investments	2,070	0.32
543,144	100.00			653,207	100.00

The benchmarks and performance targets for each manager as at the 31 March 2017 are contained in Annex 1, Section 4.3, page 65 for information.

Fund Performance

The total Fund return for the year was 21.5% including the currency hedging. The hedging arrangements had a negative impact, decreasing the return by 1.4%. Excluding the currency hedging, the return on the Fund was 22.9% with a relative return over benchmark of 2.0%.

Over three years the Fund has generated an annualised return of 10.9% per annum, including the currency hedging, with a relative return over benchmark of 0.9% per annum. Further information on this is contained in the Management Commentary – Review of Investment Performance, page 9.

18 STOCK LENDING

As at 31 March 2017 no stock had been released to a third party under a stock lending arrangement.

19a FAIR VALUE HIERARCHY

Assets and liability valuations are classified into three levels according to quality and reliability of information used to determine fair values.

- Level 1 are those where fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as level 1 comprise quoted equities and unit trusts. Prices are quoted at bid prices.
- Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.
- Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Values as at 31 March 2017	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	level 1 £'000	level 2 £000's	level 3 £000's	£000's
Designated as fair value through fund account	494,027	34,427	116,547	645,001
Loans & receivables	6,099	5,015	38	11,152
Financial liabilities at fair value through fund account		(1,490)		(1,490)
Net Investment Assets	500,126	37,952	116,585	654,663

Values as at 31 March 2016	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	level 1 £'000	level 2 £000's	level 3 £000's	£000's
Designated as fair value through fund account	401,671	34,220	98,725	534,616
Loans & receivables	4,295	2,786	1,447	8,528
Financial liabilities at fair value through fund account	-	-	-	-
Net Investment Assets	405,966	37,006	100,172	543,144

19b FAIR VALUE TRANSFERS & RECONCILIATIONS

	Market Value 1 April 2016 £'000	Transfers into level 3 £'000	Purchases during year & derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market Value 31 March 2017 £'000
Private Credit	-	11,588	-	-	-	-	11,588
Alternatives	92,526	-	-	-	6,208	-	98,734
Property	3,137	-	-	-	35	-	3,172
Private Equity	3,062	-	-	-	29	-	3,091
Currency Hedge	1,447	-	-	(1,447)	-	-	-
Total	100,172	11,588	-	(1,447)	6,272	-	116,585

Transfers to level 3 reflect the investment into Private Credit following the implementation of the revised Investment Strategy.

Sales during the year reflect the discontinuation of the currency hedge following implementation of the revised Investment Strategy.

20 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

RISK AND RISK MANAGEMENT

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for managing the Fund's risk rests with the Pension Fund Committee. A risk register for the Fund has been established to identify and analyse the risks that the Fund faces and the key messages from this process are covered in the Risk Management Statement on page 24. The Market Risk and Credit Risk aspects below come under the risk category of Assets and Investment in the Risk Register, whilst Liquidity Risk is a separate category of risk.

In addition, the Funding Strategy Statement and Statement of Investment Principles address risk management considerations as they apply to the particular objectives of each document.

A) MARKET RISK

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its Investment Consultants undertake appropriate monitoring of market conditions and benchmark analysis.

(i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk, arising from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk – Sensitivity Analysis

In consultation with the Fund's independent provider of performance and analytical data (WM), it has been determined that the following movements in market price risk are reasonably possible for this reporting period.

Asset Type	Potential Market Movement +/- (% p.a.)
UK Equities	20.2
Global Pooled Equities	20.5
UK Bonds	6.1
Cash	1.1
Property	13.0
Alternatives	17.9

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price could have been as follows:

Asset Type	Value as at 31 Mar 17 £'000	+/- % Change*	Value on Increase £'000	Value on Decrease £'000
UK Equities	118,857	20.2	142,866	94,848
Global Equities	325,508	20.5	392,238	258,779
Total Bonds	63,193	6.1	67,048	59,338
Cash	2,070	1.1	2,093	2,047
Property	33,257	13.0	37,580	28,934
Alternatives	110,322	17.9	130,070	90,574
Total Assets Exc. Currency Hedge	653,207		771,894	534,520

*The percentage change for total assets includes the impact of correlation across asset classes.

(ii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its Investment Consultants, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2017 is set out below and includes investment and operational cash balances. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	At 31 March 2016 £'000	At 31 March 2017 £'000
Cash and Cash Equivalents	7,080	9,665
Fixed Interest Securities	58,556	63,193
	65,636	72,858

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 Basis Points (BPS) change in interest rates:

Asset Type	Value as at 31 Mar 17 £'000	Effect on Asset Values	
		Favourable Rate Move + 100 BPS £'000	Unfavourable Rate Move -100 BPS £'000
Cash and Cash Equivalents	9,665	97	(97)
Fixed Interest Securities	63,193	632	(632)
	72,858	729	(729)

(iii) Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund is invested in equities overseas that are denominated in currencies other than £UK. To help manage this risk, the Fund hedges 50% of its exposure to equities denominated in certain major foreign currencies through the operation of a passive currency overlay programme, operated by State Street.

The following table summarises the Fund's currency exposure at 31 March 2016:

Currency exposure by asset type	As 31 March 2016 £'000	As 31 March 2017 £'000
Overseas Equities	243,370	309,504
Diversified Bonds	39,913	42,814
Alternatives	92,526	110,322
Cash - Foreign Currency	1,778	1,332
Total	377,587	463,972

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with KPMG the likely volatility associated with foreign exchange movements on an individual currency basis is shown on the table on the following page. The weight of each currency in relation to the total currency basket is multiplied by the change in its exchange rate (relative to GBP) to create the aggregate potential currency change of the 'basket'.

Currency	Value as at 31 Mar 17 £'000	+/- % Change	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	970	12.15%	1,088	852
Brazilian Real	991	17.55%	1,165	817
Canadian Dollar	1,197	10.24%	1,319	1,074
Chinese Yuan	1,886	10.33%	2,081	1,691
Danish Krone	2,404	9.22%	2,625	2,182
EURO *	41,621	9.25%	45,471	37,771
Hong Kong Dollar	4,114	10.29%	4,538	3,691
Japanese Yen *	12,598	15.19%	14,512	10,684
Mexican Peso	2,303	13.54%	2,615	1,991
Norwegian Krone	1,285	11.68%	1,435	1,135
South African Rand	5,005	17.25%	5,868	4,141
South Korean Won	907	14.14%	1,035	779
Swedish Krona	17,402	11.49%	19,402	15,403
Swiss Franc	6,313	12.23%	7,085	5,541
Taiwan Dollar	611	10.01%	672	550
US Dollar	176,184	10.57%	194,807	157,561
Total Currency *	275,791		305,718	245,863

* The % change for Total Currency includes the impact of correlation across the underlying currencies.

B) CREDIT RISK

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund is separately mentioned within the Council's Annual Treasury Strategy and this document sets out the Fund's approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its internal treasury management arrangements at 31 March 2017, including current account cash, was £3.53m (31 March 2016: £2.78m). This was held with the following institutions:

	Rating	Balance at 31 March 2016 £'000	Balance at 31 March 2017 £'000
Money Market Accounts			
Ignis	AAA	355	505
Scottish Widows	AAA	355	505
Blackrock	AAA	355	505
Prime Rate	AAA	355	505
Bank Current Accounts			
Bank of Scotland	A	1,365	1,507
Total		2,785	3,527

C) LIQUIDITY RISK

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its internally managed Pension Fund cash holdings through use of instant access accounts or money market funds.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2017, the Fund's only illiquid assets under this definition are some of the Property fund of funds holdings which are only tradable in the secondary market.

21 CURRENT ASSETS

	As 31 March 2016 £'000	As 31 March 2017 £'000
Current Assets		
Transfer value receivable (joiners)	330	68
Sundry Debtors	57	104
Prepayments	-	-
Total	387	172

	As 31 March 2016 £'000	As 31 March 2017 £'000
Analysis of Debtors		
Central government bodies	56	17
Other local authorities	181	132
NHS bodies	-	-
Public corporation & trading funds	-	-
Other entities & individuals	150	23
Total	387	172

22 CURRENT LIABILITIES

	As 31 March 2016 £'000	As 31 March 2017 £'000
Current Liabilities		
Transfer value receivable (joiners)	30	497
Sundry Creditors		1,138
Benefits payable		464
Total	2,766	2,099

	As 31 March 2016 £'000	As 31 March 2017 £'000
Analysis of Debtors		
Central government bodies		-
Other local authorities	674	211
NHS bodies		12
Public corporation & trading funds		-
Other entities & individuals	2,092	1,876
Total	2,766	2,099

23 RELATED PARTY TRANSACTIONS

During the year, the Pension Fund had an average balance of £2.86m (2016: £1.797m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.006m (2016: £0.010m). The Council charged the Pension Fund £0.333m in respect of expenses incurred in administering the Fund. There are no additional related party

transactions that require to be disclosed. The Pension Fund balance due from Scottish Borders Council to the Pension Fund at the balance sheet date and disclosed in the net assets statement was as follows:

As at 31 March	2016 £'000	2017 £'000
Due (to)/from Scottish Borders Council	(1,486)	104

Governance

All members of the Pension Fund Committee were active member of the pension fund during 2016/17. None of the Pension Fund Committee were in receipt of pension benefits from the Fund.

24 KEY MANAGEMENT PERSONNEL

The key management personnel of the fund is Scottish Borders Council Chief Financial Officer. Total remuneration payable is set out below

31 March 2016 £000's		31 March 2017 £000's
85	Short-term benefits	86
-	Post-employment benefits	
2	Other long-term benefits	2
-	Termination benefits	-
-	Share-base payments	-
87	Total	88

The figures above reflect the full remuneration as reported in Scottish Borders Council Accounts. The Pension Fund is recharged 12% of the above post.

25 MEMBERSHIP RECONCILIATION 2016/17

	Membership Reconciliation – Number of Members			
	Contributing Members	Pensioners	Deferred Pensioners	Total
Number at 31 March 2016	4,594	3,157	2,508	10,259
Adjustments (late notifications etc.)	(33)	(1)	(11)	(45)
New Members	530		2	532
Transfers to Other Schemes	(9)		(13)	(22)
Refunds of Contributions	(264)			(264)
Retirement of Contributing Members	(142)	142		0
Transfer to Deferred Pensioners	(258)		258	0
Re-employed Deferred Pensioners	51		(27)	24
Retirement of Deferred Pensioners		64	(64)	0
Dependants' Pensions		43		43
Deaths	(3)	(86)	(1)	(90)
Commutation (trivial pensions)				0
Ill Health Grant				0
End of Entitlement		(5)		(5)
Number at 31 March 2017	4,466	3,314	2,652	10,432

26 FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2014, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

The Actuarial Valuation assesses the health of the fund and provides a check that the funding strategy and assumptions used are appropriate.

The Funding Strategy Statement

The latest Funding Strategy Statement (FSS) (see Annex 1) was approved by the Pension Fund Committee on 22 June 2017 and a copy of this document can be found at: www.scotborders.gov.uk/pensions. Key elements of the FSS are the Funding Objectives and Funding Strategy for the Pension Fund and these have been extracted and included below:

Funding Objectives (Section 1, page 2 of FSS)

To:

- set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund;
- build up the required assets in such a way that produces levels of employer contribution that are as stable as possible;
- ensure effective and efficient management of employer's liabilities; and
- allow the return from investments to be maximised within reasonable risk parameters.

Funding Strategy (Section 3, page 4 of FSS)

The funding strategy seeks to achieve (via employee and employer contributions and investment income) two key objectives:

- A funding level of 100%, as assessed by the Fund's appointed actuary, triennially, in accordance with the Regulations; and
- As stable an employer contribution rate as is practical

2014 Actuarial Valuation

The 2014 Actuarial Valuation was undertaken for the Fund as at 31 March 2014 (the full report can be seen in Annex 2) and was completed during the financial year 2014/15 by the Fund's actuaries, Barnett Waddingham. It has been undertaken in accordance with Regulation 32 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008.

The funding level of the Fund as at the 31 March 2014 was 101%, above the valuation as at 31 March 2011 and this corresponded to a surplus of £2.9m. The following table summarises the funding position.

Past Service Funding Position – Scottish Borders Council Pension Fund		
Valuation Date as at 31 March	2011 £m	2014 £m
Value of the Scheme Liabilities	(402.2)	(487.6)
Smoothed Asset Value	384.8	490.5
Surplus/ (Deficit)	(17.4)	2.9
Funding Level	96%	101%

The value of the scheme liabilities is an estimate of the assets required to pay pensions over the coming years. The smoothed asset value is the contributions received from employers and members as well as investment returns. The surplus or deficit on the Fund is the difference between the two.

The next detailed actuarial valuation will be carried out for the Fund as at 31st March 2017.

New LGPS Benefits Impact on Benefits Projections

The Actuarial Valuation Report identified the estimated additional pension and lump sum benefits projected to come into the payments of benefits in each year during the period 1 April 2015 to 31 March 2018 as a result of the changes to the LGPS benefits. These are set out as follows:

Financial year	Additional Retirement Benefits £m	Increase versus 2014/15 Base
2014/15 Base (per Note 8)		19.1
2015/16	3.4	17.8%
2016/17	5.2	27.2%
2017/18	5.4	28.3%

Valuation Assumptions

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service.

Financial Assumptions

The principal assumptions used in the last triennial valuation (to March 2014) were:

	2011 Valuation		2014 Valuation	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Investment Return				
Equities/absolute return funds	6.9	3.4	5.9	2.6
Gilts	4.3	0.8	3.6	-
Bonds	5.5	2.0	4.1	0.5
Property	5.5	2.0	5.5	1.9
Multi Asset Fund	-	-	5.9	2.3
Expense Allowance				
Retail Price Inflation (RPI)	3.5	-	3.6	-
Pay Increases – Long Term	5.0	1.5	4.6	2.0
Pension Increases	3.0	(0.5)	2.8	(0.8)
Discount Rate	6.4	2.9	5.5	1.9

Mortality assumptions

The mortality assumptions used and applied to all members are those underlying the S1PA mortality tables allowing for Continuous Mortality Investigation (CMI) 2013 projections, with a long term rate of improvement 1.5%.

Commutation Assumption

It is assumed that future retirees will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules.

Employer Contribution Rates

As part of the 2014 Actuarial Valuation, the actuary certified the common rate of contribution as 18% of payroll for the next three years.

Individual and pooled employers' rates vary from the common contribution rate (18.0%) depending on the demographic and actuarial factors particular to each employer. The table below highlights the key employer contribution rates (i.e. the rate which employers in the Fund pay):

Employers Contribution Grouping	Employers Contribution Rate	
	2015/16	2016/17
Scottish Borders Council Common Pool	18.0%	18.0%
Leisure Trusts Common Pool *	15.5%	15.5%
LIVE Borders		18.0%
Scottish Borders Housing Association – Individual	-	19.0%

* During the inter-valuation period the Pension Fund Committee agreed, in consultation with the actuary, to reduce the rate for Borders Sport and Leisure Trust in order that they would undertake work to open up the LGPS scheme to their employees again. This was set at 15.5%. The amalgamation of BSLT and the Council Culture services into LIVE Borders however resulted in a revised rate of 18%.

27 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the Triennial Funding Valuation, the Fund's actuary also undertakes a valuation of pension fund liabilities (actuarial present value of promised retirement benefits) at the accounting date as required by International Accounting Standard (IAS) 26, and calculated in line with IAS 19 assumptions.

This uses the same base data as the Triennial Funding Valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund employer contribution rates and the Fund Account does not take account of liabilities to pay pensions and other benefits in the future.

The actuarial present values, calculated in line with IAS 19, are set out in the table below.

	Net Pension Asset as at:		
	31 March 2015 £m	31 March 2016 £m	31 March 2017 £m
Present value of the defined benefit obligations	(716.6)	(696.9)	(906.9)
Fair Value of Fund Assets* (bid value)	537.4	542.7	652.7
Net Asset/(Liability)	(179.2)	(154.2)	(254.2)

This figure is used for statutory accounting purposes by the Fund and complies with the requirements of IAS 26. The assumptions underlying the figure are detailed below:

	At 31 March 2015		At 31 March 2016		At 31 March 2017	
	% p.a.	% p.a.	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Discount Rate	3.3	0.1	3.7	0.4	2.7%	0.0%
Retail Price Inflation (RPI)	3.2	-	3.3	-	2.7%	-
Pay Increases – Long Term	4.2	1.0	4.2	0.9	3.7%	1.0%
Pension Increases	2.4	(0.8)	2.4	(0.9)	2.7%	0.0%

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2014 Triennial Funding Valuation (see Note 20) because IAS 19 stipulates a discount rate rather than a rate that reflects the market rate for investment returns on the Fund's assets.

28 CONTINGENT ASSETS

One of the admitted body employers in the Pension Fund holds an insurance bond to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

29 POST BALANCE SHEET EVENTS

On 23 June 2016, the result of the Referendum on membership of the European Union (EU) was a majority to leave. This resulted in initial volatility in some markets. As the discussions and negotiations continue to proceed, the final effect on investments and inflation on the liabilities remains currently unknown. The Fund's longer term investment strategy may require to be reviewed as the implications of the negotiations become clearer.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Scottish Borders Council as administering authority for Scottish Borders Council Pension Fund and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report and financial statements of Scottish Borders Council Pension Fund for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the financial transactions of the fund during the year ended 31 March 2017 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the fund and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual report and accounts

The Chief Financial Officer is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2014.

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Gillian Woolman MA FCA CPFA
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29th September 2017



SCOTTISH BORDERS COUNCIL PENSION FUND STATEMENT OF INVESTMENT PRINCIPLES 2017

**Finance
Chief Executive
Version: 2017 v1**

Introduction

This is the Statement of Investment Principles (the SIP) adopted by the Scottish Borders Council to govern the investment operations of its Pension Fund. It covers the matters required by regulations together with certain other aspects of investment management, which it is felt should be included for the sake of completeness.

This version of the SIP was agreed by the Pension Fund Committee (the Committee) on 22 June 2017.

1. The statutory requirements concerning the SIP

1.1 The Local Government Pension Scheme (Management and Investment of Funds)(Scotland) Regulations 1998 as amended require administering authorities to prepare, maintain and publish a Statement of Investment Principles (SIP) that includes the policy on:

- The types of investment to be held
- The balance between different types of investment
- The risk considerations, including the ways in which risks are to be measured and managed¹
- The expected return on investments
- Realising of investments
- Taking account of social, environmental or ethical considerations in investments
- Exercising the rights (including voting rights) attaching to investments
- Stock Lending¹

1.2 The Statement must also state the extent of compliance with guidance given by the Scottish Ministers. This guidance requires reference to the 6 principles of investment practice published by CIPFA in December 2009.¹

¹ “Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles (2009)”

2. Governance

- 2.1 Scottish Borders Council (the Council) is the Administering Authority for the Local Government Pension Scheme (LGPS) set up for the Scottish Borders geographic area, the Scottish Borders Council Pension Fund (the Fund).
- 2.2 The Council has delegated its pension's functions to the **Pension Fund Committee** (the Committee) which has ultimate responsibility for making decisions in relation to the maintenance and revision of the SIP, and approving decisions in relation to changes in fund manager, investment adviser or custodian.
- 2.3 The **Pension Fund Investment and Performance Sub-Committee** (the Investment Sub-Committee) is a sub-committee established to undertake specific investment monitoring responsibilities as set out in **Appendix 1**.
- 2.4 The **Pension Board** (the Board) is established under the provisions of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 with the remit to securing the Fund's compliance with the Regulatory Framework. A constitution has been agreed for the Board with the responsibilities set out in **Appendix 2**.
- 2.5 The SIP sets out the principles governing decisions about the investments of the Fund. The Fund recognises the importance of corporate governance and responsibility in ensuring the long term financial performance of the organisations in which they invest.
- 2.6 The SIP forms part of a governance framework that includes:
 - The Statutory Regulations
 - The Pension Fund Committee
 - The Pension Fund Investment & Performance Sub-Committee
 - The Pension Board
 - The Fund's Advisers
 - The Funding Strategy Statement²²and
 - The Governance Policy and Compliance Statement².
- 2.7 Underlying the SIP and the Council's related decision making processes is the requirement that the Council must obtain and consider "proper advice" and this is provided by Council Officers and expert, professional advisers under contract to the Council.

² Funding Strategy Statement and Governance Policy and Compliance Statement can be found at www.scotborders.gov.uk/pensions

3. The Fund's Objectives

Primary Aim

3.1 The primary aim of the Fund is:

“To provide for members’ pension and lump sum benefits on their retirement or for their dependants’ benefits on death before or after retirement, on a defined benefits basis.”

In order that this primary objective can be achieved, the following funding and investment objectives have been agreed.

Funding Objectives

3.2 The funding objectives are set out in the Funding Strategy Statement (the FSS) and are as follows:

- i To set levels of employer contribution that will build up a Fund of assets that will be sufficient to meet all future benefit payments from the Fund.
- ii To build up the required assets in a way that produces employer contributions, which are as stable as possible.

3.3 The funding objectives must complement the Fund's investment strategy so that the appropriate amount of risk is adopted in the pursuit of investment returns.

4. Investment Policy

Investment Strategy

- 4.1 The Committee sets an Investment Strategy for the Fund, taking into account the funding status and liabilities. The strategy is subject to regular review and, as appropriate, asset liability modelling techniques are used to assist in these reviews.
- 4.2 The Investment Strategy's primary aim is to deliver the funding objective in Section 3.2 ii) above which is to build up the required assets in a way that produces stable employer contributions to the Fund.
- 4.3 The Committee in pursuing this primary aim will, as far as is practicable and as an aid to long-term stability, seek to maintain a positive ratio of assets to liabilities at each actuarial valuation.
- 4.4 The Funding Strategy Statement (FSS) states that the discount rate that is adopted in the actuarial valuation of the Fund's liabilities is derived by considering the expected return from the underlying investment strategy but makes no allowance for additional returns from active management. The strategic benchmark that is established for the Fund's investment strategy is therefore expected to produce a return over the long term in excess of the investment return assumed in the triennial Actuarial Valuations.
- 4.5 The Fund presently has a marginal positive cash flow and currently has more actively contributing members compared to members receiving pensions. It however also has 2,652 deferred members which are currently neither contributing nor receiving – as a result it is not mature and therefore need not, at present, provide a high level of annual income to meet the cost of benefits. It will therefore continue to seek capital growth to meet future liabilities.
- 4.6 The Investment Strategy for the Fund has been developed with the support of external investment consultants who have supported the Committee in their decision making process. The approved investment strategy is presented as a strategic asset allocation which sets benchmark percentage allocations across the various asset classes.
- 4.7 In establishing strategic asset allocations the Committee recognises that it is not possible at reasonable cost to consistently hold investments of a type that maintains an exact match with the Fund's liabilities to pensioners and other members.
- 4.8 The Committee undertook a full review exercise in 2013, taking into account the funding status and liabilities and using asset liability modelling. A further review was again undertaken in August 2016 resulting in the revised strategy contained in this SIP. The Committee will review the strategy, if appropriate, at least once per three year period.
- 4.9 **Appendix 3** contains a summary of the strategic asset allocation benchmark for the Fund.

Investment Management Arrangements

- 4.10 The Investment Strategy is implemented by employing external investment managers currently UBS Global Asset Management (UBS), LGT Partners (LGT), Morgan Stanley Investment Management (Morgan Stanley), M&G Investments (M&G), Harris Associates (Harris), Partners Group, Blackrock, Permira and Baillie Gifford, as appropriate.
- 4.11 The objective is to employ a combination of managers and investment mandates that will deliver, in aggregate, the target performance for the Fund.

- 4.12 The Committee sets the target for the Fund and this overall target is expressed as an out performance against the Fund's strategic benchmark which is a composite of the various benchmarks for the different managers and asset allocations.
- 4.13 The pursuit of a target implies active management of a substantial part of the Fund and the acceptance of a degree of risk in managing investments.
- 4.14 The Fund's current **total target is to generate a return of at least 2.7% above CPI inflation** assumed as the real discount rate at the actuarial valuation as at 31 March 2014.
- 4.15 The investment managers are responsible for the selection of individual holdings within each type of investment category within the parameters set out in their agreement which includes the need to achieve targets which are measured.
- 4.16 The Fund holds some temporary cash on short term deposit or in money market funds, which are managed by Finance staff.
- 4.17 The Committee determines the distribution of the Fund for investment purposes from time to time.
- 4.18 **Appendix 4** contains details of the investment arrangements that are in place at the 31 March 2015.

Risk Measurement and Management

4.19 *Asset Allocation*

- i The key investment risks are recognised as arising from asset allocation. The investment strategy of lowest funding risk would be 100% investment in duration, matched index-linked government bonds, i.e. the most natural "matching" asset for pensions liabilities. However, this is not necessarily the most cost-effective approach.
- ii In the long-term, investment in assets of calculated risk is likely to produce higher returns and therefore reduce the overall cost of funding the pension liabilities. Following this rationale, the Fund deliberately runs an unmatched strategy which is heavily biased towards "growth" assets such as equities, property and other alternative assets.
- iii The asset allocation risks are assessed triennially, typically using asset liability modelling techniques following the actuarial valuation of the Fund, after which the Committee take advice on the continued appropriateness of the existing investment strategy.
- iv As these risks were assessed as part of the asset and liability modelling exercise undertaken in 2016 by the Fund's investment consultant, it is envisaged that this will next be done during 2018/19 following the actuarial valuation as at 31 March 2017.
- v The retrospective impact of investment risk on the Fund's funding position is monitored on a quarterly basis via investment reports prepared by the Fund's investment managers, the Fund's performance monitoring company and the investment consultants.

4.20 *Investment Managers*

- i To reduce the risk that the Fund significantly underperforms, performance and risk targets and controls are set for each manager relative to their benchmark. These are set out in formal Investment Management Agreements or Subscription Agreements with each of the appointed managers.

- ii The managers are required to provide data monthly and report quarterly on portfolio management issues. This information is reported to the Committee on a quarterly basis. The monitoring includes assessing their achievement of performance that meets or outperforms their individual targets.
- iii The managers must also provide data to Northern Trust, the company chosen by the Committee to provide it with independent performance comparisons.
- iv The managers are also required to attend at the Pension Fund Investment and Performance Sub-Committee at least once a year to give an account of their activities and performance.
- v The managers must comply with all lawful instructions given to them by the Committee (in accordance with the mandates agreed) and their contracts can be terminated at no more than one month's notice.
- vi All manager mandates will always impose the investment restrictions contained in the Local Government Pension Scheme Regulations.

4.21 *Proper Advice*

- i The Committee is required to secure proper advice to ensure that their decision making processes are appropriately informed. The current advisers to the Fund are:

Investment Consultant	KPMG
Actuaries	Barnett Waddingham

4.22 *Concentration Risk and Diversification*

- i Concentration risk arises from the failure of any investments which constituted a significant proportion of the Fund's assets. In order to reduce this risk a spread of assets is held. The diversification is both within, and across, the major asset classes and will be enhanced through investment in alternative asset classes.
- ii Diversification is used to manage the risk involved in pursuing an active management approach to a substantial part of the fund.
- iii This is achieved through diversification of investment over various types of asset, by the use of at least two managers with different styles or specialism, and by requiring a wide range of individual stocks and shares to be held.

4.23 *Transition Management Arrangements*

- i A specialist transition manager, currently State Street Global Markets (State Street), will be employed to manage complex changes in investment strategy and/or manager(s).
- ii The use of these specialists is intended to reduce the cost of transition to the Fund and minimise the overall impact on the Fund value at the point of transition.

4.24 *Currency Risk*

- i During 2016 the Committee approved the full removal of the Passive Currency Hedging mandate. As long term investors the overseas currency exposure will act as an offset against losses in severely stressed market environments.

4.25 *Safe Keeping of Assets*

- i The services of a global custodian, currently Northern Trust, are employed to ensure the safeguarding of the Fund's assets and ensure that all associated income is collected.
- ii The Fund is provided with statements of assets, cashflow and transactions, which Finance staff reconcile to data reported by the managers.
- iii The custodian also has a responsibility for keeping the Council informed of any concerns arising in its dealings with the investment managers.
- iv Investment in pooled funds managed by UBS, Morgan Stanley, M&G, Partners Group, Blackrock, Permira and LGT gives the Fund a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds, are responsible for the appointment and monitoring of the custodian of the pooled funds' assets.

4.26 *Cashflow Risk and Realisation of Investments/Liquidity*

- i The overall liquidity of the Fund is considered in the light of potential demands for cash. The Fund will hold sufficient cash to meet the likely benefit payments. Additionally, the Fund will hold sufficient assets in liquid or readily realisable form to meet any unexpected cashflow requirements so that the realisation of assets will not disrupt the Fund's overall policy.
- ii The majority of the Fund's investments are quoted on major stock markets and may be realised relatively quickly if required.
- iii A small proportion of the Fund's investments, in particular Property, and future investments in other alternative assets would take longer to be realised.

5. Types of Investment

5.1 The Fund has approval from the Committee to use the following different types of investment and income generating mechanisms to achieve the overall investment objectives:

- Equities (UK, Overseas and Global mandates including direct holdings, Managed Funds, Unit trusts, Investment Trusts, Open Ended Investment Companies)
- Bonds
- Property
- Currency
- Alternative assets such as commodities, hedge funds, infrastructure, emerging market debt, private equity, high yield debt, Private Credit and convertible bonds.
- Cash (including Treasury Bills and Money Market Funds)
- Derivatives and other Managed transactions
- Infrastructure

5.2 Stock Lending is not currently authorised by the Committee for the directly held investments under the custody of its custodian. For the Fund's investments in pooled funds managed by UBS, UBS participate in a stock lending programme where the revenue is reflected in the unit price. UBS AG (the parent company) acts as the principal counterparty so irrespective of the end borrower UBS' counterparty risk is only to UBS AG. Security is provided for the

stock loaned by the borrower transferring ownership of other collateral assets to UBS for the period of the loan.

6. Environmental, Social and Corporate Governance Issues

- 6.1 The Committee has an overriding fiduciary duty to maximise investment returns for the benefit of the Fund members. It is aware that in doing so the financial contributions required of Fund employers will be minimised.
- 6.2 The Committee believes that environmental, social and governance issues can affect the financial performance of companies and that it has a responsibility to take these issues seriously and where appropriate, to act upon them.
- 6.3 The Committee considers engagement with companies in which the Fund invests to be the most effective means of understanding and influencing the social, environmental and business policies of those companies. The investment managers for the Fund are therefore encouraged to constructively engage with companies on issues which are consistent with the Fund's fiduciary responsibilities.
- 6.4 The Committee recognises its responsibility to exercise voting rights to ensure transparency and accountability in corporate governance.
- 6.5 The Fund's investment managers maintain close contact with the management of companies in which investments are held or contemplated and subject their affairs to considerable analysis and skilled scrutiny. In recognition of this activity, the Sub-Committee delegates to its managers all voting and other rights attaching to Fund investments.
- 6.6 The investment managers have delegated powers to exercise such rights in the best financial interests of the Fund and would in particular expect them to vote appropriately at company Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs).
- 6.7 To demonstrate their commitment to ESG Fund Managers are encouraged to sign the United Nations Principles of Responsible Investment (UNPRI) Stewardship Code.
- 6.8 The Committee has, however, drawn the attention of managers to its general concern that the remuneration practices of companies should be patently fair and reasonable. It has asked that managers reflect such concern when voting shares in companies in which the Fund is directly invested. The Committee is content to allow its managers discretion on the voting of in-house pooled fund shares subject to referring any matters relating to the remuneration of Fund managers to it for direction
- 6.9 The key highlights in terms of voting actions taken by investment managers is included as part of the quarterly investment manager report to the Committee its investment consultant.

7. Audit responsibilities

- 7.1 The Pension Fund is subject to review by both the Council's external auditors and the Internal Audit team, and comes within the remit of the Council's Audit and Risk Committee.
- 7.2 The external auditors are responsible for reporting on whether the Council's Statement of Accounts gives a true and fair view of the financial position of the Council's Pension Fund, for the year then ended. Their audit report is formally presented to the Council each year. A detailed Annual Report of the Pension Fund is produced in addition and circulated to

employers and other interested parties. This derives information from both audited accounts and unaudited sources of background information.

- 7.3 The Internal Audit team carries out a programme of work designed to re-assure the Chief Executive and Chief Financial Officer that Pension Fund investment systems and records are properly controlled and that Pension Fund assets are safeguarded.

8. Compliance with the Myners principles

- 8.1 In October 2008 the Treasury report *Updating the Myners Principles: A Response to Consultation* (October 2008) created the requirement for Local Government Pension Scheme (LGPS) administering authorities to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation.
- 8.2 In December 2009, CIPFA issued *Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles*.
- 8.3 The LGPS regulations require the SIP to contain a statement of compliance with the six principles.
- 8.4 The six principles are:
- i Effective Decision Making
 - ii Clear Objectives
 - iii Risk and Liabilities
 - iv Performance Assessment
 - v Responsible Ownership
 - vi Transparency and Reporting
- 8.5 **Appendix 5** contains this statement of compliance.

Appendix 1

Pension Fund Investment and Performance Sub-Committee

The Scheme of Administration for the Council specifies that the following functions shall be referred to the Investment and Performance Sub-Committee:

1. Reviewing the Pension Fund's Statement of Investment Principles.
2. Where appropriate, recommending changes to the Pension Fund Committee in relation to the Statement of Investment Principles.
3. Ensuring appropriate investment management arrangements are in place for monies of the Pension Fund and to review investment manager performance.
4. Overseeing the contractual review of the fund managers and investment adviser(s) and custodian.
5. Where appropriate, making recommendations to the Pension Fund Committee in relation to the appointment or removal of a fund manager, investment adviser or custodian.
6. Overseeing the overall approach to investment risk management and where appropriate recommending changes to the Pension Fund's Risk Register.

Pension Board

The Council approved the Constitution for the Pension Board (the Board) on 2 April 2015.

1. The Objectives of the Board are as follows:

The Board is the body responsible for assisting the Scheme Manager in relation to:

- i Securing compliance with the regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- ii securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator; and
- iii such other matters as the regulations may specify .

2. The Board also has the remit to determine the areas they wish to consider including, amongst others:

- d) Reports produced for the Pension Fund Committee;
- e) Seek reports from the Scheme Manager on any aspect of the Fund;
- f) Monitor investments and the investment principles/strategy/guidance;
- g) The Annual Report and Accounts for the Fund;
- h) External voting and engagement provisions in relation to investments;
- i) Pension Fund Administrative Strategy and associated performance;
- j) Actuarial reports and valuations;
- k) Funding Strategy Statement and associated policy; and
- l) Any other matters that the Board deems appropriate within the responsibilities set out in 1 above.

Appendix 3

Strategic Asset Allocation

Asset Class	Manager	Strategic Benchmark %	Permitted Range / Tolerance %
UK Equity	UBS ¹	9.0%	
	Baillie Gifford	5.0%	
	Sub Total	14.0%	12% - 16%
Global Equity	Harries Associates	7.0%	
	Baillie Gifford	16.0%	
	Morgan Stanley	10.5%	
	Sub Total	33.5%	30% - 37%
Total Equity		47.5%	42% - 53%
Bonds			
Alpha Opportunities	M&G	10.0%	
Index Linked Gilts		5.0%	
	Total	15.0%	12% - 17%
Alternatives ²			
Multi-Asset Alternatives Fund	LGT Partners	7.5%	
Private Credit	Permira	5.0%	
	Partners Group	5.0%	
Infrastructure		5.0%	
	Total	22.5%	20% - 25%
Property			
Balanced Property	UBS	5.0%	
Long Lease Property	Blackrock	10.0%	
	Total	15.0%	12% - 17%
Cash		0.0%	
Total		100.0%	

Note:

¹ This is a passive investment mandate which requires the FTSE All Share index to be tracked.

² Alternative assets such as commodities, hedge funds, infrastructure, emerging market debt, private equity, high yield debt and convertible bonds.

Appendix 4

Investment Management Arrangements

Asset Class	Manager		Performance Objective (net of fees)	Benchmark Indices Used
UK Equity	UBS	Benchmark Return	+0.0%	FTSE All-Share Index
	Baillie Gifford	Benchmark Return	+1.0%	FTSE All-Share Index
Global Equity	Harries Associates	Benchmark Return	+2.5%	MSCI All Country World Index
	Baillie Gifford	Benchmark Return	+2.5%	MSCI AC World Index
	Morgan Stanley	Benchmark Return	Not Defined	MSCI World Net Index
Bonds				
Alpha Opportunities	M&G *	Benchmark Return	+3.5% - 5%	1 Month LIBOR
Govt Fixed Interest Bonds	M&G	Benchmark Return	+0.75%	FTSE Actuaries UK Conventional Gilts All Stock Index
Corporate Fixed Interest Bonds	M&G *	Benchmark Return	+0.8%	iBoxx Sterling Non-Gilts Index
Index Linked Gilts	TBC	TBC	TBC%	TBC
Multi-Asset Alternatives Fund	LGT Partners	Benchmark Return	+4.0%	LIBOR
	Permira	Benchmark Return	+4.0%	1 month LIBOR (Cash)
	Partners Group	Benchmark Return	+4.0%	1 month LIBOR (cash)
	Infrastructure		+3.5%	RPI
Property	UBS	Benchmark Return	+0.75%	IPD UK PPFI All Balanced Funds Index
	Blackrock	Benchmark Return	+2.5%	RPI

Statement of Compliance with Myners Principles

This table summarises the principles, best practice guidance as provided by CIPFA and the Fund's current status in relation to compliance .

Principle	Best Practice Guidance	Fund's Current Status
<p>1. Effective Decision-Making</p> <p>Administering authorities should ensure that:</p> <ul style="list-style-type: none"> • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. <p>1. Effective Decision-Making (contd.)</p>	<ul style="list-style-type: none"> • The administering authority should have a designated committee of members responsible for the management of the pension fund and wherever possible appointments to the committee should take account of relevant skills, experience and continuity. • The committee should have terms of reference, and where investment decisions are delegated the process should be recorded, with the roles of members, officers, advisers and managers specified. • The committee should have appropriate skills for, and is run in a way that facilitates, effective decision-making. • There are sufficient internal resources and access to external resources for the administering authorities and Members to make effective decisions. • It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making. 	<p>Full Compliance</p> <ul style="list-style-type: none"> • The Fund has a designated committee – the Committee - with the experience and skills to take decisions. • The Committee's terms of reference is contained within the Scheme of Administration for the Council. • The Committee receives training either during meetings or at specific training sessions, including on investment issues. • Induction training is provided for new Members and Officers. • The Committee has an appointed investment consultant to provide specific investment advice. • The Chief Financial Officer and other senior officers provide advice and support to the Sub-Committee • The Investment and Performance Sub-Committee with terms of reference contained within the Scheme of Administration for the Council to enhance the focus on performance monitoring and investment decision making. • The Committee carry out regular reviews of the Fund and compliance with regulations. • The Investment Consultant,

Principle	Best Practice Guidance	Fund's Current Status
	<ul style="list-style-type: none"> • The committee should obtain proper advice at reasonable intervals from suitably qualified persons. • The Chief Financial Officer should be given responsibility for developing a training plan for committee members. • A business plan should be in place which should include milestones and should review level of resources needed. • Members allowances should be published and reviewed regularly. • Meeting papers should be clear and circulated sufficiently in advance of the meetings. 	<p>Custodian, Actuary, Investment Managers and legal advisers all input into the provision of proper advice. The Investment Adviser attends all meetings of the Committee and Sub-Committee.</p> <ul style="list-style-type: none"> • The Committee's legal advisers and any other relevant parties review any new investment contracts put in place. • There is an approved Training Policy for the Fund and an annual Training Needs Analysis undertaken for all Committee and Board members. • Members' training is the responsibility of the Clerk to the Council with input from the Chief Financial Officer • A business plan was agreed by the Committee on 16 June 2016 • Members' Allowances are regularly published as required by the Local Government (Allowances and Expenses) (Scotland) Regulations 2007. • Meeting papers are circulated 7 days in advance of meeting and public papers are published on the Council's internet site.

Principle	Best Practice Guidance	Fund's Current Status
<p>2. Clear Objectives</p> <ul style="list-style-type: none"> An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers. 	<ul style="list-style-type: none"> The committee should set an overall investment objective considering the fund's liabilities in the context of net cashflow, the funding position and maturity of liabilities. The desirability of asset liability modelling should be considered. Proper advice should be taken where appropriate. Specialist advice should be sought as to how the objective might be expressed as an expected, or required, rate of return. Peer group benchmarks should be avoided. 	<p>Full compliance</p> <ul style="list-style-type: none"> The Committee makes decisions on the strategy, structure and managers following advice from their investment consultant, and in doing so periodically considers the results of asset liability modelling and appetite for risk of the administering authority and scheme employers to inform the Investment Strategy. The Fund has a scheme specific benchmark. Investment objectives are stated in the Statement of Investment Principles (SIP). The assets are generally managed under individual mandates where the Committee set the investment managers individual mandate objectives and risk parameters. An explicit mandate is in place with the fund managers which include clear time horizons for performance measurement and evaluation. Both short and long-term performance is measured quarterly against scheme specific benchmarks and the fund managers are required to attend twice per year to discuss performance against those indices. The Committee regularly reviews the investment

Principle	Best Practice Guidance	Fund's Current Status
<p>2. Clear Objectives (contd)</p>	<ul style="list-style-type: none"> • Appetite for risk should be considered. Asset allocation decisions should consider all asset classes currently available. • Strategic asset allocation decisions, in particular the equity: bond split, diversification of the assets and why some asset classes may be excluded should be given most attention. • The general and strategic impact of funding levels on tax should be considered and whether sub-funds should be established. • Transaction and transition costs should be fully understood. 	<p>structure of the Fund, including different asset classes, styles of management and follows the appropriate procurement regulations for the appointment of managers which includes a review of cost, objectives and mandates (including risk).</p> <ul style="list-style-type: none"> • The Fund considers the full range of asset classes and has decided to add investments in alternative assets such as private equity, infrastructure, commodities and currencies to its portfolio. • At the time of undertaking the Triennial Actuarial Valuation the Committee considers the impact of funding levels on the contribution levels and therefore on the impact on local taxpayers. • When evaluating new investment managers, the Total Expenses Ratio as well as fees are scored. • As part of any transition the costs are reported to Committee and compared with the target level set prior to transition.

Principle	Best Practice Guidance	Fund's Current Status
<p>3. Risk and Liabilities</p> <ul style="list-style-type: none"> In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<ul style="list-style-type: none"> The committee should have a clear policy on willingness to accept underperformance due to market conditions. Acceptable tolerances from market index benchmarks returns should be stated. Benchmarks which are absolute in nature or relative to cash returns or RPI might result in underperformance relative to market indices. Overall fund objectives should be expressed in terms which relate to the liabilities. The committee must receive an assessment of the risks associated with their liabilities, valuation and management. The annual report should include an overall risk assessment. 	<p>Full compliance</p> <ul style="list-style-type: none"> The Committee does not necessarily make changes to the Fund's asset allocation or investment managers due to underperformance, as long as the reasons for this are explained and justified. Advice is taken from the investment consultant regarding any changes to investment policy. Factors affecting long-term performance and advice on how these impact on the Fund are considered as part of the triennial valuation process and when making changes to investment strategy. Advice is received from the Fund's advisors. The overall Fund investment objective is expressed in terms which relate to the liabilities. The Committee carried out an investment strategy review using asset liability modelling in 2016. This involved taking account of the form and structure of the liabilities and aiming to reduce risk where appropriate through increased diversification in the strategies or managing specific risks such as currency risk. It has agreed to undertake a similar review during 2017 following the 2017 Actuarial valuation.. The annual report includes a Risk Management Statement

Principle	Best Practice Guidance	Fund's Current Status
<p>3. Risk and Liabilities (contd)</p>	<ul style="list-style-type: none"> • The committee should satisfy itself on levels of internal controls. Effective internal controls are a responsibility of the Chief Financial Officer. • The committee should ensure the investment strategy is consistent with the scheme employers ability to pay. 	<ul style="list-style-type: none"> • The Committee regularly review and develop where necessary their internal controls. In addition investment managers provide annual statements on their controls. • The Committee periodically reviews the appropriateness of the investment strategy to achieve the required objectives, taking account of employers ability to pay.

Principle	Best Practice Guidance	Fund's Current Status
<p>4. Performance Assessment</p> <ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members. 	<p>Investments</p> <ul style="list-style-type: none"> • The committee should consider the appropriateness of index benchmarks and whether active or passive management is more appropriate, and where active management is felt more appropriate set targets and risk controls. • The mandate provided to each investment manager should cover the investment objective, risk parameters, performance targets and measurement timescales. • Constraints on active managers should not be overly narrow or overly wide. • Investment activity should be monitored and returns measured quarterly in line with regulations, but also over longer time periods. • Variations in returns from the benchmark should be attributed to asset allocation, stock selection, sector selection and currency. <p>Advisers</p> <ul style="list-style-type: none"> • Assessment should take account of the extent of decisions delegated. 	<p>Full compliance</p> <ul style="list-style-type: none"> • The Committee consider, with input from the investment consultant, the suitability of active or passive management for each mandate. • Investment management agreements with each investment manager cover the investment objective, risk parameters, and performance target. • The Strategic Asset Allocation and Investment Management Benchmarks set out the tolerances and performance is considered over 3 – 5 year periods. • The performance of the investment managers is measured quarterly by an independent performance monitoring company. • A comprehensive quarterly performance report is presented to the Committee. • Variations in returns from the benchmark are attributed to asset allocation, stock selection, sector selection and currency within these reports. • The Committee take all significant decisions relating to the management of the Fund. Delegations to officers are contained within the Council's Scheme of Administration or in specific report recommendations.

Principle	Best Practice Guidance	Fund's Current Status
<p>4. Performance Assessment (contd)</p>	<ul style="list-style-type: none"> A framework should be established for assessing actuaries and consultants who should be assessed on a number of factors. <p>Decision making bodies</p> <ul style="list-style-type: none"> The committee's self assessment against expectations should cover manager selection, asset allocation, consultant employment and set out in annual report. 	<ul style="list-style-type: none"> Factors such as past performance and price are taken into account when re-tendering for external advisers. Members all participate in meetings, giving opinions and views where relevant. Each person's view is heard and asked for.

Principle	Best Practice Guidance	Fund's Current Status
<p>5. Responsible Ownership</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> • adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents, • includes a statement of their policy on responsible ownership in the Statement of Investment Principles; and • report periodically to scheme members on the discharge of such responsibilities. 	<ul style="list-style-type: none"> • Policies regarding responsible ownership should be disclosed in Statement of Investment Principles contained in the annual report. • The administering authority should consider its approach to environmental, social and governance issues and the potential for engagement in environmental, social and governance issues to add value when formulating investment strategy and selecting investment managers. • The committee should ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company. • The committee should ensure its policies are not overridden by an investment manager's general policies. • The committee should ensure that investment consultants adopt the Institutional Shareholder Committee's (ISC) Statement of Practice relating to consultants. • The ISC's Statement of Principles on the 	<p>Full compliance</p> <ul style="list-style-type: none"> • The Committee are aware of the Institutional Shareholders' Committee Statement of Principles on the responsibilities of Institutional shareholders and have confirmed that their investment managers adopt the Statement of Principles on the responsibilities of shareholders and agents. • The Committee consider environmental, social and governance issues when formulating investment strategy and selecting investment managers but do not give precedent to this factor over other factors which have greater financial implications for the Fund. • The Statement of Investment Principles includes a statement of the Committee's policy on responsible ownership. • Voting on underlying shareholdings is delegated to the fund manager. • Details of the investment manager's house strategy are requested from the manager. • Feedback on interventions to be provided during meeting with manager (minimum of once per annum). • The investment consultant has confirmed that it does adopt the ISC Statement of Practice relating to consultants.

	responsibilities of Institutional shareholders should be noted.	
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Page 512

Principle	Best Practice Guidance	Fund's Current Status
<p>6. Transparency and Reporting</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and provide regular communication to scheme members in the form they consider most appropriate. 	<p>Reporting ensures that:</p> <ul style="list-style-type: none"> An integrated approach to governance should be built and governance compliance statements should be maintained regularly. The Fund's communication statement must set out the policy on the provision of information, the format and the promotion of the scheme. Examples of good communication from other funds should be sought. Annual report content should be compared to the regulations. Funding strategy statement, statement of investment principles and governance compliance statement should be noted as core sources of information. The governance compliance statement should include information on the extent the administering authority has delegated functions to a committee, and to the extent this complies with CLG guidance. The committee should know its stakeholders and the interests they have. 	<p>Full compliance</p> <ul style="list-style-type: none"> The Annual Report including the Funding Strategy Statement, Statement of Investment Principles and Governance Statement are published each year. Examples of good communication from other funds are sought. Communications are sent to members whenever important changes to the Fund take place, or to provide updates. The Fund operates transparently and enhances accountability to scheme members. The Fund's Governance Statement includes information on the extent the administering authority has delegated functions to a committee, and to the extent this complies with Scottish Ministers guidance.

VERSION CONTROL TABLE

Version	Nature of Amendment	Date of Change	Author
2000 1.0	SIP – created	March 2000	A Bowman
2006 1.0	SIP – update	March 2006	A Bowman
2010 1.0	Draft SIP – updated to reflect updated FSS and new Myners Principles	March 2010	L Mirley in collaboration with Aon Consulting
2010 2.0	Final Draft of SIP to present to Pension Fund Sub-Committee	June 2010	L Mirley
2013 1.0	Final Draft of SIP to present to Pension Fund Committee	Dec 2013	K Robb
DRAFT 2015 1.0	Draft of SIP to present to Pension Fund Committee – updated to reflect new governance arrangements and introduction of Pension Board, and new fund managers	June 2015	L Mirley
DRAFT 2015 2.0	Final Draft of SIP to present to Pension Fund Committee post AON Hewitt Review	June 2015	L Mirley
Draft 2017 1.0	Final draft of SIP to present to Pension Fund Committee on 22 June 2017	June 2017	K Robb

Page 519

You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Kirsty Robb can also give information on other language translations as well as providing additional copies.

Contact us at Kirsty Robb, Capital & Investments Manager, Council HQ, Newtown St Boswells
01835 825249, treasuryteam@scotborders.gov.uk

Barnett Waddingham

Scottish Borders Council Pension Fund

Actuarial valuation as at 31 March 2014

Valuation report

Barnett Waddingham LLP

31 March 2015

Contents

1. [Introduction and summary](#)
 2. [Valuation data](#)
 3. [Actuarial methods and assumptions](#)
 4. [Valuation assumptions](#)
 5. [Valuation results](#)
 6. [Risk and uncertainty](#)
-
- [Appendix 1](#)** [Valuation data](#)
- [Appendix 2](#)** [Actuarial assumptions](#)
- [Appendix 3](#)** [Individual employer data as at 31 March 2014](#)
- [Appendix 4](#)** [Rates and adjustment certificate](#)
- [Appendix 5](#)** [LGPS benefits](#)

Introduction and summary

Purpose of the valuation

We have carried out an actuarial valuation of Scottish Borders Council Pension Fund (the Fund) as at 31 March 2014, as requested by Scottish Borders Council. The Fund is part of the Local Government Pension Scheme (LGPS).

The valuation was carried out in accordance with Regulation 32 of The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (the Regulations) as amended. The main purpose of the valuation is to review the financial position of the Fund and to set the level of future contributions for the employers in the Fund.

This report summarises the results of the valuation and is addressed to Scottish Borders Council as the Administering Authority to the Fund. It is not intended to assist any user other than the Administering Authority in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.

This advice is subject to and complies with Technical Actuarial Standards issued by the Financial Reporting Council (in particular, the Pensions TAS and the generic TASs relating to reporting, data and modelling).

Results of the valuation

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 96% to 101% between 31 March 2011 and 31 March 2014. The improvement of the funding position since the previous valuation is mainly due to a combination of good investment returns over the intervaluation period and the deficit contributions paid by the employers.

The common rate of contribution, including payments to target full funding, is 18.0% of pensionable salaries. The individual employer contribution rates, as set out in Appendix 4, are adjusted to take account of this common rate of contribution and each employer's own circumstances. This position reflects an increase in cost of new benefits accruing as a result of an increasing average age profile compared to that at the previous valuation as at 31 March 2011, however this is offset by a decrease in deficit recovery contributions following an improvement in the funding position

We would be pleased to discuss any aspect of this report in more detail.

Graeme D Muir FFA

Alison Hamilton FFA

Valuation data

Data sources

We have used the following items of data as provided by Scottish Borders Council.

Membership extract as at 31 March 2014;

Fund accounts split by employer for the three years to 31 March 2014; and

The results of the previous actuarial valuation as at 31 March 2011.

The data has been checked for reasonableness and any missing or inconsistent data has been estimated where necessary. While this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

A summary of the data is set out in Appendix 1.

Assets

The asset allocation of the Fund as at 31 March 2014 was as follows:

Asset allocation of the Fund	31 March 2014	
	£000s	%
UK equities	110,801	23%
Overseas equities	203,308	42%
UK gilts	15,372	3%
Corporate bonds	37,270	8%
Property	21,348	4%
Multi asset fund	83,987	17%
Cash	13,978	3%
Total	486,064	100%

We estimate that the return on the assets in market value terms for the three years to 31 March 2014 was approximately 8.5% p.a.

The current investment strategy is set out in a Statement of Investment Principles dated 4 December 2013.

Benefits

From 1 April 2015, The Local Government Pension Scheme (Scotland) Regulations 2014 and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 will come into effect and replace the current regulations.

The benefits for service from 1 April 2015 will be based on the new regulations and these are summarised in Appendix 5. The main changes are to move from a final salary pension scheme based on 60ths accrual and a retirement age of 65 to a career average revalued earnings pension scheme based on 49ths accrual and a retirement age equal to State Pension Age.

The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 serve the dual purpose of retaining the previous benefit structure for service up to 31 March 2015 and introducing new protections for members close to retirement to ensure that they are not disadvantaged by the benefit changes.

In this valuation, the funding position for past service is based on the previous regulations in force up to 31 March 2014 and the future service cost is based on the Local Government Pension Scheme (Scotland) Regulations 2014.

We have made no allowance for discretionary benefits awarded throughout the LGPS either by the Government or by employers. Where employers grant discretionary benefits we would expect them to fund the capital value of those benefits at that point.

Actuarial methods and assumptions

General valuation approach

We first estimate the future cashflows which will be paid from the Fund for the benefits relating to service up to 31 March 2014 and we do this for all current members and their possible dependants.

We then discount these projected cashflows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.

Various assumptions are needed for the above calculations and these are summarised in Section 4. The financial assumptions such as future inflation and the discount rate are based on smoothed market indicators from around the valuation date, specifically over the six month period from 1 January 2014 to 30 June 2014.

The market value of the assets at 31 March 2014 is then adjusted to also be smoothed over the same six month period so that a consistent comparison can be made with the value of the liabilities. If the value of the smoothed assets is greater than the value of the past service liabilities, there is a surplus; if not, there is a deficit.

Using the same assumptions and a similar methodology we can also calculate the value of the liabilities expected to build up in the future after 31 March 2014 and we do this for each active member. This is then divided by the projected payroll to get a cost of future benefits expressed as a percentage of payroll. After deducting expected employee contributions, this is known as the future service cost and represents the employers' share of the cost of future benefits.

Multiple calculations

As part of the valuation, we are required to calculate results on an overall Fund level but also for the individual employers.

For the Fund's future service cost, we consider the benefits accruing in the single year following the valuation date.

This is known as the Projected Unit Method and results in a stable, long-term contribution rate over time if the assumptions adopted are borne out in practice and there is a steady flow of new entrants to the Fund. If the admission of new entrants is such that the average age of the membership profile increases then the contribution rate calculated at future valuations would be expected to increase.

At individual employer level we use the Projected Unit Method for active employers in the Fund who are open to new employees. For employers who do not, or do not appear to, allow new employees to join the Fund, we use a method known as the Attained Age Method which assesses the cost of future benefit accrual over all future years rather than just over the next year. This method generally produces a higher level of employer contribution than the Projected Unit Method but, for these closed employers, it should result in less revision in the future.

For closed limited-term employers such as some Transferee Admission Bodies, a modified version of the Projected Unit Method with a control period equal to the remaining term of the contract may be used and this usually gives results between the pure Projected Unit Method and the Attained Age Method.

The amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit.

Funding strategy

Regulation 32 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 states that the actuary must have regard to:

- the existing and prospective liabilities of the Fund arising from circumstances common to all those bodies;
- the desirability of maintaining as nearly constant a common rate as possible; and
- the current version of the Administering Authority's Funding Strategy Statement.

The Funding Strategy Statement states that the key funding objectives are:

- to set levels of employer contribution that will build up a Fund of assets that will be sufficient to meet all future benefit payments from the Fund; and
- to build up the required assets in a way that produces employer contributions, which are as stable as possible.

We can confirm that, in our view, the methods and assumptions adopted meet this requirement.

Valuation assumptions

As mentioned in the previous section, various assumptions are needed for this valuation.

The principal assumptions are:

- the discount rate - this is based on the expected investment return from the Fund's assets;
- pension increases and deferred revaluation - these are set by the Pension Increase Order which is laid by the Government each year and expected to be linked to the Consumer Prices Index. Benefits earned by active members after 1 April 2015 will also be linked to the Pension Increase Order;
- salary increases - active members' benefits for service before 31 March 2015 will continue to be linked to their final salary; and
- current and future rates of mortality - over the last decade life expectancies have increased more quickly than most predictions so it is important that any assumptions made are as accurate as possible.

The assumptions used for this valuation are based on the expected long-term cost of providing the benefits and we believe that these are suitable for setting the contribution amounts from employers. If an employer leaves the Fund, a different set of assumptions may apply to allow for the crystallisation of their funding obligations. Note that the funding assumptions are also not the same as those that would be used for statutory accounting purposes in employers' accounts.

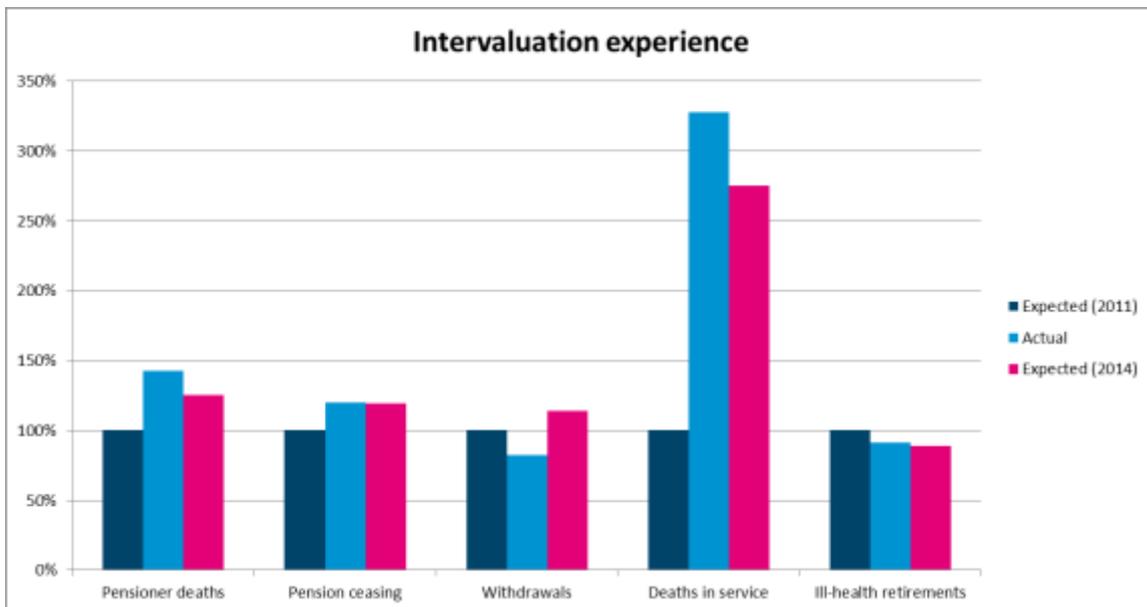
The assumptions and the rationale for them were discussed in our paper to the Administering Authority of 24 November 2014. The final assumptions have been adopted following discussion with the Administering Authority and are as set out in Appendix 2. We confirm that we believe that these are appropriate for the purposes of this valuation.

A comparison of the actual experience with the assumptions adopted at the previous valuation is summarised below:

Intervaluation experience		
	Actual	Expected
Investment return	8.5% p.a.	6.4% p.a.
Pay increases*	1.4% p.a.	5.0% p.a.
Pension increases	3.4% p.a.	3.0% p.a.

*includes short term overlay

A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2011 in relative terms is shown in the graph below. The graph also shows how the assumptions adopted for this valuation compare in relative terms with those adopted at 2011.



Valuation results

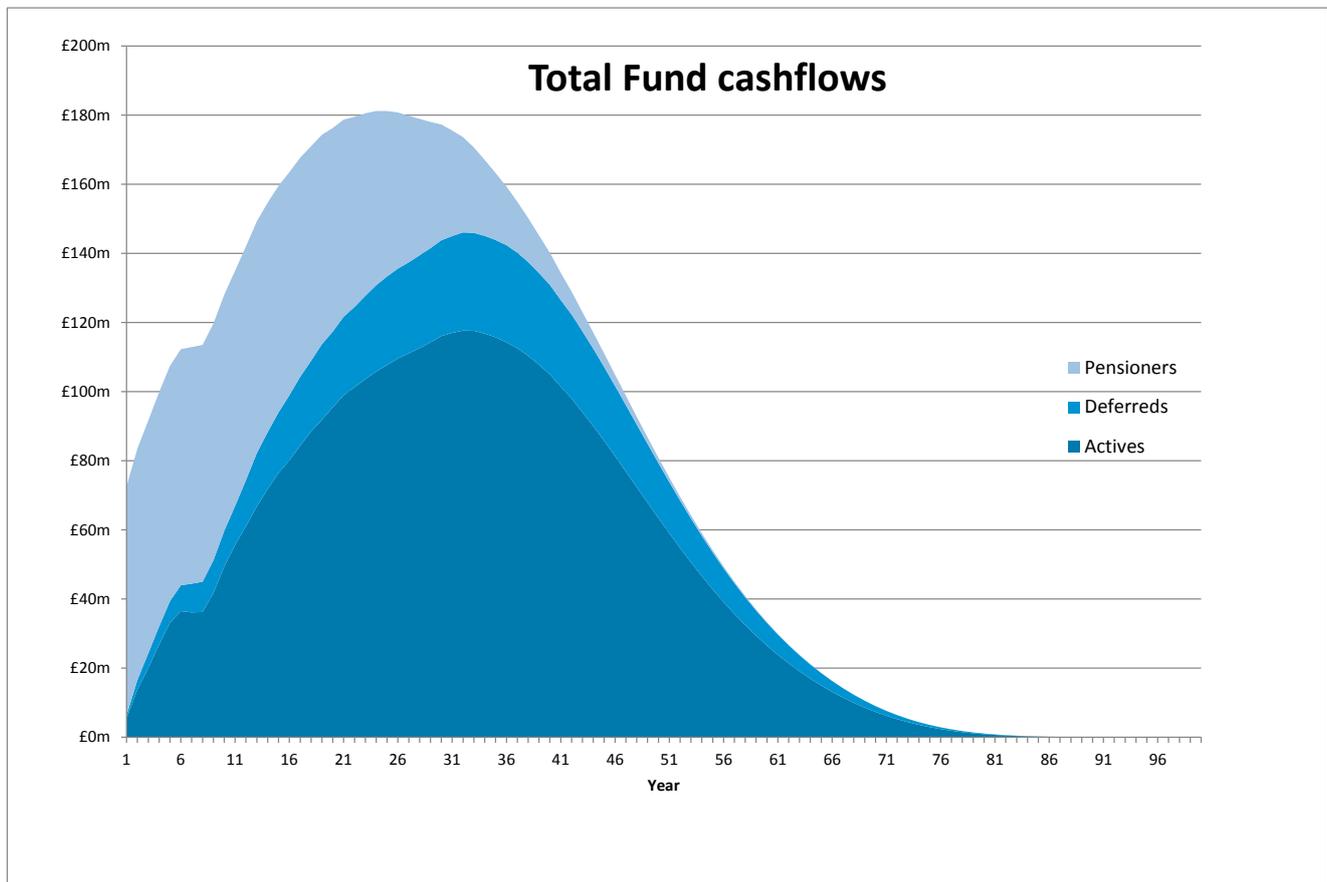
Previous valuation

The last formal actuarial valuation of the Fund was carried out as at 31 March 2011 by Barnett Waddingham LLP and the results of that valuation were set out in the formal valuation report dated March 2012.

The results of the previous valuation indicated that the assets of the Fund represented 96% of the value of the accrued liabilities of the Fund. The average employer contribution was calculated to be 17.8% of payroll which assumed that the past service funding level would be restored over a period of 12 years.

Projected cashflows

As mentioned above, the first stage is to project the expected cashflows in relation to past service, which can be charted as follows:



Past service funding position and contribution rates

The following table sets out the valuation results for the Fund as a whole. We show:

the past service funding position;

the required average ongoing employer contribution rate for future service benefits; and

any deficit contributions required.

Past service funding position	31 March 2014
	£000s
Smoothed asset value	490,477
Active members	221,291
Deferred members	55,281
Pensioner members	211,059
Value of Fund liabilities	487,631
Surplus/(Deficit)	2,846
Funding level	101%
Contribution rates	
Future service cost	18.0%
Deficit recovery	0.0%
Total	18.0%

The contributions payable by each employer are set out in Appendix 4. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

Sensitivity analysis

It is important to understand that these results indicate the expected cost of providing the benefits using the chosen method and assumptions. The actual cost of providing the benefits will depend on the future experience.

In order to illustrate this, a number of calculations have been carried out to highlight the sensitivity of the funding position to the assumptions adopted focusing on the assumptions to which the funding position is most sensitive, as shown below:

Change in financial assumption	Approximate effect on deficit
Increase in discount rate of 0.5%	decreases by £44m
Increase in CPI of 0.5%	increases by £27m
Increase in long-term rate of salary increase of 0.5%	increases by £6m
Change in demographic assumption	Approximate effect on deficit
1.25% long-term rate of improvement in mortality projection	decreases by £5m

Projected future results

The progression of the funding level over time is influenced by a large number of factors including any changes in membership, the investment return achieved and the contributions paid.

We estimate that three years after the valuation date (i.e. at the next valuation) the funding position on the same basis will be 101%. This allows for contributions to be paid as certified and assumes that investment returns and other experience over the next three years are in line with the assumptions described above.

Neutral estimate

We are also required to consider whether the assumptions used are neutral, that is “not deliberately either optimistic or pessimistic and does not incorporate adjustments to reflect the desired outcome”.

Other than the discount rate, we consider all the assumptions used to be neutral.

We would consider a neutral discount rate to be 6.3% p.a. rather than 5.5% p.a. The higher discount rate results from removing some prudence from the equity return assumption. As a consequence we expect that the future returns from the Fund’s investment strategy will be higher than the valuation discount rate and so we believe that the contributions set for this valuation are more likely to be sufficient to meet the cost of providing the benefits than not.

Valuation reconciliation

The following table sets out the principal reasons for the change in the funding position since the last valuation:

Change in past service position		
	£000s	£000s
Surplus(Deficit) at 31 March 2011		(17,377)
Benefits accrued	(46,338)	
Early retirements	(3,068)	
Contributions paid	53,913	
Deficit funded (use of surplus)	4,507	
Interest cost	(2,816)	
Asset gain/loss	25,599	
Change in market conditions	(3,189)	
Financial gain(loss)	19,594	
Salary increases	22,310	
Pension increases	(2,443)	
Membership movements	135	
Experience	20,002	
Change in assumptions	(23,880)	
Surplus(Deficit) at 31 March 2014		2,846

As we can see, the main reason for the decrease in deficit is the investment returns being higher than assumed at the previous valuation and the payment of contributions from employers, in particular, the deficit contributions paid by the employers to reduce the deficit.

Risk and uncertainty

There are many factors that affect the financial position of the Fund, in particular:

Employer covenant risk – there is a risk to the Fund that any of the employing bodies may be unable to pay contributions or meet any cessation deficits as they fall due.

The Fund should monitor the strength of each employer in the Fund over time, so that any sudden changes in an employer's position can be mitigated.

Investment risk - allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice which may result in further contributions being required. Further, the value of the Fund's assets may not move in line with the value of the Fund's liabilities – mainly because the Fund invests in volatile assets whose value might fall or rise less than expected.

The sensitivity of the valuation results to changes in the investment return assumptions is shown in 5.7 above. The Fund should regularly review their investment strategy to ensure they understand the risks being taken and that those risks are being appropriately managed.

Inflation - in projecting the expected future benefit payments, we make assumptions regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits. This would result in additional contributions being required and a deterioration in the funding position unless investment returns are similarly higher than expected.

The sensitivity of the results to the choice of inflation assumptions is also shown above.

Mortality - it is not possible to predict with any certainty how long members of the Fund will live, and if members live longer than expected, additional contributions will be required and the Fund's funding position will deteriorate.

The sensitivity of the results to the choice of mortality assumptions is also shown above. The Fund should review their mortality assumptions at each valuation, taking into account all available evidence, to ensure they remain appropriate for the Fund.

Member options - certain benefit options may be exercised by members without the consent of the Fund or the Employer. For example, exchanging pension for cash at retirement or taking a transfer value. The value of the cash benefit is generally expected to be less than the value of the pension exchanged so the funding position would only deteriorate if fewer members than expected took this option. Individual transfer values can be higher or lower than the value of the valuation liabilities, depending on the particular member and market conditions.

Legislative changes – there are a number of legislative risks to the Fund and the LGPS in general, including:

All benefits relating to membership after 31 March 2015 will be linked to the individual's State Pension Age;

Contracting-out of the State Second Pension is due to end in 2016 and it is not yet clear what the effect on the LGPS will be;

The potential effects of GMP equalisation between males and females, if implemented, are not yet known;

As part of the changes to the LGPS from 1 April 2015, a cost control mechanism has been implemented so that if the future cost turns out to be higher or lower than expected when the reforms were made, a review of the benefits may be triggered;

If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits; and

More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the Government.

Appendix 1 Valuation data

A summary of the membership records submitted for the valuation is as follows.

Active members	Actual pensionable pay				Average		This valuation	
	Number		£000s		£		Average age	Average retirement age
	2014	2011	2014	2011	2014	2011		
Males	1,292	1,372	29,526	31,150	22,853	22,704	48.8	62.5
Females	3,051	2,999	41,764	41,705	13,688	13,906	47.3	63.3
Total	4,343	4,371	71,290	72,855	16,415	16,668	47.8	63.1
Pensioners	Annual Pensions				Average		This Valuation	
	Number		£000s		£		Average Age	
	2014	2011	2014	2011	2014	2011		
Males	1,107	974	8,868	7,206	8,010	7,398	70.5	
Females	1,339	1,046	4,156	3,242	3,104	3,099	68.3	
Dependants	454	410	1,223	1,031	2,695	2,515	72.0	
Total	2,900	2,430	14,247	11,479	4,913	4,724	69.7	
Deferred pensioners (including "undecideds")	Annual pensions				Average		This valuation	
	Number		£000s		£		Average age	Average retirement age
	2014	2011	2014	2011	2014	2011		
Males	595	573	1,345	1,229	2,261	2,145	47.6	61.9
Females	1,749	1,535	2,143	1,694	1,225	1,104	47.8	62.8
Total	2,344	2,108	3,488	2,923	1,488	1,387	47.8	62.4

Notes

The numbers relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.

Annual pensions are funded items only and include pension increases up to and including the 2014 Pension Increase Order.

Pensionable pay is actual earnings.

A summary of the revenue accounts for the three years preceding the valuation date is as shown below:

Revenue accounts	Year to	March 2014	March 2013	March 2012	TOTAL
		£000s	£000s	£000s	£000s
Expenditure	Retirement pensions	13,781	13,186	12,026	38,993
	Retirement lump sums	3,449	3,892	5,988	13,329
	Death benefits	-	-	-	-
	Leavers benefits	1,466	1,087	533	3,086
	Expenses	366	278	287	931
	Other expenditure	0	0	0	0
	Total	19,062	18,443	18,834	56,339
Non investment income	Employees ctbn	4,355	4,275	4,559	13,189
	Employers ctbn	12,829	13,398	14,497	40,724
	Transfer values	1,096	918	1,639	3,653
	Other income	0	0	0	0
	Total	18,280	18,591	20,695	57,566
New money for investment		(782)	148	1,861	1,227
Investment income		4,212	4,958	6,142	15,312
Fund value					
Assets at start of year		445,957	393,404	379,339	379,339
Cashflow		3,430	5,106	8,003	16,539
Change in value		36,677	47,447	6,062	90,186
Assets at end of year		486,064	445,957	393,404	486,064
Annual returns					
Approx rate of return (p.a.)		9.2%	13.3%	3.2%	8.5%

Appendix 2 Actuarial assumptions

A summary of the assumptions adopted in the valuation is set out below:

Future assumed returns at 2014		weighting
Equities	5.9% p.a.	65%
Gilts	3.6% p.a.	3%
Cash	3.4% p.a.	3%
Bond	4.1% p.a.	8%
Property	5.5% p.a.	4%
Multi asset fund	5.9% p.a.	17%
Expense allowance	0.1% p.a.	

Financial assumptions	2014	2011
Discount rate	5.5% p.a.	6.4% p.a.
Retail price inflation (RPI)	3.6% p.a. (20 year point on the BoE Inflation Curve)	3.5% p.a.
Consumer price inflation (CPI)	2.8% p.a. (RPI less 0.8%)	3.0% p.a.
Pension and deferred pension increases	2.8% p.a. (RPI less 0.8%)	3.0% p.a.
Short term pay increases	In line with the CPI assumption for the 2 years to 31 March 2016	Half of the long term assumption for the 2 years to 31 March 2013
Long term pay increases	4.6% p.a. (RPI plus 1% p.a.)	5.0% p.a.

Statistical assumptions	2014	2011
Post retirement mortality		
Current mortality	S2PA tables (100% multiplier for males and 15% for females)	100% of the S1PA tables
Mortality projection	2013 CM1 Model with a long term rate of improvement of 15% p.a.	2011 CM1 Model with a long term rate of improvement of 1% p.a.
Retirement ages	<p>Each member retires at their weighted average "tranche retirement age", i.e. for each tranche of benefit, the earliest age they could retire with unreduced benefits.</p> <p>If the member is over this retirement age, then it is assumed they will retire at their oldest tranche retirement age. If over the oldest tranche retirement age, the member is assumed to have a 1/3 chance of retiring in each of the next 3 years, and it is assumed all members will be retired by age 75.</p>	<p>For each tranche of benefit, active members retire 1 year later than entitled to retire and receive unreduced benefits. Deferred members retire at the earliest age they can receive unreduced benefits.</p> <p>Active and deferred members over these respective ages are assumed to retire immediately.</p>
Proportion married	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits.	90% of members are assumed to be married or have an eligible dependant at retirement or earlier death.
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse.	Males are three years older than their spouse and females are three years younger than their spouse.
Ill-health tiers	50% of ill-health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.	15% of ill-health retirements will be eligible for benefits based on full prospective service and 85% will qualify for a service enhancement of 25% of prospective service.
Commutation	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £10 of pension.	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £10 of pension.
50/50 scheme allowance	It is assumed that no active members will take up this option.	n/a
Other statistical assumptions	Same as used by Government Actuary's Department when LGPS reforms were designed and based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds.	Based on our analysis of the incidence of pre-retirement death, retirement and withdrawal of our Local Authority client funds.

Sample rates shown below

Incidence per 1000 active members per annum								
Age	Death		Ill Health Retirement		Withdrawal		Salary Scales	
	Males	Females	Males	Females	Males	Females	Males	Females
25	0.1	0.1	0.1	0.1	122.0	144.5	100	100
30	0.2	0.1	0.2	0.1	104.4	122.4	102	101
35	0.3	0.2	0.3	0.3	89.4	103.6	111	105
40	0.5	0.3	0.6	0.5	76.5	87.7	117	108
45	0.8	0.5	1.1	0.8	65.5	74.3	121	110
50	1.3	0.8	2.2	1.6	56.0	62.9	124	110
55	2.1	1.3	4.1	2.9	48.0	53.3	127	110
60	3.4	2.0	7.8	5.3	41.0	45.1	127	110
65	5.4	3.0	14.8	9.8	35.1	38.2	127	110

Appendix 3 Individual employer data as at 31 March 2014

Employer membership data		Active members			Deferred members			Pensioner members		
Code	Employer	Number	Actual pay £	Average age	Number	Deferred pensions £	Average age	Number	Pensions in payment £	Average age
1	Borders Regional Council	-	-	-	164	241,185	53.0	610	2,448,467	78.3
2	Berwickshire District Council	-	-	-	5	See Note 1	See Note 1	35	116,985	74.0
3	Ettrick and Lauderdale District Council	-	-	-	19	31,602	52.7	72	197,515	77.9
4	Roxburgh District Council	-	-	-	24	37,175	54.5	92	454,307	79.6
5	Tweeddale District Council	-	-	-	15	16,426	51.0	39	169,558	80.8
6	Tweed River Purification Board	-	-	-	4	See Note 1	See Note 1	3	See Note 1	See Note 1
7	Scottish College of Textiles	-	-	-	2	See Note 1	See Note 1	19	96,806	80.2
8	Red Cross Housing Association Ltd	-	-	-	-	-	-	1	See Note 1	See Note 1
10	Project80 Council Burnfoot	-	-	-	-	-	-	1	See Note 1	See Note 1
11	Visit Scotland	1	See Note 1	See Note 1	9	23,743	48.9	7	40,821	63.4
12	Stable Life	-	-	-	1	See Note 1	See Note 1	1	See Note 1	See Note 1
13	Borders College	133	2,136,278	49.0	56	73,013	46.9	41	175,502	66.1
15	Scottish Borders Careers	-	-	-	3	See Note 1	See Note 1	1	See Note 1	See Note 1
16	Scottish Borders Council	3,965	63,832,482	47.8	1,932	2,684,691	47.2	1,887	9,922,978	66.0
17	Berwickshire Housing Association	-	-	-	-	-	-	1	See Note 1	See Note 1
18	B C Business Consultants	-	-	-	22	45,347	50.4	10	24,220	66.0
19	Scottish Borders Housing Association	137	3,289,477	45.8	60	248,774	45.0	63	412,630	65.1
20	Scottish Borders Building Services	-	-	-	-	-	-	-	-	-
21	Jedburgh Leisure Facilities Trust	2	See Note 1	See Note 1	2	See Note 1	See Note 1	-	-	-
22	Borders Sport and Leisure Trust	60	1,142,189	43.7	19	35,850	42.0	6	49,373	64.4
23	Lothian and Borders Community Justice Authority	5	See Note 1	See Note 1	2	See Note 1	See Note 1	1	See Note 1	See Note 1
24	AMEY	10	134,636	56.1	2	See Note 1	See Note 1	2	See Note 1	See Note 1
999	Councillors	30	568,887	61.1	3	See Note 1	See Note 1	8	25,362	69.1

Note 1: Membership details have been excluded for privacy reasons where there are fewer than five members.

Appendix 4 Rates and adjustment certificate

In accordance with Regulation 32 of the Local Government Pension Scheme (Administration) Scotland Regulations 2008 we have made an assessment of the contributions which should be paid to the Fund by the Fund employers as from 1 April 2015 in order to maintain the solvency of the Fund.

The common rate of contribution payable by each employing authority under Regulation 32 for the period 1 April 2015 to 31 March 2018 is 18.0% of pensionable payroll.

However, each employer pays contributions based on their particular circumstances and so individual adjustments are made. These give the following minimum total contributions as set out below.

		Minimum employer contributions due as a % of salary for the year beginning		
Code	Employer	1 Apr 2015	1 Apr 2016	1 Apr 2017
<u>Scottish Borders Council Funding Pool</u>				
11	Visit Scotland	18.0%	18.0%	18.0%
13	Borders College	18.0%	18.0%	18.0%
16	Scottish Borders Council	18.0%	18.0%	18.0%
23	Lothian and Borders Community Justice Authority	18.0%	18.0%	18.0%
24	AMEY	18.0%	18.0%	18.0%
<u>Leisure Trust Funding Pool</u>				
21	Jedburgh Leisure Facilities Trust	15.5%	15.5%	15.5%
22	Borders Sport and Leisure Trust	15.5%	15.5%	15.5%
<u>Individual</u>				
19	Scottish Borders Housing Association	19.0%	19.0%	19.0%

Notes

Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.

The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us.

Projected new benefits

The following table shows the amount of new pension and lump sum benefits (excluding non ill health early retirement benefits) projected to come into payment in each year during the period 1 April 2015 to 31 March 2018.

Year to	Retirement benefits £000s
31/03/2016	3,391
31/03/2017	5,158
31/03/2018	5,369

Appendix 5 LGPS benefits

The benefit changes from 1 April 2015 involve the formation of a new scheme, referred to below as SLGPS 2015. Transitional regulations are applied so that the benefits in the previous SLGPS 2008 scheme are maintained.

LGPS benefits	SLGPS 2014 REGS		SLGPS 2008 REGS	
Commencement date	1 April 2015		1 April 2009	
Type of scheme	Career Average Revalued Earnings (CARE)		Final Salary	
Pension benefit accrual	1/49 th		1/60 th	
Revaluation	Consumer Prices Index (CPI)		Based on Final Salary	
Lump sum	By commutation 12:1 up to a maximum of 25% of lifetime allowance			
Pensionable pay	Pay including contractual overtime and additional hours for part time staff			
Member contributions	Tiered contributions based on actual pensionable pay		Tiered contributions based on full time equivalent pensionable pay	
Contribution table (as at 2014)	Earnings range based on actual pensionable pay as at 31 March 2014	Gross contribution rate for 2014/15	Earnings range based on FTE pensionable pay as at 31 March 2014	Gross contribution rate for 2014/15
	Earnings up to and including £20,300	5.5%	Earnings up to and including £20,300	5.5%
	Above £20,300 and up to £24,800	7.25%	Above £20,300 and up to £24,800	7.25%
	Above £24,800 and up to £34,000	8.5%	Above £24,800 and up to £34,000	8.5%
	Above £34,000 and up to £45,300	9.5%	Above £34,000 and up to £45,300	9.5%
	On earnings above £45,300	12.0%	On earnings above £45,300	12.0%
Contribution flexibility	Member can pay 50% contributions for 50% of the pension benefit		Not available	
Normal pension age	Linked to individual member's State Pension Age (minimum age 65)		Age 65	
Death in service lump sum	3 x pensionable pay			
Death in service survivor benefits	1/160 th accrual based on Tier 1 ill health pension enhancement			
Ill health provision	Tier 1 - Immediate payment with service enhanced to normal pension age			
	Tier 2 - Immediate payment with 25% service enhancement to normal pension age			
Post retirement revaluation	CPI		CPI (Retail Price Index for pre-2011 increases)	
Vesting period	2 years			

Members who joined the LGPS before 1 April 2015 and after 31 March 2009	
Benefits	Membership built up to 31 March 2015, benefits will be based on a pension of $1/60^{\text{th}}$ x membership x final pay at retirement and the normal pension age applying to the LGPS 2008.
Members who joined the LGPS before 1 April 2009	
Benefits	Membership built up to 31 March 2009, benefits will be based on a pension of $1/80^{\text{th}}$ x membership x final pay at retirement plus an automatic lump sum of 3 times their pension.
Early payment - reduction to benefits (Rule of 85)	For members of the LGPS on 30 November 2006, some or all of their benefits paid early could be protected from reduction under what is called the Rule of 85.
	The Rule of 85 is satisfied if their age at the date they draw their benefits plus their scheme membership (each in whole years) add up to 85 or more.
	If they could not satisfy the Rule of 85 by the time they are 65 , then all of their benefits are reduced, if they choose to retire before age 65.
	If they will be age 60 or over by 31 March 2020 and choose to retire before age 65, then provided they satisfy the Rule of 85 when they start to draw their pension , the benefits they build up to 31 March 2020 will not be reduced.
	If they will be under age 60 by 31 March 2020 and choose to retire before age 65, then provided they satisfy the Rule of 85 when they start to draw their pension , the benefits they have built up to 31 March 2008 will not be reduced.

GLOSSARY OF TERMS

ACTIVE MANAGEMENT

An investment management style that seeks to outperform by way of self-selected decisions on stock choice, timing of market incursions, or asset allocation. Compare this with Passive Management.

ASSET ALLOCATION

The division of the Fund's assets between different classes of assets, for example, UK Equities, Japanese Equities, UK Bonds. In the long run the asset allocation choices should support the Fund's strategic financial objectives. In the short term tactical changes might be made to achieve short-term advantage.

ALTERNATIVE ASSETS

This is any non-traditional asset with potential economic value that would not be found in a standard investment portfolio. Due to the unconventional nature of alternative assets, valuation of some of these assets can be difficult.

BALANCED MANAGEMENT

An arrangement under which investments are spread over a range of asset classes at the manager's discretion. The manager controls investments over as many classes as are available under the Fund's overall strategy. Compare this with specialist management.

BENCHMARK RETURN

This is calculated against the Fund's chosen "benchmarking" group, which comprises a composite of different market indices. The indices in use cover all the markets in which the Fund is invested.

CONTRIBUTING MEMBER

This is someone who is currently employed by a scheduled or admitted body and is making contributions from pay to the Pension Scheme. Such a person is sometimes referred to as an "active" member.

DEFERRED MEMBER

This is someone who was once a contributing member and who has chosen to leave his or her accumulated contributions in the Fund to benefit from a pension in due course.

GROWTH MANAGER

An investment manager who fundamentally believes in picking stocks that he believes will achieve an above-average growth in profits. This is sometimes caricatured as buying stock irrespective of price because the price will rise. Compare this with value manager.

INVESTMENT MANAGER/FUND MANAGER

A person or organisation that makes investments in portfolios of securities on behalf of clients, in accordance with the investment objectives and parameters defined by these clients

MANDATE

An agreement between an investment manager and his client as to how investments are to be managed, specifying whatever targets and investment limitations are to apply.

PASSIVE MANAGEMENT

A style of investment management that seeks performance equal to market returns or to some appropriate index. Such investment entails a more mechanical approach to asset allocation and stock selection because such decisions are largely dictated by general market shifts rather than individual manager discretion. Compare this with active management.

PENSIONER/DEPENDENT MEMBER

This is someone who is receiving benefits from the Fund either as a former contributor or as a dependent of a former contributor who has deceased.

POOLED FUND

A fund in which a number of investors hold units rather than owning the underlying assets. This is a useful way for smaller funds to diversify investments without exposing them to undue risks. Unit Trusts are pooled funds as are Open-ended Investment Companies. Compare this with segregated fund.

REALISED GAIN OR LOSS

Only when an investment is sold does the Fund actually make a profit or loss.

Realised profits and losses are those that have actually arisen via sales throughout the year.

RETURN

The value of capital enhancement and income received by a fund in a year, expressed as a percentage of the opening value of the fund. If values fall "Return" would be negative.

RISK

The danger or chance that returns will vary against benchmarks or targets. If risks are high the expected return should be higher still (the risk premium).

SEGREGATED FUND

The management of a particular fund's assets independently of those of other funds managed by the same investment house. Compare this with a pooled fund.

SPECIALIST MANAGEMENT

The use of a number of managers, each specialising in a particular asset class. Such managers have no say in asset allocation, being only concerned with stock selection.

UNREALISED GAIN OR LOSS

The Statements of Accounts are based on the market value of investments at 31 March 2016. This means that these show what profit or loss would have made if the Fund had sold all its investments on that day. The result is a notional "unrealised" profit or loss.

VALUE MANAGER

A manager who selects stocks that he believes to have potential that is not reflected in the price. This is sometimes caricatured as buying stock because it is cheap. Compare this with growth manager.

VESTED/NON VESTED OBLIGATIONS

Vested obligations refer to employee benefits that are not conditional on future employment. Non vested obligations refer to employee benefits that are conditional on future employment.

PENSION FUND STRAIN

The cost to employers of the early release of pension benefits.

ADDITIONAL INFORMATION

Key Documents Online

You can find further information on our website, www.scotborders.gov.uk/pensions, including the following documents:

- Funding Strategy Statement
- Annual Report and Accounts
- Governance Policy and Compliance Statement
- Statement of Investment Principles
- Training Policy
- Business Plan 2015/16 to 2017/18
- Actuarial Valuation Statement 2014

Fund Advisers

Actuaries:	Barnett Waddingham
Auditors:	Audit Scotland
Bankers:	Bank of Scotland
Investment Consultancy:	AON Hewitt to 31 March 2016, KPMG from 12 April 2016
Investment Custodians:	JP Morgan to 30 Nov 2106, Northern Trust from 1 Dec 2016
Investment Managers:	Baillie Gifford, UBS, Morgan Stanley, LGT Partners, M&G, Partners Group and Harris Associates
Additional Voluntary Contributions (AVC) Managers:	Standard Life

Contact Details

For further information and advice on administration, benefits and scheme membership please contact

Graeme Wilson	Telephone 01835 – 824000	Ext 5341
	E-mail gwilson@scotborders.gov.uk	

Scheme members should have a copy of the “Employees’ Guide to the Local Government Pension Scheme Administered by the Scottish Borders Council”, and can obtain their own copy of an Annual Report on request.

or visit Scottish Borders Council Pension Fund website at: www.scotborders.gov.uk/pensions

For further information on the Fund’s investments, please contact

Kirsty Robb	Telephone 01835 – 825249
Capital & Investment Manager	E-mail krobb@scotborders.gov.uk

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Lynn Mirley, Corporate Finance Manager, Corporate Finance,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825019 Fax: 01835 825011 or email: lmirley@scotborders.gov.uk



ANNUAL TREASURY MANAGEMENT REPORT 2016/17

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

28 September 2017

1 PURPOSE AND SUMMARY

- 1.1 **The purpose of this report is to present the annual report of treasury management activities undertaken during the 2016/17 financial year.**
- 1.2 The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) requires an annual report on treasury management to be submitted to Council following the end of each financial year. This report highlights the Council's treasury activity in the year ended 31 March 2017 and the performance of the Treasury function.
- 1.3 Appendix 1 is the annual report of treasury management activities for 2016/17 and contains an analysis of performance against targets set in relation to Prudential and Treasury Management Indicators. All of the performance comparisons reported upon are based on the revised indicators agreed as part of the mid-year report approved on 15 December 2016.
- 1.4 The Appendix shows the Council's borrowing requirement to fund the capital investment undertaken during 2016/17, how much the council actually borrowed against the sums budgeted and the level of external debt carried on the Council's balance sheet within approved limits.
- 1.5 During the year the Council has, where possible, deferred borrowing using surplus cash rather than undertaking new borrowing. However, the Council did undertake short term borrowing for cash flow purposes and long term borrowing for capital purposes during the year, amounting to £9m and £12m respectively.
- 1.6 Treasury management activity for the year has been undertaken in compliance with approved policy and the Code and the Council remains under-borrowed against its Capital Financing Requirement (CFR) at 31 March 2017.
- 1.7 Due to competing deadlines, this report is being issued for consultation and publication on the Council agenda prior to its presentation to the Audit and Scrutiny Committee on 25 September 2017. Comments received from this Committee will be highlighted to Council at this meeting.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Scottish Borders Council notes that treasury management activity in the year to 31 March 2017 was carried out in compliance with the approved Treasury Management Strategy and Policy and agrees to the presentation of Appendix 1.**

3 BACKGROUND

- 3.1 The Council approved the Treasury Management Strategy (the Strategy) 2016/17 at the Council meeting on 11 February 2016. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management in the Public Services (the Code) and CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2 The Council received a mid-year report on 15 December 2016 and approved the revised Prudential and Treasury Management Indicators for 2016/17 following the updating of assumptions, in particular capital expenditure estimates.
- 3.3 As set out in the Strategy, the Audit and Scrutiny Committee has a role to scrutinise the Annual and Mid-Year Reports before submission to Council for final approval.

4 ANNUAL TREASURY MANAGEMENT REPORT TO 31 MARCH 2017

- 4.1 The Annual Treasury Management Report for 2016/17 is shown in Appendix 1.
- 4.2 Appendix 1 shows the Council's borrowing requirement to fund capital investment undertaken during 2016/17, how much the Council actually borrowed against the sums budgeted and the level of external debt carried on the Council's balance sheet within approved limits.
- 4.3 In addition, Appendix 1 contains an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators. All of the 2016/17 target indicators reported upon are based on the revised indicators agreed as part of the mid-year report on 15 December 2016.
- 4.4 The key Prudential Indicators (PI) and Treasury Management Indicators (TI), detailing the impact of capital expenditure activities during the year to 31 March 2017, with comparators, are as follows:

	2016/17 Actual £m	2016/17 Estimate £m	Variance £m
Actual Capital Expenditure (PI-1)	51.8	67.5	(15.7)
Total Capital Financing Requirement (CFR) (PI-2)**	287.1	285.9	1.2
(Under)/Over Gross Borrowing against the CFR (PI-6) ***	(59.4)	(40.2)	19.2

*Revised estimate, approved by Council 15 December 2016 as part of the mid-year report

** The CFR for this calculation is based on expenditure to 31 March 2017 only

*** The CFR for this calculation includes the current year and projected movement for the next two subsequent years.

(a) **PI-2 Total Capital Financing Requirement**

The year-end total CFR varied only marginally from that projected in the mid-year report.

(b) **PI-6 (Under)/Over Gross Borrowing against the CFR**

The reason for the decrease in the level of under-borrowing, compared to that projected is due to the actual level of capital expenditure for 2016/17 being less than the projected value in the mid-year report.

(c) **Investments**

Investments held on 31 March 2017 amounted to £6.1m. This fell from £19.5m at 31 March 2016 in line with the strategy of utilising cash balances rather than undertaking additional borrowing.

- 4.5 Treasury management activity for the year has been undertaken in compliance with the approved policy and the Code and the Council remains under-borrowed against its Capital Financing Requirement (CFR) at 31 March 2017

5 IMPLICATIONS

5.1 Financial

There are no further financial implications relating to this report. The outcomes, including financial, from the Council's treasury management activities are explained in detail within Appendix 1.

5.2 Risk and Mitigations

This report is an account of the outcomes from the tightly controlled risk management work that the Council's Treasury staff have carried out. The report is an important element of the overall risk management environment but has no specific risk implications of its own.

5.3 Equalities

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

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

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

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Service Director Regulatory Services as Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council are being consulted and their comments will be incorporated into the final report, or will be made available at the meeting.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Capital & Investment Manager, 01835 825249

Background Papers:

Previous Minute Reference: Scottish Borders Council 15 December 2016

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Capital and Investment Team can also give information on other language translations as well as providing additional copies.

Contact us at Capital and Investment Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA Tel: 01835 825249 Fax 01835 824000. email: treasuryteam@scotborders.gov.uk

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SCOTTISH BORDERS COUNCIL

**ANNUAL TREASURY MANAGEMENT REPORT
YEAR TO 31 MARCH 2017**

CONTENTS

		Page
1	EXECUTIVE SUMMARY	3
2	COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2016/17	4
	2.1 Capital Expenditure	4
	2.2 Financing the Capital Programme	5
	2.3 Capital Financing Requirement and External Debt	6
3	TREASURY MANAGEMENT ACTIVITY	8
	3.1 Gross Borrowing and the CFR	8
	3.2 Operational Boundary and Authorised Limit	9
	3.3 Maturity Profile of External Debt	9
4	INTEREST RATE MOVEMENTS AND EXPECTATIONS	10
	4.1 Treasury Strategy 2016/17	10
	4.2 The Economy and Interest Rates – 2016/17	10
	4.3 Borrowing Rates in 2016/17	11
	4.4 Investment Rates in 2016/17	12
5	INVESTMENT STRATEGY FOR 2016/17	13
	5.1 Investment Objectives	13
	5.2 Investment Activity	13
	5.3 Current Investment Position	13
6	TREASURY PERFORMANCE INDICATORS	14
	6.1 Debt Performance Indicators	14
	6.2 Investment Performance Indicators	14
	6.3 Impact on Revenue Budget	15
	6.4 Treasury Management Indicators	16
Annex A	SUMMARY OF PRUDENTIAL & TREASURY INDICATORS	17

1. EXECUTIVE SUMMARY

1.1 This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

This paper highlights activity in relation to the treasury management function during 2016/17, the Council's strategy with regard to interest rates and future expectations and how the capital expenditure incurred by the Council in 2016/17 was funded. The investment strategy for 2016/17 is summarised in Section 5 and Members are provided with details of how well the treasury function has performed in relation to a set of standard performance indicators.

1.2 During 2016/17, the Council complied with its legislative and regulatory requirements.

1.3 Key Prudential (PI) and Treasury Management Indicators (TI), detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Table 1	2016/17 Actual £m	2016/17 Estimate £m	Variance £m
Actual Capital Expenditure (PI-1)*	51.8	67.5	(15.7)
Total Capital Financing Requirement (CFR) ** (PI-2)	287.1	285.9	1.2
(Under)/Over Gross Borrowing against the CFR (PI-6) ***	(59.4)	(40.2)	19.2

* Revised estimate, approved by Executive Committee on 15 November 2016 as part of the mid-year report

** The CFR for this calculation includes current capital expenditure to 31 March 2017

*** The CFR for this calculation includes the current and two future years projected capital expenditure.

1.4 Additional borrowing for capital purposes was undertaken during 2016/17 amounting to £12m. The statutory borrowing limit (the authorised limit) was not breached.

1.5 The economic environment during the 2016/17 financial year continued to remain challenging, with low investment returns.

2. COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2016/17

2.1 CAPITAL EXPENDITURE (*Prudential Indicator 1*)

- a) The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need, or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- b) The final capital expenditure for 2016/17 was lower than projected as a result of delays in expenditure on a number of projects, including Schools, specifically relating to Broomlands Primary School (£4.3m) and Early Learning and Childcare block expenditure (£1.8m). The Great Tapestry of Scotland project incurred delays due to the relocation of the original preferred site (£5.7m). Delays in expenditure in ICT Transformation (£2.5m) and Street Lighting projects (£1.1m) also contributed to this variance.

The specific drivers for each of the movements have been disclosed in the regular monitoring reports to the Executive throughout 2016/17 and in the out-turn report presented on 20 June 2017.

2.2 FINANCING THE CAPITAL PROGRAMME

- a) Capital Expenditure may either be financed:
- (i) Immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which does not impact on the Council's borrowing need, or
 - (ii) If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- b) **Table 3** below summarises the main funding elements of the 2016/17 capital expenditure.

Table 3	2016/17 Actual £m	2016/17 Estimate £m	Variance £m
Capital Expenditure	51.8	67.5	(15.7)
Other Relevant Expenditure *	2.3	0.6	1.7
Total Expenditure	54.1	68.1	(14.0)
Financed by:			
Capital Grants & Other Contributions	23.5	28.6	(5.1)
SBC Revenue Funding	0.3	0.0	0.3
Capital Fund/Capital Receipts	1.4	1.3	0.1
Plant & Vehicle Fund	2.4	2.1	0.3
Total identified finance	27.6	32.0	(4.4)
Net Financing Need for the Year	26.5	36.1	(9.6)

* This consists of net lending to the National Housing Trust (NHT) during 2016/17 of £2.257m.

The decrease in unfinanced capital expenditure compared with the estimate in the mid-year report resulted principally from timing movements as detailed in paragraph 2.1 b).

2.3 CAPITAL FINANCING REQUIREMENT AND EXTERNAL DEBT (*Prudential Indicators 2 and 5*)

- a) The Council's underlying need to borrow for capital expenditure is termed the **Capital Financing Requirement (CFR)** and is a key prudential indicator. The CFR results from the capital activity of the Council and the resources that have been used to pay for the capital spend. It represents the 2016/17 unfinanced capital expenditure (see **Table 3** in section 2.2 (b)), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- b) Depending on the capital expenditure programme, the treasury function organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, such as the Public Works Loan Board or the money markets, or utilising cash resources within the Council.
- c) **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the scheduled debt amortisation for loans repayment, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR. The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the scheduled debt amortisation for loans repayment.

The Council's borrowing activity is constrained by prudential indicators, including those comparing gross borrowing, the CFR and the authorised limit.

- d) The extent to which the Council is under/over borrowed at 31 March 2017 is calculated by comparing actual external debt against the CFR and is shown in **Table 4** below. It includes "Other long term liabilities", such as PFI and leasing schemes on the balance sheet. These increase the Council's borrowing need, however, as no borrowing is actually required against these schemes, these amounts have been deducted in **Table 4**.

Table 4	31 March 2017 Actual £m	31 March 2017 Estimate £m	Variance £m
CFR (PI-2)*	287.1	285.9	1.2
Less: Other long term liabilities **	51.2	52.9	(1.7)
Underlying borrowing requirement	235.9	233.0	2.9
External Borrowing at 31/3/17	192.0	197.1	(5.1)
(Under)/Over borrowing	(43.9)	(35.9)	(8.0)

*The CFR for this calculation includes current capital expenditure to 31 March 2017

**PPP/PFI/Finance Lease balances

- e) Whilst the CFR increased by £1.2m from the mid-year projection, the net financing need for the year at the year-end was £9.6m less than projected mid-year (table 3). This would imply a corresponding reduction in CFR between these periods. Accounting transactions relating to the Waverley Railway repayment as well as full accounting for consents to borrow relating to National Housing Trusts account for this difference.

- f) The reason for the increase in the level of under-borrowing, compared to that projected, is due to the Council having greater than anticipated positive cash-flow to fund expenditure, thereby reducing the projected borrowing requirement for the year to 31 March 2017. In addition, the actual level of capital expenditure for 2016/17 was less than the projected value in the mid-year report due to variances highlighted in paragraph 2.1 (b).

3 TREASURY MANAGEMENT ACTIVITY

3.1 GROSS BORROWING AND THE CFR (*Prudential Indicator 6*)

- a) In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the current year (2016/17) plus the estimates of any additional capital financing requirement for the next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2016-17. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 5	31 March 2017 Actual £m	31 March 2017 Estimate £m	Variance £m
Fixed rate funding			
PWLB	139.6	153.7	(14.1)
Market	9.0	-	9.0
Variable rate funding			
Market *	43.4	43.4	0.0
External Borrowing	192.0	197.1	(5.1)
Other long term liabilities **	51.2	52.9	(1.7)
Total Debt	243.2	250.0	6.8
CFR (inc. next 2 year estimates)	302.0	290.2	11.8
(Under)/Over Gross Borrowing against the CFR (PI-6)	(58.8)	(40.2)	(18.6)

* LOBO loans (where a rate change could be instigated by the lender at certain intervals)

** PPP/PFI/Finance Lease balances

- b) Council deposits were made on a short term basis throughout 2016/17.
- c) There was no rescheduling of debt during 2016/17. Additional long term (PWLB) borrowing of £12m was undertaken in 2016/17 as well as short term borrowing on £9m towards the year end, which was repaid in full during April 2017.

3.2 OPERATIONAL BOUNDARY AND AUTHORISED LIMIT (*Prudential Indicators 7 and 8*)

- a) The **Operational Boundary** and the **Authorised Limit** are indicators which are intended to act as limits to the overall level of borrowing activity. The Authorised Limit represents the maximum limit beyond which borrowing is prohibited. The Operational Boundary represents the level of external borrowing that the Council is expected to operate within. **Table 6** compares the External Debt position with these indicators and demonstrates that the Council has not breached either limit during 2016/17

Table 6	31 March 2017 Actual £m	Authorised Limit (PI-8) £m	Variance £m	Operational Boundary (PI-7) £m	Variance £m
Total Gross Borrowing	243.2	335.9	(92.7)	277.1	(33.9)

3.3 MATURITY PROFILE OF EXTERNAL DEBT

- a) **Table 7** presents an analysis the maturity structure of the Council's external debt portfolio.

Table 7	31 March 2017 £m
Under 12 months	9.0
12 months and within 5 years	11.2
5 years and within 10 years	16.6
Over 10 years	155.2
Total	192.0

4. INTEREST RATE MOVEMENTS AND EXPECTATIONS

4.1 TREASURY STRATEGY FOR 2016/17

- a) The expectation for interest rates within the treasury management strategy for 2016/17 anticipated low but rising Bank Rate, (starting in quarter 1 of 2017), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates. In this scenario, the treasury strategy was to postpone borrowing until absolutely required to avoid the cost of holding higher levels of investments and to reduce counterparty risk.
- b) During 2016/17 there was major volatility in PWLB rates with rates falling during quarters 1 and 2 to reach historically very low levels in July and August, before rising significantly during quarter 3, and then partially easing back towards the end of the year.
- c) The comparison of the annual *average* percentage interest rates to projections within the 2016/17 strategy is set out in **Table 8** below.

Table 8	Bank Rate %	PWLB Rates %		
		5 year	25 year	50 year
2016/17 Estimate	0.57	2.15	3.48	3.33
2016/17 Actual	0.33	1.63	2.92	2.69
Variance	0.24	0.52	0.56	0.64

4.2 THE ECONOMY AND INTEREST RATES – 2016/17

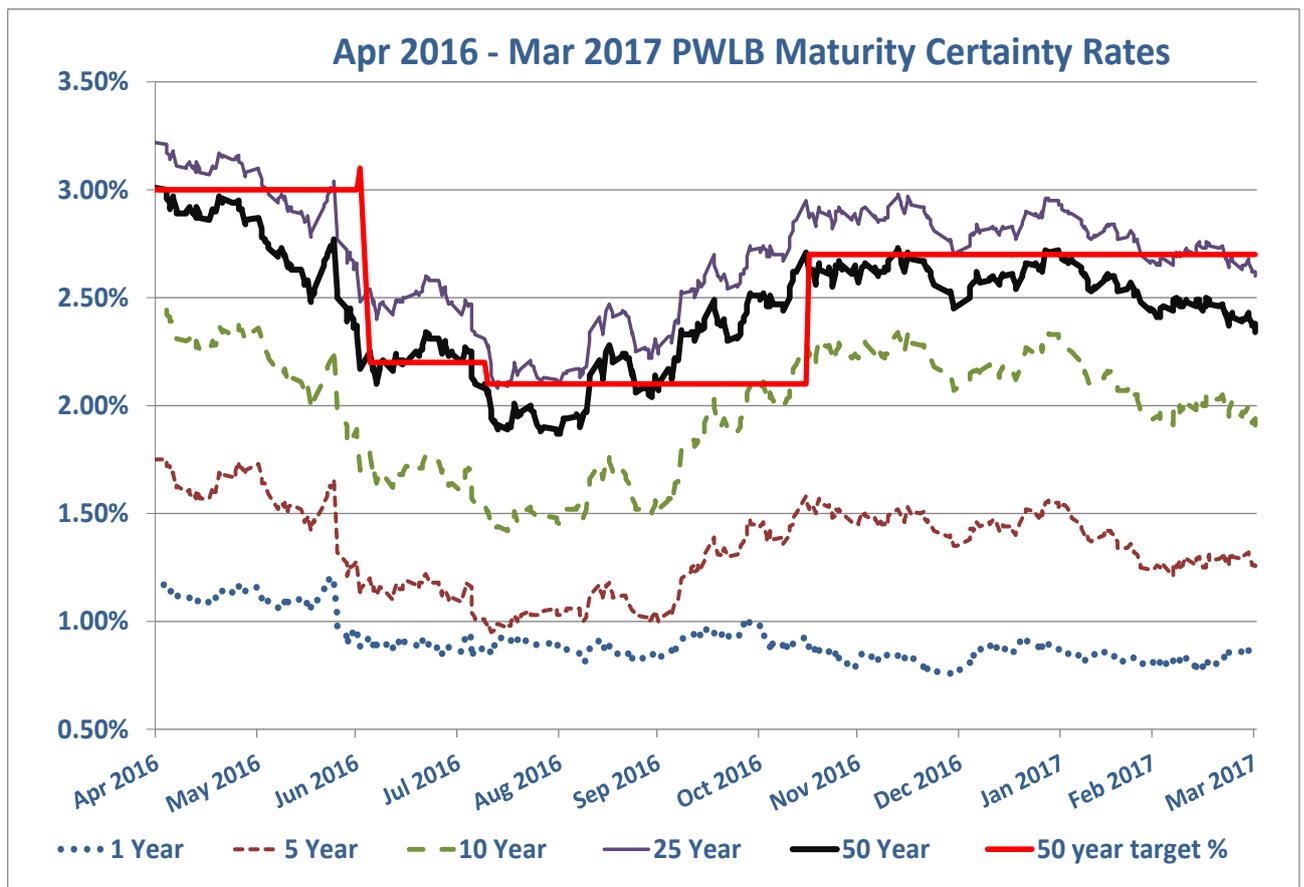
- a) The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016.
- b) The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.
- c) In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

- d) By the end of March 2017, sterling was 17% down against the dollar but had not fallen as far against the euro. In February 2017, the latest CPI inflation figure had risen to 2.3%, above the MPC's inflation target of 2%. However, the MPC's view was that it would look through near term supply side driven inflation, (i.e. not raise Bank Rate), caused by sterling's devaluation, despite forecasting that inflation would reach nearly 3% during 2017 and 2018. This outlook, however, is dependent on domestically generated inflation, (i.e. wage inflation), continuing to remain subdued despite the fact that unemployment is at historically very low levels and is on a downward trend. Market expectations for the first increase in Bank Rate moved forward to quarter 3 2018 by the end of March 2017 in response to increasing concerns around inflation.
- e) Equity markets. The result of the referendum, and the consequent devaluation of sterling, boosted the shares of many FTSE 100 companies which had major earnings which were not denominated in sterling. The overall trend since then has been steeply upwards and received further momentum after Donald Trump was elected President as he had promised a major fiscal stimulus to boost the US economy and growth rate.

4.3 BORROWING RATES IN 2016/17

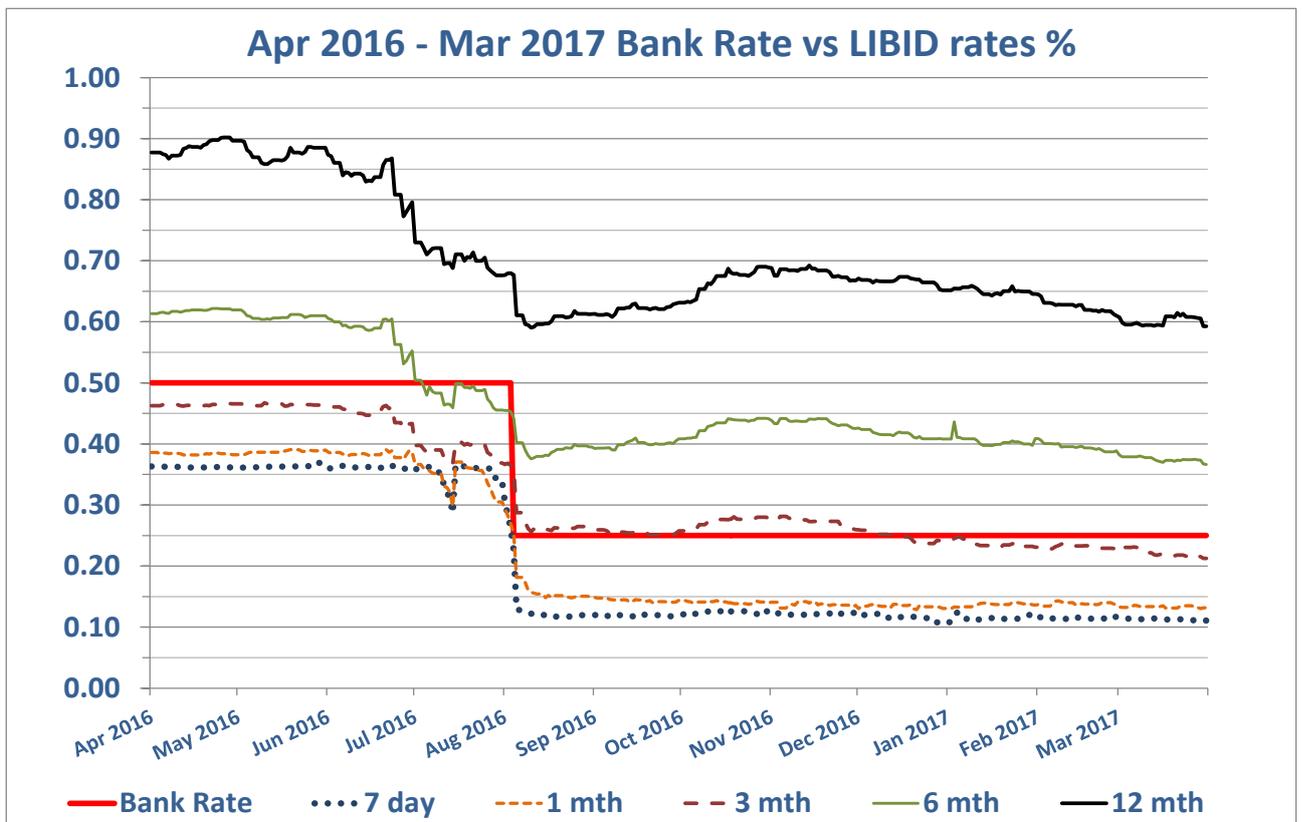
a) **PWLB Borrowing Rates**

Chart 1 below shows how PWLB certainty rates have fallen to historically very low levels during the year.



4.4 INVESTMENT RATES IN 2016/17

- a) After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.
- b) **Chart 2** below illustrates the change in the Investment Rates certainty maturity rates, for a selection of maturity periods, throughout 2016/17.



5. INVESTMENT STRATEGY FOR 2016/17

5.1 INVESTMENT OBJECTIVES

- a) The Council's investment strategy is governed by Scottish Government investment regulations and sets out the approach for choosing investment categories and counterparties, based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- b) The **primary objectives** of the Council's investment strategy are:
 - (i) the safeguarding or **security** of the repayment of the principal and interest of investments on a timely basis;
 - (ii) ensuring adequate **liquidity** within the Council; and
 - (iii) maximising investment **yield** or return.
- c) The Council will ensure:
 - (i) It maintains a policy covering the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security, and the monitoring of their security; and
 - (ii) It has sufficient liquidity in its investments. For this purpose it sets out procedures for determining the maximum periods for which funds may prudently be committed. The Council's Prudential Indicators cover the maximum period over which sums can be invested.

5.2 INVESTMENT ACTIVITY

- a) The investment activity during the year conformed to the above approved strategy, and the Council had no liquidity difficulties. All money deposited with the Council's bank, Bank of Scotland, was done on an overnight basis to minimise security and liquidity risk to the Council.

5.3 CURRENT INVESTMENT POSITION

- a) The total value of investments/deposits for the Council at 31 March 2017 was £6.1m. Cash was held on a short term basis throughout 2016/17 with major banks and various money market funds (the latter having a credit rating of AAA).

6 TREASURY PERFORMANCE INDICATORS

The Treasury Management Function has established the following additional performance indicators.

6.1 DEBT PERFORMANCE INDICATORS

These indicators are additional to the prudential & treasury management indicators covered earlier in this report. The Indicators are:

- a) **Average 'Pool Rate'** charged by the Loans Fund compared to Scottish Local Authority average Pool Rate. Target is to be at or below the Scottish Average for 2016/17.

The Council's loans fund pool rate for 2015/16 was 4.62%. The Scottish Local Authority average "pool rate" for 2015/16 is not yet available at the time of writing, but was 4.44% in 2014/15 and is not expected to be materially different for 2015/16.

- b) **Average rate movement year on year.** Target is to maintain or reduce the average borrowing rate for the Council versus 2014/15. The Council's pool rate of 4.32% for 2016/17 was 0.30% lower than the reported Council's rate of 2015/16.

6.2 INVESTMENT PERFORMANCE INDICATORS

a) Security

- (i) The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is 0.02% historic risk of default.
- (ii) The actual performance of this indicator was 0.019% **historic risk**, slightly below the benchmark, if overnight deposits with the Council's own bank, the Bank of Scotland, are taken into account. The Bank of Scotland has only a single A credit rating and the lower the credit rating, the higher the risk of default. Excluding Bank of Scotland deposits, the risk of default on deposits was 0.0024%, which is far below the benchmark level. This was achieved by placing deposits with higher rated counterparties, which have lower historic risk of default, and by utilising only overnight or short term notice accounts.
- (iii) During 206/17, money was deposited in accounts on a short term basis, not exceeding 3 months.
- (iv) In July 2016, Standard & Poor's downgraded the Council's bank, Bank of Scotland from a stable to a negative outlook. However, this was in line with downgrades of other main UK banks. Like other main UK banks, the long and short term outlook for Bank of Scotland have been graded as A and A-1 respectively. This represents the minimum counter party grading accepted by the Council per the Treasury Management Strategy. This position is being closely monitored.

b) Liquidity

- (i) Liquid short term deposits should be at least £3,000,000, available with a week's notice.
- (ii) This indicator was adhered to in 2016/17, with the exception of 1 day in November, when liquid deposits stood at £2.6m. A decision was made not to borrow to cover the £3m requirement as confirmed cash receipts of £4.7m were known for the following day.
- (iii) Weighted Average Life benchmark is **expected to be 0.5 years** (equivalent to a weighted average life of 6 months), with a **maximum of 1.00 years**.
- (iv) The weighted **average life for 2015/16 was 0.01 years**, well below the 0.5 year target.

c) Yield

The target yield is to have internal returns on cash investment above the 7 day LIBID rate. The return for 2016/17 averaged 0.31%, compared against an average 7 day LIBID rate for the year to 31 March 2017 of 0.20%.

2015/16 comparison figures for average internal returns and 7 day LIBID were 0.4% and 0.36% respectively. Therefore, 2016/17 returns showed a continued return in excess of target albeit a falling return from prior years. This is in line with the Bank of England cut in base interest rate from 0.5% to 0.15% in August 2016.

Although yields remain low, the Council continues to make deposits on a short term basis with the Government's Debt Management Office (DMO) and Money Market Funds. The DMO is a very secure (Credit Rating of AAA) form of investment, but delivers a low rate of return (falling to 0.10% from 0.25% in 2016/17). The Money Market Funds used for deposits are also secure (with a Credit Rating of AAA). The planned deposit allocation between these two investment types has resulted in the returns mentioned above.

6.3 IMPACT ON REVENUE BUDGET

a) Ratio of actual financing costs to net revenue stream (Prudential Indicator 3)

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue funding for the Council. The comparison of the revised estimate approved in the 2016/17 mid year report to the outturn as at 31 March 2017 is as follows:

Table 9	Actual	Estimate
Ratio of financing costs to net revenue stream (PI-3)	% 8.49	% 8.6

b) Net Cost of Servicing Debt (Loan Charges) – Table 10 below summarises the comparison of the outturn versus estimate for the revenue cost of servicing the debt for the Council, including interest relating to PPP schools unitary charges.

Table 10	2016/17 Outturn £m	2016/17 Mid-Year Estimate £m	Variance (Under) /Over £m
Interest on Borrowing	12.3	12.0	(0.3)
Investment Income	(0.3)	(0.2)	0.1-
Capital Repayments	8.5	8.5	-
Total Loan Charges	20.5	20.3	(0.2)

(i) The interest on borrowing costs represents the interest paid on external debt and to internally managed funds (e.g. Pension Fund, Common Good Funds).

6.4 TREASURY MANAGEMENT INDICATORS (*Treasury Indicators 1 – 5*)

- a) The Treasury Indicators (TIs) are shown in **Table 11** below. The Council remained well within these Indicator limits throughout 2016/17

Table 11	2016/17 Revised Indicator		2016/17 Actual as at 31 March 2017
Upper limits – Debt with fixed and variable interest rates			
Upper limits on fixed interest rates (TI-1)	272.4		277.1
Upper limits on variable interest rates (TI-2)	95.3		97.0
Maturity Structure of borrowing			
	Upper (TI-3)	Lower (TI-4)	Actual
Under 12 months	20%	0%	0.00%
12 months to 2 years	20%	0%	0.00%
2 years to 5 years	20%	0%	0.41%
5 years to 10 years	20%	0%	7.73%
10 years and above	100%	20%	91.86%
Prudential limits for principal sums invested (TI-5)			
Cash Deposits < 12 months	100%		100%
Cash Deposits > 12 months	20%		0%

ANNEX A

Indicator Reference	Indicator	Page Ref.	2016/17 Original estimate	2016/17 Revised estimate	2016/17 Actual
PRUDENTIAL INDICATORS					
Capital Expenditure Indicator					
PI-1	Capital Expenditure (£m)	3	66.8	67.5	51.8
PI-2	Capital Financing Requirement (£m) (CFR)	6	291.8	285.9	287.1
Affordability Indicator					
PI-3	Ratio of Financing Costs to Net Revenue	16	9.0%	8.9%	8.49%
PI-4	Incremental Impact of Capital Investment Decisions on Council Tax	N/A	(0.05)	0.00	(0.06)
External Debt Indicators					
PI-5	Actual Debt (£m)	8	250.5	250.0	243.2
PI-7a	Operational Boundary (inc. Other Long Term Liabilities) (£m)	9	272.4	273.1	277.1
PI-7b	Operational Boundary (exc. Other Long Term Liabilities) (£m)	9	219.7	220.1	226.0
PI-8a	Authorised Limit (inc. Other Long Term Liabilities) (£m)	9	307.2	310.1	335.9
PI-8b	Authorised Limit (exc. Other Long Term Liabilities) (£m)	9	254.6	257.1	284.8
Indicators of Prudence					
PI-6	(Under)/Over Gross Borrowing against the CFR (£m)	8	(47.8)	(40.2)	(59.4)
TREASURY INDICATORS					
TI-1	Upper Limit to Fixed Interest Rates based on Net Debt (£m)	16	272.4	273.1	277.1
TI-2	Upper Limit to Variable Interest Rates based on Net Debt (£m)	16	95.3	95.6	97.0
TI-3 & TI-4	Maturity Structure of Fixed Interest Rate Borrowing	16	Upper	Lower	
	Under 12 months		20%	0%	
	12 months to 2 years		20%	0%	
	2 years to 5 years		20%	0%	
	5 years to 10 years		20%	0%	
	10 years and above		100%	20%	
TI-5	Maximum Principal Sum invested greater than 364 days	16	20%	20%	20%

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MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE- (MiFID II)

Report by Chief Financial Officer
SCOTTISH BORDERS COUNCIL

28 September 2017

1 PURPOSE AND SUMMARY

- 1.1 This report provides information on the rules for implementation of the Markets in Financial Instruments Directive (MiFID II), which is effective from 3 January 2018.**
- 1.2 Following a review by the European Commission the rules for Markets in Financial Instruments Directive (MiFID) is due to change on 3rd January 2018. The change will result in all UK Local Authority pension funds being automatically reclassified from "professional investors" to "retail" clients by default.
- 1.3 The re-classification of "retail" will result in the Council being unable to invest any financial instrument including the Council's current investments as set out in the Treasury Strategy. To allow continued investment in the required classes the Council requires applying to "opt-up" to "professional" status.
- 1.4 The Local Government Association is currently developing a reporting template in conjunction with the Investment Association, which the Council will be able to utilise for the "opt up" process.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Scottish Borders Council:**
 - (a) Notes the pending reclassification of the Council to "retail" status under MiFID II; and**
 - (b) Agrees the Council will complete the required documentation to "opt up" to "professional" status.**

3 BACKGROUND

- 3.1 The European Commission has previously instigated a review of MiFID due to the increasing complexity of financial products and issues related to the 2008 financial crisis. The outcome of the review was a revised Directive, MiFID II, which is to take effect from 3 January 2018.
- 3.2 During 2016 and early 2017, the Financial Conduct Authority (FCA) consulted on the implementation proposals for MiFID II. On 3 July 2017, the FCA published a policy statement setting out the final rules on a number of matters.
- 3.3 It is a MiFID II requirement for local authorities (currently treated as professional investors) to be classified as "retail" clients by default. Under such a classification, local authorities investing in regulated products such as such as Certificates of Deposit, Gilts, Corporate Bonds and investment funds, including Money Market Funds would be affected.
- 3.4 Some of the above products would not be available to retail investors, and would thus require to be sold if holders retained retail client status. In relation to investments in Money Market Funds, early indications received by the Council's treasury advisors (Capita Asset Services), following discussions with a range of Money Market Fund providers, suggest that fee levels for retail share classes would be somewhere in the region of 0.70%. These costs are nearly double the returns currently received for funds invested, thus rendering the investment unviable in the current low yield environment, and would thus result in limiting the counterparties available, and subsequent returns achieved. This would have detrimental impact on local authority loans fund rates, and ultimately on revenue budget management.
- 3.4 The FCA does however offer the option to "opt up" to an Elective Professional Client for individual Local Authorities if they meet certain criteria. The tests as to whether Local Authorities meet the required criteria will be carried out by each respective investment firm and it will then be for them to gather sufficient evidence to satisfy that the tests have been met in relation to each client.

4 NEXT STEPS

- 4.1 To ensure the Fund can continue to access a wide range of investment opportunities required to maintain the returns the Council Fund will require to apply to Opt-up to "professional" status.
- 4.2 The FCA has established a combination of quantitative and qualitative tests. These are shown below

Quantitative test
Portfolios minimum size requirement of £10m

AND

One of the following tests:

- has carried out transactions, in significant size, on the relevant market at an average frequency of ten per quarter over the previous four quarters.

- Person authorised to carry out transactions on behalf of the client works, or has worked in the financial sector for at least one year in a professional position which requires knowledge of the provision of services envisaged.
 - The client is an “administering authority” of the Local Government Pension Scheme within the meaning of the version of Schedule 3 of The Local Government Pension Scheme Regulations 2013 or, (in relation to Scotland) within the meaning of the version Schedule 3 of The Local Government Pension Scheme (Scotland) Regulations 2014 in force at 1 January 2018, and is acting in that capacity.
- 4.3 The FCA provides clarity in assessing this criteria for Local Authorities for investment firms that they may reasonably assess that a professional treasury manager who has worked in the financial sector for at least one year, if their role provides knowledge of the provision of services envisaged, will meet the purpose of the test. This qualitative test requires an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged that the client is capable of making his own investment decisions and understanding the risks involved. The FCA also agree that adherence to CIPFA Codes or undertaking other relevant training or qualifications may assist in demonstrating knowledge and expertise as part of this qualitative test.
- 4.4 The FCA’s final Policy Statement gives greater clarity on what actions must be taken for local authorities to be opted-up to professional status, and the officers are comfortable that Scottish Borders Council Officers have the requisite knowledge and experience to meet the criteria required to gain professional investor status.
- 4.5 The LGA is working with CIPFA to formulate some standard documentation for local authorities and investment managers to use when assessing local authorities for opt up to professional status for their Treasury management activities. Once these documents are agreed and become available, the officers will complete and submit, however in the meantime, officers will inform investment managers of the Council’s intentions to opt-up to professional status.

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications arising from this report

5.2 Risk and Mitigations

If the Council chooses not to, or is unable to, opt-up to professional status the Council would be required to notify its current treasury providers. This may result in investment opportunities such as Money Market Funds which currently form part of the Treasury Strategy being unavailable or price prohibitive. The use of these funds is a risk mitigation measure to ensure the safeguarding and security of Council funds. To reduce availability of funds would result in increased risk and its general bank deposits which would not produce the returns or risk profile required to meet the Councils objectives.

5.3 Equalities

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

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

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

5.7 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the Scheme of Administration of Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been included in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Capital & Investment Manager, 01835 825249

Background Papers:

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Treasury & Capital Team can also give information on other language translations as well as providing additional copies.

Contact us at: Treasury & Capital Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 OSA Tel: 01835 825016 Fax 01835 825166. email:

treasuryteam@scotborders.gov.uk

PROPOSED AMENDMENT TO THE CALENDAR OF MEETINGS TO AVOID THE NOVEMBER SCHOOL HOLIDAYS

Oct-17

MON	23	OCT		
TUES	24	OCT		
WED	25	OCT		
THUR	26	OCT	AUDIT & SCRUTINY COMMITTEE	10.00 a.m.
FRI	27	OCT		
SAT	28	OCT		
SUN	29	OCT		
MON	30	OCT	TRADING OPERATIONS SUB-COMMITTEE	10.00 a.m.
TUES	31	OCT	STANDARDS COMMITTEE	2.00 p.m.
TUES	31	OCT	EXECUTIVE COMMITTEE (EDUCATION)	10.00 a.m.
Nov-17				
WED	1	NOV		
THUR	2	NOV	SCOTTISH BORDERS COUNCIL	10.00 a.m.
THUR	2	NOV	STANDARDS COMMITTEE	10.00 a.m.
THUR	2	NOV	INNERLEITHEN CGF SUB-COMMITTEE	3.00 p.m.
FRI	3	NOV		
SAT	4	NOV		
SUN	5	NOV		
MON	6	NOV	PLANNING AND BUILDING STANDARDS	10.00 a.m.
TUES	7	NOV	EXECUTIVE COMMITTEE (EDUCATION)	10.00 a.m.
TUES	7	NOV	LLP STRATEGIC GOVERNANCE GROUP	2.00 p.m.
WED	8	NOV		
THUR (SH)	9	NOV	SCOTTISH BORDERS COUNCIL	10.00 a.m.
FRI (SH)	10	NOV	POLICE, FIRE & RESCUE AND SAFER COMMUNITIES BOARD	9.30 a.m.
SAT	11	NOV		
SUN	12	NOV		
MON	13	NOV	AUDIT & SCRUTINY COMMITTEE	10.15 a.m.
TUES	14	NOV	EXECUTIVE COMMITTEE (FINANCE/PERFORMANCE/TRANSFORMATION)	10.00 a.m.
TUES	14	NOV	HAWICK CGF SUB-COMMITTEE	4.00 p.m.
TUES	14	NOV	TEVIOT & LIDDESDALE LOCALITY COMMITTEE	6.30 p.m.
WED	15	NOV		
THUR	16	NOV		
FRI	17	NOV	LICENSING BOARD	10.00 a.m.
FRI	17	NOV	CIVIC GOVERNMENT LICENSING COMMITTEE	11.00 a.m.
SAT	18	NOV		
SUN	19	NOV		
MON	20	NOV	LOCAL REVIEW BODY	10.00 a.m.
TUES	21	NOV	EXECUTIVE COMMITTEE (FINANCE/PERFORMANCE/TRANSFORMATION)	10.00 a.m.
WED	22	NOV		
THUR	23	NOV	EDUCATION PERFORMANCE SUB-COMMITTEE	2.00 p.m.
THUR	23	NOV	COMMUNITY PLANNING STRATEGIC BOARD	2.00 p.m.
FRI	24	NOV		
SAT	25	NOV		
SUN	26	NOV		
MON	27	NOV	ST ANDREWS DAY HOLIDAY	
TUES	28	NOV	PETITIONS & DEPUTATIONS COMMITTEE	10.00 a.m.
TUES	28	NOV	SELKIRK CGF SUB-COMMITTEE	3.00 p.m.
WED	29	NOV	PEEBLES CGF SUB-COMMITTEE	5.00 p.m.
WED	29	NOV	TWEEDDALE LOCALITY COMMITTEE	6.30 p.m.
THUR	30	NOV	AUDIT & SCRUTINY COMMITTEE	10.00 a.m.
THUR	30	NOV	EMPLOYEE COUNCIL	3.00 p.m.
THUR	30	NOV	BERWICKSHIRE LOCALITY COMMITTEE	6.30 p.m.

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ANNUAL REPORT OF THE CHIEF SOCIAL WORK OFFICER 2016/17

Report by Chief Social Work Officer

SCOTTISH BORDERS COUNCIL

28 September 2017

1 PURPOSE AND SUMMARY

- 1.1 This is the tenth annual report on the work undertaken on behalf of the Council in the statutory role of Chief Social Work Officer.**
- 1.2 The report provides the Council with an account of decisions taken by the Chief Social Work Officer in the statutory areas of Fostering and Adoption, Child Protection, Secure Orders, Adult Protection, Adults with Incapacity, Mental Health and Criminal Justice. The report of the Chief Social Work Officer is attached as Appendix A.
- 1.3 It also gives an overview of regulation and inspection, workforce issues and social policy themes over the year April 2016 to March 2017, and highlights some of the key challenges for Social Work for the coming year.

2 RECOMMENDATIONS

- 2.1 I recommend that the Council approves the report of the Chief Social Work officer attached as Appendix A and in particular notes the elements noted in section 4 of this report.**

3 BACKGROUND

- 3.1 The requirement that every local authority should have a professionally qualified Chief Social Work Officer is contained within Section 45 of the Local Government etc (Scotland) Act 1994. This requirement was reinforced by the recommendation contained in the Changing Lives Report published by the 21st Century Social Work Review Group to strengthen the governance and leadership roles of the Chief Social Work Officer. This national guidance has recently been reviewed to take into account new partnership arrangements.
- 3.2 A specific Service Director role of CSWO has responsibility in Scottish Borders for the leadership of professional Social Work across the Council and ensuring the Council's statutory Social Work legislative requirements are met. This role reports directly to the Chief Executive.
- 3.3 In 2017 the Scottish Government published an updated template and guidance to enable Chief Social Work Officers across Scotland to develop a more consistent approach to the production of their reports and allow summary comparison of the delivery and performance of Social Work across different areas. This template has been used to provide this report. This has provided helpful comparative data for Social Work which has been published to give a picture of Social Work across Scotland.

4 OVERVIEW AND EVALUATION

- 4.1 Early in 2017 the new governance arrangements for Social Work in Scottish Borders Council were revised with the Chief Social Work Officer reporting directly to the Chief Executive. There has continued to be significant changes to governance arrangements in relation to the establishment of the Integration Joint Board and the strengthening of Children and Young People's leadership group, however public protection arrangements have continued to be a high priority for the Council during this period.
- 4.2 There have been a number of achievements during this period. There has been an ongoing focus on improving arrangements for the discharge process from hospital to enable people to move to appropriate care settings in a timely way. The implementation of Getting It Right For Every Child is well under way and the Early Years agenda is well advanced. Processes for Self Directed Support have been further developed to provide service users and carers greater say in choice and the management of their care arrangements and the number of people using this approach has increased from 530 to 1300. A number of service developments are also highlighted including the introduction of local community hubs to improve access and earlier intervention and support.
- 4.3 Key Social Work performance data is contained in the report. The number of children on the Child Protection Register increased during 2016/17 but has more recently reduced slightly. There has been an increase in new foster parents but a number have also de-registered and therefore the recruitment of new foster parents remains a priority. Adult protection referrals have also increased from 171 to 206. Focused work has taken place on financial harm through work with Banks and Trading Standards.

- 4.4 The Mental Health Officer service continues to perform well in terms of attendance at emergency detentions but the demands on the service continue to increase with a notable increase in private and welfare guardianship applications in line with national trends rising by 27 additional cases.
- 4.5 Challenges facing Social Work for 2016/17 are identified in the report. There are ongoing financial constraints and introducing new arrangements for children and young people including the named person remain a priority. Implementation of the actions identified following the Children and Young People's inspection this year has been a priority including improvements in recording, risk assessment and chronologies. Work is also progressing to embed new arrangements for Community Justice and a Community Justice Plan has been agreed. The number of Home Care providers has increased and a minimum hourly rate of £8.25 per hour was implemented in October 2016.
- 4.6 There continues to be challenges in recruitment and retention of staff in care at home services. The introduction of a minimum hourly rate of £8.25 per hour from October 2016 should improve the situation.
- 4.7 A Joint Older Person's Inspection report is also awaited and any recommendations for Social Work will also need to be prioritised.
- 4.8 Public Protection needs to be a continued focus and a review of Public Protection will be undertaken in 2017/18.
- 4.9 The Council continues to be well placed to face these challenges and to deliver high quality services and improve outcomes for all people who access Social Work services.

5 IMPLICATIONS

5.1 Financial

There are no specific costs attached to any of the recommendations contained in this report but managing service change and efficiencies in the light of increasing demand whilst maintaining service quality remains a challenge.

5.2 Risk and Mitigations

There are no specific concerns that need to be addressed in respect of the recommendations contained in this report. Public protection processes however need to continue to be a high priority for the Council.

5.3 Equalities

Social Justice and equality are key values in Social Work and there are no adverse equality implications arising from the work contained in this report

5.4 Acting Sustainably

There are no anticipated economic, social or environmental effects.

5.5 Carbon Management

There is no impact on the Council's carbon emissions.

5.6 Changes to Scheme of Administration or Scheme of Delegation



**Annual Report by
Chief Social Work Officer
April 2016 – March 2017**

Elaine Torrance



1. INTRODUCTION

This report provides an overview of Social Work activity, performance and achievements during the period April 2016 to March 2017. The report provides information on the statutory decisions made by the Chief Social Work Officer (CSWO) on behalf of the Council and highlights some key challenges in the forthcoming year. The report format follows the template produced by the Scottish Government's Chief Social Work Advisor to provide greater standardisation across CSWO's reports which was updated in May 2017.

2. CSWO Summary of Performance - Key challenges, developments and improvements during the year

2016/17 has been a further year of change and challenge for Social Work Services in Scottish Borders but also a year where significant improvements have been made in improving practice and introducing new services and approaches aimed to address many of the challenges.

In June 2016 the Care Inspectorate published a report on services for Children & Young People in the Scottish Borders. Overall this was a positive report confirming that no children were considered to be at immediate risk in the Borders and demonstrating how Social Work Services, with partner agencies, were improving the wellbeing of children and young people. Early intervention and prevention was rated as good, however, there was learning identified in relation to case recording to risk assessment and use of chronologies. This resulted in the implementation of a robust action plan and significant improvement in this area. In terms of Child Protection, work has been completed and resulted in the publication of a Child Sexual Exploitation strategy to raise the profile locally.

In terms of Adult Services, the Health and Social Care Partnership has continued to evolve, develop and strengthen and there have been a number of very positive developments. An Annual Performance Report detailing the activity and future priorities is available for 2016/17. There has been a strong focus on working with communities and locality planning and co-produced locality plans are now out for further consultation.

The development of community hubs and new ways of working closely with Home Care, District Nurses and Buurtzorg Initiative are all areas designed to reduce waiting times for assessment and improve access to support in Social Care by working together.

Fieldwork on a Joint Inspection of Older People's Services took place in early 2017 and we await the publication of the report. A priority will be the implementation of key recommendations in 2017/18.

Care Inspectorate grades for all Social Work have seen an increase in the overall percentage of services rated as 'Good', 'Very Good' or 'Excellent' (72% in 2013/14, 79% in 2014/15, 81% in 2015/16 and 86% 2016/17).

There continues to be challenges in recruitment of care at home staff in some areas of the Borders but overall the number of care providers in the Borders has increased with several new agencies starting up in the Borders, thereby increasing choice for people who need support.

Significant progress has been made in Community Justice with the publication of the Community Justice Plan and positive engagement with all key stakeholders in managing offenders in the Community. There are greater links with Community Safety and Domestic Abuse Services, as these are now managed by the CSWO, and a review of Public Protection will be undertaken to further strengthen this agenda in 2017/18.

Implementation of Carers Legislation continues to be a key focus for the coming year and work with the Carers Centre will be an important element of this.

There is more detail in this report and much more work to do over the coming year.

In my role as Chief Social Work Officer I have endeavoured to monitor, review and advise the Council on Social Work matters while providing effective leadership for all staff in Social Work and Social Care to provide high quality, safe services for people in the Borders. As I am retiring from this role I wish my successors well for the future to continue to provide strong leadership and support for Social Work staff and stakeholders in the Borders.

3. Partnership Working - Governance and Accountability Arrangements

The requirement that every Local Authority should have a professionally qualified Chief Social Work Officer (CSWO) is contained within Section 45 of the Local Government etc. (Scotland) Act 1994. This replaced the requirement in Section 3 of the Social Work (Scotland) Act 1968 for each Local Authority to appoint a Director of Social Work.

The responsibilities of the CSWO have recently been reviewed and updated guidance has been produced by the Scottish Government. The CSWO is required to ensure the provision of appropriate professional advice in the discharge of Local Authorities' statutory social work and the role also needs to promote values and standards of professional practice to all social services workers in relation to promoting equality, fairness and social justice.

The guidance is clear that "the CSWO's responsibilities in relation to Local Authority Social Work functions continue to apply to functions which are being delivered by other bodies under Integration arrangements".

The role provides professional advice to Local Authorities including elected members and officers to carry out the Local Authority's legal duties in relation to social work. The CSWO assists the Council to understand their responsibilities and the complexities involved when delivering Social Work services. Key to these are the Council's role as corporate parent, ensuring effective child and adult protection arrangements are in place, the management of high risk offenders as well as carrying out statutory mental health functions and Adults with Incapacity legislation such as guardianships and intervention orders.

It is recognised that Social Work has a key contribution to the achievement of national and local outcomes. The CSWO also has a significant role to monitor and improve the quality of service provision and to advise on the identification and management of corporate risk insofar as they relate to social work services.

Nationally, there has been significant work to raise the profile of Social Work in the current changing landscape. In 2014 a new National Strategy set out a vision for Social Work Services across Scotland:

“Our Vision is of a socially just Scotland with excellent Social Services delivered by a skilled and valued workforce which works with users to empower, support and protect people with a focus on prevention, early intervention and enablement”

The principles and values of maintaining human rights, social justice and equality of citizenship are key to Social Work.

The vision re-emphasises the role of Social Work which is to:

- Empower individuals and families to take control of their lives and develop hope and aspirations for the future
- To support the most vulnerable and excluded members of our society to live fulfilling lives and play an active part in society
- To protect individuals, families and communities at risk of harm from themselves or others
- To harness and build on strengths within our communities

The key themes of professional leadership, ethics and principles, workforce development and service quality and performance are discussed in this report. Locally there has been good progress in developing social work professional workforce opportunities including practice teaching and quality assurance processes across social work.

In Scottish Borders Social Work the Council structures have been recently reviewed and the services led by Service Director – Chief Social Work Officer who works closely with the Service Director Children & Young People and the Chief Officer for Health and Social Care Integration.

In this current structure the CSWO has retained operational responsibilities for Criminal Justice Social Work, Mental Health Officer work, Quality Assurance and Professional Social Work training. While direct line management of the Children & Families Social Work Service is the responsibility of the Service Director for Children and Young People, professional Social Work accountability and practice standards are reported to the CSWO. The role also leads on behalf of the Council on public protection and ensuring professional leadership for Social Work across all service areas including commissioned services as well as a key role in quality assurance and professional social work standards.

Leadership and Management of Adult Social Work has been strengthened by the creation of a Chief Officer – Adult Social Work.

Over the past 12 months I have, in my role as Chief Social Work Officer, ensured that Social Workers and Social Care staff across all service areas have had opportunities to meet together and ensure that professional leadership and support is available to all staff across the Council and commissioned services. Key cross cutting themes such as public protection and transitions are therefore able to be progressed. In addition all Managers responsible for Social Work tasks come together monthly in a CSWO meeting to consider practice governance including standards, quality and professional leadership and training across Social Work.

Community Planning Partnership

During 2016 the Community Planning Partnership focused on key priorities identified including reducing inequalities, early intervention prevention and building the resilience of communities. It is recognised that Social Work Services play a key role in these areas.

The Scottish Borders Community Planning Partnership has three key priorities for delivering its vision.

1. Grow our economy
2. Reduce inequalities
3. Maximise the impact from the low carbon agenda

The importance of equalities is emphasised and the importance of Equality Impact Assessments are recognised.

A reducing inequalities plan has been agreed which contains agreed specific actions to reduce inequalities for vulnerable groups and areas of disadvantages including reducing homelessness, increasing employment opportunities and reducing re-offending.

A range of partnership structures are in place that are key to the delivery of Social Work Services. A strong leadership group for Children and Young People's Services is now operating very effectively. The Borders Learning Disability Service, which has been integrated for 12 years, has a well established and comprehensive governance structure which has embedded in it service user, carer and provider involvement. The Chief Social Work Officer is a member of the Integration Joint Board which is now well established. This enables the IJB to receive advice on Social Work matters and ensures care governance matters and the quality of care issues are highlighted. Last year's CSWO report has been made available to the IJB as part of the Care Governance arrangements and this was considered helpful by all members

Other examples of strong partnerships are Public Protection, where multi agency Adult Protection, Child Protection and MAPPAs arrangements are in place and Domestic Abuse partnership and Drug & Alcohol partnership.

The Children & Young People's Leadership Group has continued to meet regularly and focus on key Multi Agency Integrated Children & Young People's plan which set out the strategic direction for Children & Young People's services in the Scottish Borders with clear priorities to create opportunities and conditions so that children & young people have the best start in life.

The Five key priorities being:

1. Keeping children and young people safe
2. Promoting the health and wellbeing of all children and young people and reducing health inequalities
3. Improving the wellbeing and life chances of our most vulnerable children & young people
4. Raising attainment and achievement for all learners.
5. Increasing participation and engagement.

Corporate Parenting is now firmly established across the Scottish Borders as the multi-agency approach to improving services and outcomes for Looked After Children and Young People and those in Aftercare. Developments have been enhanced over the past year with additional agencies being represented at the strategic and operational group level following the inclusions of Corporate Parenting in the Children & Young People (Scotland) Act 2014. Corporate Parenting responsibilities are well understood and actively promoted across services. A Corporate Parenting Strategy and Action plan has been revised 3 yearly with the current Strategy and Action Plan in place for 2015/18. Significant areas of work in 2016/2017 included developing the Housing options protocol , jointly with Homeless and Housing Service and Registered Social Landlords and Employability options for Looked After Children and young people in Through Care / After Care.

Close working with Police and Emergency Planning Teams regarding care for people arrangements and the PREVENT agenda have continued to be a priority during this year with awareness raising and training a key feature.

There is strong partnership working with the Third and Independent Sectors who are key partners in the Children & Young People Leadership Group, the Integrated Joint Board and the Drug & Alcohol Partnership.

Key to all of these developments is effective engagement with service users, carers and local communities. A Community Capacity Team is well established across the Borders has been successful in developing community responses to local need and this has been enhanced by locality co-ordinators appointed through the Integrated Care Fund to engage with local communities as part of the locality planning arrangements. This service has built on the learning and experience of the Local Area Co-ordination model which has been developed very successfully by the Learning Disability Service.

The Community Capacity Building Team has established a number of new initiatives including the development of Men's Sheds to provide support to isolated males.



A directory for older people in the Gala Water area was launched recently by the Stow Lunch Club who were keen to produce a local directory containing information about activities, services and service providers in the local community. One lunch club member stated

“It is wonderful to see our vision become a reality with the actual copies of the directory now being shared with the people for whom it was created.”

Social Work continues to commission Borders Voluntary Care Voice (BVCV) to provide support to user/carer groups to participate in planning structures and ensure the voice of people using services is central to decision making. Independent Advocacy is also used to very good effect and promotes user engagement particularly ensuring that those service users with communication difficulties are supported to be as engaged as possible in their care and support. Scottish Care have continued to be supported to be a key part of the partnership agenda and a key partner in developing new service initiatives.

A toolkit on co-production has been promoted by the Community Planning Partnership to assist with meaningful engagement with localities and an e-learning package has been devised for use by all Community Planning Partners. The governance structure that underpins the Learning Disability Service is an exemplar of a co-productive approach; core to its functioning are five Locality Citizens Panels that meet regularly throughout the year and feed directly via representatives into the Learning Disability Policy and Strategy Group and the Learning Disability Partnership Board. The Citizens Panel work closely with local communities and have been instrumental in wielding real influence and achieving real change for example influencing the design of the layout of local shops to make it easier for people with a disability to get about in them.

The formation of the Children & Young People Department where Children & Families Social Work is line managed by the Service Director alongside Education services has continued to enhance links between Social Work and Education colleagues to meet and improve outcomes for vulnerable children & young people. This has been evidenced by the decrease in school exclusions for Looked After Children and Young People and improved educational achievements for these young people. There is a greater understanding of the needs of vulnerable children across education staff, Social Work Managers regularly meet with and provide training for Child Protection and Looked After Children Co-ordinators within schools

Practice, policy and procedure have been developed to ensure that young people in the Scottish Borders are being provided with appropriate care placements until they are 21 years of age or older where assessed as appropriate. Those applying for or holding a Kinship Care Order are also being provided with financial support which equates to kinship carers and the foster care allowance.

The Child Protection Committee surveys parents of children who have been involved in the Child Protection process, the views provided are shared with the CPC and all partner agencies. In addition children over 8 years, whose names are on the Child Protection register are asked for their views.

The Child Protection Committee has led on the introduction of a Child Sexual Exploitation Strategy and the introduction of a Neglect tool kit for staff.

The initial roll out of Neglect Toolkit training in the Scottish Borders began in May 2017. This will continue until October 2017 when the Scottish Borders Child Protection Committee, who are overseeing the adoption of the Neglect Toolkit, will be provided with a progress report as well as a recommendation about future training including sustainability.

This initial training has been multi-agency and targeted namely at Children and Families Social Workers, Health Visitors, School Nurses, Pastoral teachers, Head and Deputy Head Teachers and Locality Integration Police Officers.

By the end of June 2017 over 150 practitioners have been trained in using the toolkit. The expectation is that once practitioners have been trained they will consider the use of the toolkit appropriately and proportionately when there are concerns in relation to child neglect, and will record their decisions accordingly.

At the training practitioners have fed back that they are receptive to using the Neglect Toolkit for a number of reasons:

1. it gives them a clear and straightforward approach to talking about the possibility of child neglect with families, colleagues and other professionals
2. it helps them to be specific about what the concerns are that then helps them share their concerns with others
3. it directly informs the child's assessment
4. it supports multi-agency working together (they also relayed the value of this training being multi-agency)
5. they consider the tool as positively supporting their practice

A comprehensive evaluation of the use of the Toolkit will take place in March 2018. The views of families and practitioners who have used the toolkit will be sought. The evaluations are currently being developed and will consider if, how and what impact using the tool has on achieving positive, sustainable outcomes for the child.

In the meantime we are actively requesting examples of positive outcomes from using the Toolkit.

It was reported at a case conference that by actively engaging and working through the toolkit with the family the social worker and school link worker enabled the parents to better appreciate how their parenting was negatively impacting on their child. It is reported that the "penny dropped" for the parents who then acknowledged their need to make positive changes.

As a result of learning from reviews of practice, guidance has changed to reduce removal from the Child Protection register at the first review conference which takes place within 3 months. This is to ensure that the support offered to children and families results in changes to the Safety of Children which evidences that there is sustained improvement. The quality of information provided has also been improved by requiring written reports from all staff attending.

Partners in the Scottish Borders have collaborated on the production of a Community Justice Outcomes Improvement Plan required by the Community Justice (Scotland) Act 2016 aimed at reducing reoffending. A Community Justice Board chaired by the Chief Social Work Officer has been established and meets monthly to take this work forward. The Improvement plan is aligned to the Community Planning Partnership and designed to address the underlying causes of offending behaviour such as access to health care, housing and employment. Community Justice Scotland has been established to support this agenda nationally and will visit the Scottish Borders in October 2017 to provide feedback on local arrangements submitted early 2017. The plan will support statutory criminal justice services.

4. Social Services Delivery Landscape

The Scottish Borders is located in the South East of Scotland and covers an area of 4,731 square kilometres, the sixth largest local authority in Scotland. It is a rural Local Authority with only two towns, Galashiels and Hawick, with more than 10,000 people.

The 2011 Census showed that there were 113,870 people in the Scottish Borders, making Scottish Borders one of the least populated regions in Scotland, with a population density the sixth lowest in Scotland.

The latest estimates from National Records of Scotland project a 10.6% increase in population for the Scottish Borders between 2010 and 2035, with significant increases in the population aged 65 or more and in particular the 75+ age group which is predicted to rise by almost 100%. These are age groups that make intensive use of Social Work services.

The Scottish Index of Multiple Deprivation (SIMD) in 2012 reported that Scottish Borders contained only 5 (or 0.5%) of the most deprived data zones in Scotland (those in the most deprived 15% of all data zones). This figure was the same in 2009 but shows an increase since the SIMD started in 2002. Furthermore, the SIMD shows that the more deprived areas in Scottish Borders are still as deprived as they were in 2009, while other regions in Scotland have succeeded in decreasing inequality in their more deprived localities. This relative deprivation adds impetus for Scottish Borders to tackle deprivation and reduce inequalities with at least the same level of commitment as is being deployed in other regions.

Further information can be found in the Scottish Borders Strategic Assessment¹.

In general, Scottish Borders has a healthy and industrious population. Scottish Borders has a lower than average population of working age; 58.49% compared to the Scottish average of 62.79%. However, there are lower levels of unemployment than the national average, although these reflect a larger proportion of part-time employment than the Scottish average.

Both men and women within Scottish Borders have a longer than average life expectancy at birth than the Scottish average, and 84.1% of people in the Scottish Borders assess their health as being good or very good compared to 82.2% for Scotland.

There are a number of pressures on the provision of Social Work services within Scottish Borders, including but not limited to:

- Demographic shifts, in particular increasing numbers of people in the older age groups, creating a need to increase capacity while maintaining quality and flexibility
- Increasing expectations and requirement to support people in their own homes and communities

¹ http://www.scotborders.gov.uk/downloads/file/7249/2014_strategic_assessment

- The financial pressure associated with complex or specialist service provision that cannot be provided locally within the Scottish Borders
- Ongoing developments for integrated services with partner services and organisations, across both Children's Services and Social Care services
- Managing rising complex needs of both children and young people and adults

The Integration Strategic Plan is being implemented and supported by a commissioning plan which detail priorities for investment for Adults and Older People in line with Council and Partnership priorities and the Annual Report for 16/17 sets out in detail the successes and priorities for 2017/18.. A revised Children and Young People's plan has been agreed with agreed actions to meet improved outcomes including keeping children and young people safe, raising attainment of all children and increasing engagement and participation. Scoping of all partnership funding for Children & Young People has been completed and a new commissioning plan for these services, including service change, is being progressed.

In September 2016, a full review of the Children & Families structure for delivery of services was initiated. This involved a Review of other Local Authorities organisational structures, demographic, performance and work rate data, SWOT analysis sessions with staff and stakeholders and results evaluated, consultation workshops focussing on 'what's working well' and 'what would be even better if...' and consultation with Trade Unions. The aim was to ensure that the revised structure for Children and Families Social Work fits within the corporate arrangements; providing an effective and sustainable structure within available resources (people, revenue and capital) enabling maximum efficiency and service delivery ensuring statutory obligations continue to be met. The new structure aims to ensure high quality practice and that standards are met, that staff are supported, managed and challenged to provide high quality care and protection for children and young people, to effectively manage a small service over a large geographical area and to ensure clear robust Leadership across the service.

This review was concluded within agreed timescales and the new structure will be implemented in August 2017.

Criminal Justice Services are delivered from a central base in Galashiels, servicing Jedburgh and Selkirk Sheriff Courts. The rural geography of the authority combined with the absence of local SPS facilities present ongoing challenges for service delivery. The service is exploring the use of electronic equipment and universal IT systems to enhance partnership arrangements and engage with service users.

Ongoing partnership arrangements ensure provision and delivery of programme work, including Moving Forward: Making Changes) and Caledonian Men's Programme from Community Intervention Service for Sex Offenders (CISSO) Edinburgh.

Multi Agency Public Protection Arrangements are delivered at a local level by "responsible authorities", and continue to be co-ordinated from a central base in Edinburgh. This arrangement has ensured a consistently robust and responsive delivery of MAPPA, driving forward the public protection agenda in Scottish Borders.

Criminal Justice Social Work maintains the lead role in the delivery of statutory Criminal Justice Service provision. The service plays a central role in the development of local Community Justice provision maintaining representation on the Community Justice Board and Community Planning Partnerships, with a particular emphasis on early intervention and diversion.

Criminal Justice Services have continued to review and adapt service delivery incorporating innovative practice, to ensure service delivery that overcomes the challenges presented by the rural geography of Scottish Borders. In discharging statutory responsibility, Unpaid Work has continued to develop positive relationships with community partners. Opportunities to provide 1:1 placements and other activity have proven challenging however through active community engagement and the development of positive relationships progress is being made. The Criminal Justice Team has developed a partnership with Just Cycle, a social enterprise scheme which has charitable status. The Unpaid Work Team recycle and renovate second hand bicycles donated or collected from recycling depots. Just Cycle then sell the bicycles to the local community at a low cost. Two supervisors from the service have been trained in bicycle servicing, to ensure safety standards are met and to share learning opportunities with service users.

5. Resources

2016/17

The majority of adult social care functions are now devolved to the Scottish Borders Health and Social Care Partnership Integration Joint Board. This was established on 6th February 2016, following Scottish Government ministerial assent and commenced operation on 1st April 2016 and the responsibility for the commissioning of adult social care functions has been delegated to the partnership. Children and Families Social Work services remain the responsibility of Scottish Borders Council currently whilst responsibility for other adult services not prescribed for delegation within the Joint Working Public Bodies (Scotland) Act 2014 also remain with the Council.

The total spend on social work services within Scottish Borders Council in 2016/17 is detailed below:

	£'m	£'m
Children & Families Social Work*		14.427
Services in the Criminal Justice System**		0.000
Functions Delegated to the Health and Care Partnership Integration Joint Board:		
Older People's Services	21.629	
Adults with Learning Disabilities	15.261	
People with Physical Disabilities	3.343	
People with Mental Health Needs	2.014	
Generic Services and Staff Teams	4.850	
Contribution from SB Cares***	<u>(0.650)</u>	
		46.447
Other Adult Services		1.305
Total		62.179

* Excludes Additional Needs services

** Fully funded by Scottish Government Grant to Lothian and Borders Criminal Justice Authority in 16/17.

*** SB Cares is the trading name of Scottish Borders Council's Arms-Length Care Company

The total 16/17 spend of £62.179m represents a net increase of around £2.5m from 2015/16. This primarily relates to the direction of almost £4.0m of the Scottish Government social care allocation last year to social care functions by the Integration Joint Board, offset in part, by the delivery of over £1.5m of planned efficiencies across both adult and children social care services.

A small underspend of £91k was achieved on Children & Families Social Work services (0.6%) and an overall net breakeven position on Adult Services including those functions delegated to the IJB.

Despite this favourable outturn position, significant financial pressures were experienced during 2016/17 across both adult and children & young people social care functions which required remedial action. These included:

- meeting the increased costs of service provision in areas such as care at home as a result of increased market pressures
- Implementing a range of Scottish Government policy initiatives such as the commencement of a Living Wage of £8.25 per hour for all adult social carers
- the implementation of the Scottish Living Wage for all adult carers

- increasing demand for services above levels budgeted across functions such as residential care, care at home and the provision of equipment
- delayed delivery of financial plan savings particularly in relation to commissioned services
- staffing pressures

In order to meet these pressures and mitigate their impact, the IJB agreed to direct £3.845m of its 2016/17 Scottish Government social care funding allocation, largely on a recurring and full-year basis. This enabled the provision of Social Care services to largely break-even at the end of the financial year.

Pressures within Children and Families services largely as a result of slippage in delivery of planned commissioning savings were met on a non-recurring basis by planned savings across wider Children & Young People services. It is anticipated that these required savings will now be delivered in 2017/18.

The Future

In the medium-term going forward, across both Adult and Children & Young People services, the projected financial outlook remains challenging and there are a number of key areas of financial risk that require managing. These include:

- the need to fully deliver ongoing savings, those which have slipped in previous financial years and an ambitious programme of savings over the next 3 years, in order that the provision of care and support to all remains affordable;
- the impact of expected ongoing austerity and restricted funding allocation and settlements from the Scottish Government may require further savings to be identified by the Local Authority which will require a further contribution from Social Care services;
- further cost pressures may emerge during 2017/18 that are not yet projected or provided for within the Local Authority (and Integration Joint Board) financial plans – these include both market cost pressures (price) and those relating to sustained increases in demand and need (demographic)
- further 2017/18 legislative and regulatory requirements including the implementation of the Living Wage of £8.45 in 2017/18 and the financial consequences of the implementation of Carers' legislation;
- the risk of loss of service provision as a result of market failure would result in additional costs as alternative supply is transitioned – this is an area of particular risk relating to Care at Home;
- the requirement to realign resources in line with priorities / demand and shift resource across the health and social care pathway across functions will be required;

Adult social care functions are now, through the Integration Joint Board, inextricably linked to Health Care functions. Over the last two financial years, the transformation of models of Health and Social Care has begun, enabled by the Scottish Borders allocation of Integrated Care Funding. Over the medium-term future, a significant programme of transformation of adult social care is planned which will have a considerable impact on the type and level of care and support provided, the outcomes achieved as a result and, importantly, cost and affordability.

This transformation programme is ambitious and its delivery is challenging. Primarily driven by a lack of affordability of healthcare functions, even if successfully delivered, there will be an impact on Social Care services overall level resources as the Integration Joint Board may choose to realign its resources in line with its priorities of outcomes and overall affordability.

There is, however, an agreed recognition that supporting early intervention services is important as these can improve outcomes for older people enabling them to remain as independent as possible and thereby reduce the need for future Health & Social Care Services.

6. Service Quality and Performance including delivery of statutory functions

The Chief Social Work Officer has statutory functions that are specific to the role and are referred to in legislation as well as Scottish Government guidance².

Appendix 1 of this report gives detailed statistics on these functions and associated performance.

Performance Management in Scottish Borders is firmly aligned to the themes and priorities identified in the Scottish Borders Single Outcome Agreement and the Scottish Borders Council Corporate Plan. Social Work services have a key role to play in the delivery of several national and local outcomes, and these are placed at the centre of strategic developments across the authority and in partnership planning. These reflect the national outcomes detailed below:

- Our children have the best start in life and are ready to succeed
- We live longer, healthier lives
- We have tackled the significant inequalities in Scottish society
- We have improved the life chances for children, young people and families at risk
- We live our lives safe from crime, disorder and danger.
- Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it
- Our public services are high quality, continually improving, efficient and responsive to local people's needs

Performance is measured and reported at a variety of levels to senior managers within Social Work, to the Scottish Borders Council Corporate Management team, and to the Scottish Borders Council Executive Committee and relevant partnerships including the Integration Joint Board and Children & Young People's Leadership group

In Children & Young People's Services an updated Integrated Children & Young Person's Plan 2017/2020 has been developed, consulted on and published. The multi-agency inspection of Children's Services was undertaken by the Care Inspectorate during January – March 2016. The report of this Inspection was published in June 2016 and no children were considered to be at immediate risk in the Scottish Borders. There was positive commentary on engagement with Children & Young People for example the report stressed that over all, families were helped to overcome adversity through support they received from services. Social Workers worked hard to

² <http://www.scotland.gov.uk/Publications/2010/01/27154047/>

engage with families to develop positive relationships and provide valuable support. The areas for development were built into an action plan which has been led by the CYP Leadership group. Children & Families Social Work led a major piece of work on the quality of Chronologies used in child care cases, this involved amending the previous template to meet new National guidelines, reviewing & re-issuing the guidance available to staff, providing multi agency training to all relevant child care staff (including NHS Borders and Education staff). All Children & Families Social Work staff were removed from duties for a 2 week period to enable them to undertake training and then to amend and up date the chronologies on all open Social Work cases. In total over 800 chronologies were completed and transferred to the new model.

Feedback from staff highlighted the benefits of the focussed training & development model - Chronologies

“A concise chronology will clarify the past involvement and be instrumental in future assessment and planning work. It will be helpful to share with young people to help them understand their situation and social work involvement”.

“This will allow better analysis of risk by being able to see patterns. It will also enable duty or new workers to the case to be able to have a quick snap shot. This will help with Children Hearing reports and enable others to see what is going on for a child. This will give a tool which can be used with children if they wish to do any life story work or to see what has been significant in getting them to where they are”.

“Better understanding of the case history, ability to identify possible patterns or reoccurrence of behaviours, past risks and child's progress or relapse. This will ensure I can practice more effectively with clients and have a better knowledge and understanding of their experiences with SW. It will also allow me to some life story work”.

The Council has one residential child care unit for young people aged 12-18 years and in the Service Inspection 2016, the service was again awarded Grade 6 – Excellent across all areas inspected.

In terms of performance, there has continued to be a rise in the number of Looked After Children, during 2016 / 17 and currently sits at the highest value for the past 3 years. This increase does not follow the Scottish trend which experienced a drop in the number of Looked After Children during 2016. Throughout 2016/17 there has been a small reduction in the number of Looked After Children being placed in externally purchased placements.

While workers will always consider all options for a child's care and will seek to make use of a child's family strengths and supports, at times it is not possible to place children in their own community. In particular some complex cases require us to place children in specialist placements outside the area. Each of these young people has a comprehensive care plan and a team of professionals dedicated to helping to resolve their issues and, in a controlled way, bringing them back into less specialised and resource intensive placements.

Kinship care is a desirable outcome for children who are unable to be looked after by their birth parents, and enables children to remain and be cared for within their extended family and community, with clear benefits for their identity and sense of belonging as they develop. This

reduces the need for Local Authority foster carers and promotes better outcomes for the children themselves. The percentage of kinship care placements in the Scottish Borders continues to grow year on year.

It has been recognised that throughout 2016 there were continuing improvements in educational attendance and achievement for all children including those who are looked after and those who experience deprivation. Fewer children are being excluded from school with more being skilfully supported to stay in school.

Children and Young People who are unable to live at home, experience warm and nurturing relationships and stable environments provided to them by well supported foster carers, kinship carers and residential placements. (Ref Care Inspectorate services for Children & Young People Inspection Report).

In June 2016 the Care Inspectorate published the report into the joint inspection of services for children & young people in Scottish Borders which was reported to the CPP. Subsequent work has taken place to develop practice in a number of areas, involving all agencies and the third sector.

In November 2016 Children & Families Social Work co-hosted a provider event for care & support services to encourage care providers to register to provide care for children and young people in their homes and communities, this provision would help develop opportunities for Direct Payments and Self Directed support opportunities for families. The procurement process began in February 2017 and it is anticipated that there will be a number of providers added to the care at home services operating across Scottish Borders who are registered and approved to provide services to children & young people by mid 2017

In Criminal Justice services, a full service review has been undertaken and staffing adjustments made to reflect the workload demands and to ensure a clearer focus on quality assurance processes, including file audit. Improved performance data for reporting has been developed. Good progress has been made in preparation for the new Community Justice arrangements to be established in 2017 and a plan has been agreed with clear priorities including the use of technological solutions to build capacity, reduce cost and improve outcomes, for example video conferencing & link between Criminal Justice Social Work and the Prison Estate and to scope the potential for developing a range of alternatives to remand/custody in order to support women within community settings and that address presenting risk and needs.

The Mental Health Service has worked closely with all its stakeholders to develop its local Mental Health Strategy. The Strategy sets out the integrated Mental Health Services strategic priorities with an emphasis upon providing early intervention and prevention. Commissioning of a local Recovery College and the Distress Brief Interventions service will be completed during 2017/18. The Mental Health Service will also be consulting widely with staff, service users and stakeholders on how to redesign services that will be capable of delivering its strategic aims throughout 2017/18.

We currently contract with 14 care at home providers, including SB Cares. The majority of care is undertaken by SB Cares, the wholly owned arm of the Council. Each provider, has over the year, struggled with recruitment and retention of staff. In some areas providers are signed up to improving terms and conditions of staff with payment of staff travel and mileage and are also

signed up to paying the living wage of £8.45. These improvements for staff will go some way to reducing recruitment and retention issues, however the Council will continue to work with providers to look at capacity issues within the sector and explore outcome commissioning models. The Council are committed to working with all providers to look at alternative models of care while sustaining high quality responsive care that ensures all adults feel confident and motivated in their daily lives. Providers have been encouraged to promote an enablement approach and this work shall be ongoing with an impetus for individuals to self-manage their daily care while ensuring that their outcomes can be achieved. The importance of sustaining active lifestyles and wellbeing will be an important part of the care at home strategy going forward.

Progress is continuing with the implementation of Self Directed Support and 59% of people receiving support were using this approach at the end of March 2017 compared with 22.4% of people a year before. A breakdown of the options chosen is detailed below:

Option 1	Option 2	Option 3	Option 4
Direct payment	Individual Service Fund	Social Work Managed	A mix of the options
224	5	1021	70

Where people have chosen a mix of options they are not included under options one, two or three but under option 4. For example there are eight people with an individual service fund but three of these people have combined this with at least one other option and are therefore counted under Option 4. The Individual Service Fund is the new option introduced under the self-directed support legislation and is taking time to embed nationally. It gives people an opportunity to discuss their support directly with the provider of their choice, without having to manage the funding.

The Joint Learning Disability Service was established in 2006 and the service has further progressed and notable achievements have included:-

1. Project Search – A collaboration with Scottish Borders Council, NHS Borders and Borders College Project Search is an employment programme emanating from Cincinnati in the USA and aims at training and supporting adults with a learning disability into permanent employment. The first year of the programme has seen all 8 of the interns successfully graduate of which 5 have gained employment locally. We have reached agreement with the 3 partners to run the programme for a 2nd year commencing in September 17. An evaluation of the first year will also be undertaken.
2. Transitions – Through funding from the Integrated care Fund, the Learning Disability Service alongside key partners in Health, Education, Children’s services, service users and carers have commenced a project looking at how the transition from Children’s to Adult Services can be

improved. A pathway, information pack and website are being developed. The pathway will be implemented in year two of the project and evaluated in year three.

3. The service has now published its Commissioning Strategy following approval by the Integrated Joint Board. This sets out the Commissioning priorities for the Learning Disability Service from 2016 – 2019.

In Borders there has been support for four Syrian refugee families who have been successfully resettled locally and Social Work have been involved in the planning and support arrangements for the families including children with quite complex needs.

The effective management of sex offenders under the MAPPA arrangements is a multi-agency responsibility. An Offender Management Committee chaired by the Chief Social Work Officer is in place, enhancing governance at a local level. In March 2016 a total of 36 offenders were being managed. Concern that this number might increase significantly following the implementation of MAPPA extension to serious violent offenders in April 16, has not occurred.

In Mental Health the Borders continues to perform well in terms of MHO attendance at emergency assessment stage when compared with other areas. However, completion of social circumstances reports is lower and actions are in place to improve this performance.

In line with Scottish trends the numbers of private guardianship applications continue to rise reflecting demographic changes, and the number of CSWO guardianship orders has also increased along with an increase in Intervention Orders (11). Many of the CSWO guardianship cases are highly complex where workers are managing complex decisions balancing rights and risks and difficult decisions to restrict liberty.

In Criminal Justice Social Work there is an upward trend in relation to Diversion from Prosecution, Criminal Justice Social Work Reports and Voluntary Prison through care.

There has been a small reduction in the percentage of Looked After Children and Young People requiring externally purchased placements. No young people were placed in Secure Care during 2016/17.

The number of children on the child protection register increased during 2016/17 to 46 children at the end of March 2017. During 2016/17 we exceeded the national average rate per head of population (aged 0-15) registered on the child protection register for 8 consecutive months.

The CSWO is the Agency Decision Maker approving Fostering, Permanence and Adoption arrangements. There has been a rise in approvals of foster placements but a number of foster carers have been deregistered for a number of reasons including retirement. A recruitment drive was undertaken during this year and increasing the numbers of foster carers remains a priority particularly given the increase in Looked After Children.

2016/17 has seen a range of new service initiatives introduced. Four Early Years centres are now fully operational providing an early intervention and support for families. These are being fully evaluated in terms of improved outcomes for young people and their families.

In Learning Disabilities, the Intensive Support service is moving to a newly built resource built by a local Registered Social landlord. This will be completed in Autumn 2017.

Work is ongoing to improve the gathering and use of data which will tell us more about the outcome of our Intervention for Children.

Self-evaluation is embedded into all social work services through the inspection process, performance monitoring, and a self-evaluation framework to which all services contribute. Multi-agency self-evaluation of services for children and young people has been an area of development prioritised by the leadership group.

A 6 monthly Quality Assurance Report was initially produced in October 2016, reporting on a range of quality assurance and participation activity across Children and Families. The report also details service developments in response to its findings.

Closer integration of service evaluation and financial monitoring has led to more robust oversight of improvement activity across the senior management team. In particular the work to integrate financial records into the main Frameworki management information system will allow improved scrutiny, authorisation and monitoring of the financial impact of care provision.

The Council continues to have strong public protection multi disciplinary arrangements from the Chief Senior Officers Overview Group, chaired by the Council's Chief Executive through the public protection committees and sub groups. Key to this work is self evaluation, performance monitoring and audit.

Case reviews are regularly undertaken and improvement actions identified and monitored. There have been 6 Initial Case Reviews in the period April 2015 to March 2016 which highlighted some areas for improvement which are included in the Child protection business plan. Issues identified for improvement include:

- Improving quality of Chronologies and Risk Assessments
- Development of new protocols (eg a new Protocol in identifying bruising in Non Mobile Children was introduced)
- Changes to Child Protection procedures including process for reports and de-registration processes.
- Establishing an Audit and Improvement officer post
- Encouraging additional feedback from families involved in the Child protection process
- New Guidance on long term neglect and emotional abuse cases

CPC has a self evaluation calendar which is reviewed at the Quality Assurance and Improvement group on a regular basis.

The overall quality of Older People's Care Homes has improved during this period as reflected in the Care Inspectorate grades detailed in appendix 2.

Adult Protection remains a priority and initial referrals have increased with 206 concerns reported during this period. Older Adults continue to be the group at most risk of harm including those with dementia.

Financial and physical harm continue to be the highest reported types of harm, there has been 60 concerns each in both of the categories. To address this there has been significant work undertaken with local banks to identify and report potential concerns relating to financial abuse.

Trading standards and adult protection worked closely regrading several scams cases, through trading standards links and links with banks we have been able to intervene in several cases and prevent money being sent to bogus lottery schemes and eastern Europe shares. In tandem to this the banks and building societies have been much more proactive in tackling large and unusual money transactions. Examples would be bogus workmen taking clients to the bank for over inflated work.

A total of one hundred and ten complaints were received regarding Social Work Services during this period, an increase of 12% from the previous year. A total of 90 complaints were investigated of which 31 were upheld, 16 partially upheld, 33 were not upheld. 10 complaints were I understand were withdrawn.

Some key themes arose from the complaints including:

- Actions of professionals
- Difficulty in accessing service and quality of service
- Delay in service and response times
- Decision making

When complaints have been upheld clear actions are identified to improve the quality of service provided and these are regularly reviewed to ensure continuous improvement.

There is also a focus on seeking feedback from people using our services. The Annual Child Protection report to the Scottish Government is informed by feedback questionnaires completed by service users. This information also facilitates gap identification specific to Scottish Borders and informs the development of local service provision. The unpaid work service introduced a Beneficiaries Feedback Form, to be submitted following the completion of any community project work undertaken. The service requires to promote its community partnership links and project portfolio. This will be taken forward during 2017/18.

Criminal Justice

25 assessments were undertaken in 2016/17 for the Caledonian Men's Programme, resulting in 12 Community Payback Orders with a programme requirement. There has been limited uptake by victims/partners to engage with the parallel Women's Caledonian Programme. This is a priority area for development during 2017/18.

A revised procedure for Drug Treatment and Testing Orders was implemented in February 2017, to reflect changes in practice and provide clarity of roles and responsibilities for criminal justice and substance misuse services. The procedures and delivery of service will be subject to ongoing local review throughout 2017/18

The presumption against short term sentences continues to drive local service development of community based alternatives to custody and credible and accountable early intervention options to the Court. 2017/18 is anticipated as likely to generate increased workloads due to the proposed introduction of a Bail Supervision Scheme. Throughout 2016/17 a significant level of consultation and development work was undertaken in developing the framework for this service. In preparation for the introduction of this service, performance measures will require to be developed and an impact review undertaken.

Criminal Justice Court Report requests increased by 30 during 2016/17, however the number of Community Payback Orders managed by Criminal Justice Services fell by 51, from the corresponding period in 2015/16. Performance measures identify a significant drop (46) in CPO : Unpaid Work level 1 orders. While further exploration requires to take place as to the reason for this, it may be possible that Sheriffs are utilising alternative disposals including Structured Deferred Sentences. A review of the recording mechanisms employed to capture multiple orders issued to individuals within performance measures will be undertaken, as this may present as a vulnerable area.

Criminal Justice Service Performance

	2016/17	2015/16
CJSWR :Completed (Individuals)	333 255	303 244
CPO : Supervision Only	46	51
CPO Level 1 UPW	63	109
CPO Level 1 plus Supervision	19	15
CPO Level 2 UPW	30	33
CPO level 2 plus Supervision	38	39
Total CPO's issued	196	247
Diversion from Prosecution commenced	39	36
Fiscal Work Orders	10	0

Blue figures indicate the number of individuals.

7. Workforce a) Planning b) Development
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The professional development team is managed as part of the Chief Social Work Officers service and the primary task of the team is to ensure that the mandatory training needs of social care staff are met and there is appropriate support and funding for additional Continued Professional Development and career progression opportunities. During this period the two part-time Practice Learning Advisors and Team Leader updated the Learning and Development Frameworks within Children & Families Social Work and within Social Care & Health Service.

The team commission, co-ordinate and/or deliver a wide range of essential professional development training. The L&D Frameworks provides a focus for work in this area and also signpost corporate mandatory courses, which all eventually contribute to improving outcomes for people using services.

The intention is to engage effectively with the workforce to help workers understand how important their learning is to improving outcomes for people who receive services; supporting social service workers to become self-directing and self-managing learners and contribute to a trusted, skilled and confident workforce. This work will be developed in 2017/18 with further essential training courses which take account of inspections in both services.

The two Practice Learning Advisors in particular have continued the task of building an infrastructure to support social work student placements, including regular meetings of a student's group. Building the infrastructure also means promoting and encouraging staff to become link workers and practice educators. The target is to develop two practice educators per year from within the existing workforce. Having a vibrant practice learning culture is viewed as a key factor in future recruitment and attracting new social workers. Scottish Borders has historically had difficulty attracting newly qualified social workers unless they have a connection with the area. We have good evidence that indicates having a student placement in Scottish Borders increases the likelihood once qualified of them remaining and working in the area. The professional development team liaise regularly with the universities to promote Scottish Borders as a good place to work; organising and co-ordinating placement opportunities for full-time students on social work courses. After a few years of a low number of student placements, this year saw a modest increase in the number of placements. The team also run six monthly partnership practice learning events with Mid and East Lothian and quarterly in house practice learning group meetings.

The Practice Learning Advisor for Children & Families, for example, has been revising the children and families social work induction plan and has begun to work with the Children & Families leadership group to identify and co-ordinate the re-establishment of core training for children and families practitioners.

SBC is also hosting Sally Wassell's seven day Effective Practice course in 2017, which is run annually in partnership with Midlothian Council. More bespoke aspects of the practice learning and development advisor's role with children and families this year has been to support the Resources Team to hold their first annual fostering conference, which was held at Tweed Horizons in October.

The professional development team are progressing implementation of a mentoring scheme, an initiative which is intended to strengthening the mandatory structured framework for newly qualified social workers in their probationary year. Professional capabilities will be enhanced through mentoring support, with mentors modelling good practice, acting as a sounding board, sharing experience and providing opportunities to reflect on practice in a non-judgemental environment. The training for mentors is to begin later in 2017.

To enhance career pathways for unqualified staff, the team hosted a half day of learning about learning earlier this year with the Open University; looking at the range of assistance for those wishing to return to study or those just wishing to further enhance existing study skills. This event provided information on OU courses, available funding grants and other advances in technology to support (student) learning. The conference was opened up to NHS colleagues and was well attended with positive feedback. A big focus was on the social care/social work and healthcare/nursing pathways. The team are running as a follow up to this a Return to Learn a (Drop-in) Clinic with OU tutors later this year.

An ongoing priority has been to highlight to staff the benefits of utilising existing SSSC resource material, such as Stepping into Leadership and the Continuous learning framework. Towards the end of this period the team hosted a leadership conference entitled, 'Enabling Leadership At All Levels' - Alan Baird, Chief Social Work Advisor to the Scottish Government gave keynote address and provided update on work being progressed within the National Vision. The Scottish Social Services Council presented the national strategy for enhancing leadership capability within Social Services. The SSSC resources continue to be promoted and used in different ongoing development groups; Stepping into Leadership as it applies to managers and SSSC Supervision Resources etc. are embedded in the Self-leadership Development Group, which is a type of 'action learning' set for SW team leaders and supervisors. The Professional Development Group which is an on-going group for front line staff has a particular focus on strengthening social work identity, enhancing confidence and further developing reflective practice....it is underpinned by the SSSC's 'Continuous Learning Framework' and 'Stepping into Leadership' as it applies to frontline staff.

The Learning Disability Service has developed a successful Continuing Professional Development (CPD) group which is run by service staff delivering 6 monthly CPD away days. Recent topics have included "Challenging Behaviour" and "Mentalisation based techniques and systemic approaches in learning disabilities".

APPENDIX 1

PERFORMANCE REPORT

STATUTORY FUNCTIONS

1. Fostering and Adoption

Adoption is a positive route for a child where it is apparent that he or she is unlikely to be able to safely return to the immediate or extended family. There is a strong body of evidence to indicate that permanent and/or stable long term placements, including adoption, lead to better outcomes for the child where these placements can be put in place early enough to enable the child to form solid attachments with the carers. This is especially crucial in the early years of 0-3.

In the year to March 2017 there were 3 children adopted, which shows an increase on the previous year. 8 Permanence Orders were granted by the courts (3 with authority to adopt and 5 without authority to adopt); 6 children were recommended for adoption via the legal route of a Permanence Order with Authority to Adopt; and, 1 Permanence Order (without Authority to Adopt) was recommended by Scottish Borders adoption and Permanence Panel.

Senior managers have identified a need to focus on robust decision-making for permanence cases to avoid drift and delay. A multi-agency Permanence Planning Group has been established to lead good practice in permanence planning and there is currently a multi-agency Development Plan addressing policy, procedure and practice in this area.

	2014-15	2015-16	2016-17
Children adopted during the reporting year	5	1	3
Children placed with prospective adopters at end of year	6	2	5

The Chief Social Work Officer is also the Agency Decision Maker (ADM) in terms of Fostering and Permanence decisions – Regulation 12 Children (Scotland) Act 1995.

It is the ADM's responsibility to make decisions based on recommendations by the Fostering or Permanence Panels. In Scottish Borders Council these panels are held on a monthly basis and consider the following:

- Fostering assessments
- Kinship Care Assessments
- Foster carers reviews
- Assessment of Prospective Adoptive Parents
- Children being considered for Permanence (Long term fostering and Adoption)
- Matching of children with prospective adopters or long term foster carers
- Advice & guidance on complex situations that may be considered for permanence

The ADM receives minutes of the meetings, meets with the chair of the meeting, if required, and makes decisions based on the recommendations.

	2014-15	2015-16	2016-17
Foster Carers approved	6	12	7
Foster Carers de-registered	2	7	4
Foster/Short Breaks Carers reviewed	48	31	44
Long term (permanent) foster carers approved	4	2	5
Children registered for permanence	13	8	8
Prospective adopters approved	3	1	4
Prospective adopters not approved	0	0	0

Kinship care is a desirable outcome for children who are unable to be looked after by their birth parents, and enables children to remain and be cared for within their extended family and community, with clear benefits for their identity and sense of belonging as they develop. This reduces the need for local authority foster carers and promotes better outcomes for the children themselves. The percentage of kinship care placements in the Scottish Borders continues to grow year on year.

While workers will always consider all options for a child's care and will seek to make use of a child's family strengths and supports, at times it is not possible to place children in their own community. In particular some complex cases require us to place children in specialist placements outside the area. Each of these young people has a comprehensive care plan and a team of professionals dedicated to helping to resolve their issues and, in a controlled way, bringing them back into less specialised and resource intensive placements.

The number of children placed outside of the Scottish Borders has remained at the same level however the overall percentage has decreased over the reporting year due to the increasing number of looked after children.

	2015	2015	2016
LAC placed outside areas as at 31 March	31 (16%)	31 (14%)	29 (12%)
Kinship placements as at 31 March	55	47	72

The total number of children and young people who are Looked After has continued to increase during 2017 and currently sits at the highest value for the past 3 years. This increase does not follow the Scottish which experienced a down in the number of Looked After Children during 2016.

	2015	2016	2017
Looked After Children as at 31 March (SBC)	188	221	251

Looked After Children as at 31 July (Scotland)	15,404	15,317	tbc
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To allow for comparison, these figures can be expressed as a percentage of the population aged 0-17, which shows that Scottish Borders has fewer Looked After Children than the general population for Scotland. It has to be noted that although we have a lower rate of looked after children (0-17) than the National figure, Scottish Borders has an increasing trend whilst the National figure remains consistent.

% of pop. Aged 0-17	2015	2016	2017
Looked After Children as at 31 March (SBC)	0.8	1.0	1.1
Looked After Children as at 31 July (Scotland)	1.5	1.5	tbc

2. Child Protection

The number of children on the child protection register increased during 2016/17 to 46 children at the end of March 2017. During 2016/17 we exceeded the national average rate per head of population (aged 0-15) registered on the child protection register for 8 consecutive months.

The proportion of children who have been re-registered within 2 years has shown an increase during 2015/16 and continued in 2016/17. Part of this increase can be attributed to larger family groups rather than singular children being placed at risk which impacts the figures more dramatically.

The age of children on the register continues to fluctuate with 50% of children currently on the register aged 4 or under.

The length of time that children spend on the register increased this year. Over the past 3 years there has been a small fluctuation of 2 weeks however this year has shown a dramatic increase to 31 weeks.

	2014-15	2015-16	2016-17
Children on the Child Protection Register (31 March)	33	28	46
Children re-registered within 2 years (31 March)	0%	14%	13%
Children registered during the year	55	45	107
Children de-registered during the year	55	50	96
Children on register aged 4 or under (31 March)	48%	61%	50%
Average number of weeks registered (based on children de-registered during the year)	24	22	31

As a result of learning from reviews of children who have been re-registered within two years, practice guidance has changed to reduce removal from the CP register at the first review conference which takes place within 3 months. This is to ensure that the support offered to children and families results in changes to the Safety of Children which evidences

that there is sustained improvement. The quality of information provided has also been improved by requiring written reports from all staff attending. CPC is aware that this policy is being followed and we anticipate this will result in a reduction in the number of children who are being re-registered.

3. Secure Orders

There were no children subject to a Secure Order by the Children’s Hearing process during 2016/17. The last child that experienced a Secure Order was during 2014/15.

Secure Orders are used very infrequently in Scottish Borders, and more early-intervention and community-based support packages are considered to be a better approach to these complex cases. The use of these orders reflected the significant risk these young people placed either to themselves or others.

4. Adult Protection

We continue to see a rising trend in the number of police and fire referral forms which are shared with Scottish Borders. During 2015 to 2016 we received 1556 of these forms with 514 indicated as possible adults at risk of harm. These forms have continued to rise 10% every year over the last few years. Although information sharing forms around risk increase every year, this has not resulted in an increase in work that becomes Adult Protection work.

An Adult Protection Referral occurs when a young person or adult over the age of sixteen is known or believed to be an “adult is at risk of harm” as defined under the Adult Support and Protection (Scotland) 2007 Act.

Following careful assessment of all referral forms 206 of these were known or believed to meet the criteria for Adult Protection Referrals. This number is an increase on last year figure. However if we review referrals over the last four years the figures have remained consistent and have only fluctuated within a 10 % range.

	2013-14	2014-15	2015-16	2016-17
Adult Protection Referrals	190	169	171	206

Types of harm

Financial and Physical harm continue to be the largest types of principle harm reported in Scottish Borders, these figures combined account for two thirds of Adult Protection referrals. Psychological and Emotional harm often go alongside Physical harm, however Scottish Government have requested that we only count the principal type of harm to inform the national Adult Protection landscape.

Scottish Borders is a large rural authority which has some affluent over 65 residents and these adults have an increased risk of financial harm. Some of these perpetrators use computer and internet technology to fraudulently target adults. As technology becomes more sophisticated older adults continue to be more vulnerable than other groups to financial harm by technology.

Client groups

Adults over the age range of 65 years (Older adults) including clients with a dementia related illness continue to be our group, at greatest risk of harm in Scottish Borders. Adults at risk who have dementia have seen figures rise from 16 last year to 21 this year. However when we review this increase over a longer timeframe we can clarify that these figures do fluctuate between 16-25 depending on year. A similar pattern can be demonstrated in the wider older adult group although figures have increased this year from 35 to 42 this is again within an expected range and each year has a degree of variation. Financial harm and reports of physical harm being the greatest type of harm to older adults.

Clients with a learning disability have an assessed level of cognitive deficit, which makes some adults in the learning disability range, more vulnerable than others to harm. In many of these cases it is an adult known to the client who becomes the harmer. Sometimes this is a so called friend or acquaintance targets the client for financial or material gain.

In mental health harm figures continue to be stable on the last few years, similar to Learning disability and older adults' financial or material harm are challenges this group face.

Adults with a sensory loss figures are similar over the last few years. Bogus callers or workman have been a particular challenge to these adults, with some good examples of Trading Standards and Police Scotland reacting to this type of harm.

Adults with a physical disability have increased from 11 last year to 15 this year, but this increase is small and still less than the 18 received in 2013 / 2014.

Trends

Financial harm continues to be a challenge in Scottish Borders and nationally. Scottish Borders are being very proactive in working with partners in the prevention of harm and to intervene more quickly when signs of harm come to our attention.

Allegations of harm in care home settings has featured heavily over the last few years, in 2015/ 2016 Scottish borders embarked on bespoke adult protection training into all out care homes. This training has seen a marked decrease in large scale inquiries, but a longer timeframe is required to effectively evaluate the impact of this training, but early indications are positive.

Disability Hate crime is recognised nationally, as an area which is under reported. Some of the rationale for this is that this harm is reported as physical or financial and not a hate crime.

The important factor is that harm is harm and is reported and investigated.

Disability hate crime and the term Mate crime have been uncovered in Scottish Borders, these cases happen where a perpetrator targets an adult specifically because of their mental disorder. Both mental health and Learning disability services are aware of these risks and working with Police Scotland and NHS Borders to address all harm.

5. Adults with Incapacity

There has been a substantial increase in the number of Private Welfare Guardianships, and Welfare Guardianships for which the Chief Social Work Officer has responsibility for.

As at 31 March				2014-15	2015-16	2016-17
Private Welfare Guardianships				71	97	115
Chief SW Officer	Welfare	Guardianships		18	29	38

We continue to see an increasing trend in both private and CSWO Guardianships. From 2012/13 to present, the number of Private guardianships has almost tripled (41 in 2012/13 to 115 in 2016/17) and CSWO guardianships has almost doubled (20 in 2012/13 to 38 in 2016/17).

6. Mental Health services

The Mental Health (Care and Treatment) (Scotland) Act 2003 came into effect in October 2005. The Act enables medical professionals to detain and treat people against their will on grounds of mental disorder. This term is used to cover mental health problems, personality disorders and learning disabilities.

The Act allows for people to be placed on different kinds of compulsory order according to their particular circumstances. There are three main kinds of compulsory powers:

- Emergency detention
- Short-term detention
- Compulsory Treatment Order (CTO)

The use of emergency detention orders had been on an increasing trend during 2014-2015 which was mirrored in the short-term detentions. 2015-16 had seen a decline in the use of

both these orders back to the levels experienced in 2013-14. We have however seen a marked increase in both these areas during 2016/17 which returns to level experienced in 2014-15.

Compulsory treatment orders have also declined however the levels have dropped below 2014-15 more significantly than the decline in other types of orders.

	2014-15	2015-16	2016-17
Emergency detentions	27	17	28
Short-term detentions	77	61	71
Compulsory treatment orders	41	28	28

7. **MAPPA**

Multi Agency Public Protection Arrangements (MAPPA) is the framework which brings together agencies who manage sex offenders. The fundamental purpose of MAPPA is public safety and the reduction of serious harm. The introduction of MAPPA across Scotland in April 2007 gave a consistent approach to the management of offenders, providing a framework for assessing and managing the risk posed by some of those offenders.

There are three levels at which risk is assessed and managed under MAPPA.

- Level 1: ordinary risk management
- Level 2: local inter-agency risk management
- Level 3: Multi-agency Public Protection Panels (MAPPA)

Figures for the 2016 – 2017 are as follows:

	2016 - 17
Number of Risk Management Case Conferences (RMCC)	20
Number of individuals considered at RMCC	20
Total Number of Level 2 cases discussed	20
Number of Level 3 meeting held	0

On 31 March 2017 the overall number of sex offenders subject to MAPPA within the Scottish Borders was 93. 92 were managed at Level 1; one was managed at Level 2. 34 of the individuals were subject to statutory supervision by criminal justice social work. Over the year period only one order was breached by criminal justice social work, this was allowed to continue. There were no licence breaches.

8. CARE INSPECTORATE GRADES

Quality improvement is at the core of much of the improvement work across Social Work services. We are aided in this process by the work of the Care Inspectorate who have responsibility for inspecting all Social Work services in Scotland and ensuring that care providers meet the Scottish Government's National Care Standards.

In the period April 2016 to March 2017 the Care Inspectorate carried out inspections on 6 services provided by Scottish Borders Council, as well as 44 private care services and 40 in the voluntary/not-for-profit sector. These consisted of both announced and unannounced inspections. (Please note of the 44 private care services inspected, 4 were owned by Scottish Borders Cares LLP, t/a SB Cares)

The inspections covered a range of services, summarised as follows.

Service Name / Sub Type	Local Authority	Private	Voluntary or Not for Profit	Grand Total
Adoption Service	1			1
Adult Placement Service	1			1
Care Home Service	1	20	5	26
Children & Young People	1	1	1	3
Learning Disabilities			3	3
Older People		19	1	20
Fostering Service	1		1	2
Housing Support Service	1	5	17	23
Nurse Agency		1	1	2
Support Service	1	18	16	35
Care at Home		10	14	24
Other than Care at home	1	8	2	11
Grand Total	6	44	40	90

The inspections are based on quality themes and grade each service on a scale from 1 (Unsatisfactory) to 6 (Excellent).

Quality Themes:

- Care and Support
- Environment
- Staffing
- Management

Quality Grades:

1. Unsatisfactory
2. Weak
3. Adequate
4. Good
5. Very Good
6. Excellent

Not all services are graded for every theme. For instance, the Adoption service does not provide services in any particular premises and therefore is not graded for Environment.

Overall, 81% of services were rated as 'Good', 'Very Good' or 'Excellent'.

Quality Theme	Quality Grading					
	1	2	3	4	5	6
Care and Support		2	9	31	42	6
Environment			10	12	13	2
Staffing			11	32	43	4
Management and Leadership		2	13	42	28	5
Total	0	4	43	117	126	17
	0.0%	1.3%	14.2%	38.6%	41.6%	5.6%

This year's inspections has seen an increase in the overall percentage of services rated as 'Good', 'Very Good' or 'Excellent' (72% in 2013/14, 79% in 2014/15, 81% in 2015/16 and 86% 2016/17).

Below is a breakdown per key inspection area:

Care Home Inspections

Quality Theme	Quality Grading					
	1	2	3	4	5	6
Care and Support			4	11	8	3
Environment			8	9	7	2
Staffing			3	12	9	2
Management and Leadership			3	12	9	2
Total	0	0	18	44	33	9
	0%	0%	17%	42%	32%	9%

Support Service (Care at Home)

Quality Theme	Quality Grading					
	1	2	3	4	5	6
Care and Support		1	3	9	10	1
Staffing			5	7	11	1
Management and Leadership		1	6	9	7	1
Total	0	2	14	25	28	3
	0%	3%	19%	35%	39%	4%

Appendix 2

Performance reports from Criminal Justice

MAPPA

Multi-Agency Public Protection Arrangements (MAPPA) were introduced in 2007 following the introduction of The Management of Offenders Act etc. (Scotland) Act 2005 : Sections 10 and 11. Originally the framework focused on individuals who were convicted of Sexual offences; however in March 2016 the arrangements were extended to include individuals who pose a risk of serious harm by reason of their conviction. The Act continues to place a duty on responsible agencies within local authority areas to deliver local arrangements for the assessment and management of risk posed by certain categories of offenders, *sexual and violent*.

Levels of risk management remain as :

Level 1 : Ordinary Risk Management

Level 2 : Local Interagency Risk Management

Level 3 : Multi Agency Public Protection Panels.

Individuals who are considered due to the assessed risk of harm, Category 3 offenders, should be assessed as posing a high or very high risk of serious harm and the risk is assessed as requiring multi agency management at MAPPA level 2 or 3.

On 31st March 2017 the total number of sex offenders subject to MAPPA within Scottish Borders was 93.

Level 1	92	RSO's	92
Level 2	1	Cat' 3 : Risk of Harm	0
Level 3	0	Restricted Patient	1
		Subject to Statutory Supervision by CJSW	34

A summary of Risk Management Meetings for the period 2016/17 is as follows:

Risk Management Case Conferences	20
Number of individuals considered at RMCC	20
Number of Level 2 cases discussed	31 RSO's 20 : Cat 3 2 : AOCB 9
Number of Level 3 cases discussed	0

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