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**Please find attached the covering letters and report in respect of respect Item 9 on the agenda for the above meeting.**

9.	<p><b>External Audit Annual Audit Reports 2022/23</b> (Pages 3 - 82)</p> <p>Consider the Annual Audit Reports from the External Auditor on various entities for review and scrutiny prior to Council approval. (Copies attached).</p> <p>(a) Scottish Borders Council Pension Fund 2022-23 Annual Audit Report; and</p> <p>(b) Audit Scotland Scottish Borders Council annual report</p>	20 mins
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## Audit Committee

25 September 2023

### Scottish Borders Council Audit of 2022/23 annual accounts

#### Independent auditor's report

1. Our audit work on the 2022/23 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters referred to later in this letter and receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 29 September 2023 (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit Committee's consideration our draft annual report on the 2022/23 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. There are 3 unadjusted misstatements to be corrected. If corrected, this would increase net expenditure by £3.76 million and decrease the net assets in the balance sheet by the same amount.

#### Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## Representations from Section 95 Officer

**8.** As part of the completion of our audit, we are seeking written representations from the Director of Finance and Procurement, as the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

**9.** A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

## Outstanding matters

**10.** There are some areas where we still require additional information, and these are identified below:

- Information relating to revaluation queries.
- Information to support a small number of sample items.
- Final engagement lead quality review.
- Receipt of the revised annual accounts for final audit review including all agreed amendments before certification of the accounts.

## Appendix A: Proposed Independent Auditor's Report

### Independent auditor's report to the members of Scottish Borders Council and the Accounts Commission

#### Reporting 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 2023 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-only Council Tax Income Account, and the Non-Domestic Rate Income Account, Trust Funds, Common Good Funds and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Council and its group as at 31 March 2023 and of the income and expenditure of the Council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. 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 was appointed by the Accounts Commission on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. 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 Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the Council and its group. However, I report on the Council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my/ judgements thereon.

### **Responsibilities of the Director of Finance and Procurement and Audit Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Director of Finance and Procurement 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 Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Procurement is responsible for assessing the ability of the Council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the Council and its group.

The Audit Committee is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain 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) 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the Council and its group;
- inquiring of the Director of Finance and Procurement as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Council and its group;

- inquiring of the Director of Finance and Procurement concerning the policies and procedures of the Council and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### Other information

The Director of Finance and Procurement is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

## **Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement**

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).

### **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 audited parts 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.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

### **Use of my report**

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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd  
Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT



## Appendix B: Letter of Representation (ISA 580)

John Boyd

Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear John

### Scottish Borders Council Annual Accounts 2022/23

1. This representation letter is provided about your audit of the annual accounts of Scottish Borders Council and its group (hereafter referred to as Scottish Borders Council), for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Scottish Borders Council's annual accounts for the year ended 31 March 2023.

#### General

3. Scottish Borders Council and I have fulfilled our statutory responsibilities for the preparation of the 2022/23 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Scottish Borders Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

#### Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (2022/23 accounting code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Scottish Borders Council and its Group at 31 March 2023 and the transactions for 2022/23.

## Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2022/23 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Scottish Borders Council circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## Going Concern Basis of Accounting

9. I have assessed Scottish Borders Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Scottish Borders Council's ability to continue as a going concern.

## Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2023 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

11. I carried out an assessment at 31 March 2023 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified. This has included consideration of the existence of Reinforced Autoclaved Aerated Concrete (RAAC) on the Council's estate. I am satisfied that there is no indication of impairment of assets held.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2023.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

15. The pension assumptions made by the actuary in the IAS 19 report for Scottish Borders Council have been reviewed and I confirm that they are consistent with management's own view. The pension asset has been capped to reflect the asset ceiling as determined through IFRIC 14. I am satisfied that the assumptions applied in the calculation are consistent with management's own view.

## Liabilities

16. All liabilities at 31 March 2023 of which I am aware have been recognised in the annual accounts.

17. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2023 of which I am aware where the conditions specified in the 2022/23 accounting code have been met. The amount recognised as a provision is the best

estimate of the expenditure likely to be required to settle the obligation at 31 March 2023. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

**18.** Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2023 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

**19.** The accrual recognised in the financial statements for holiday untaken by 31 March 2023 has been estimated on a reasonable basis.

**20.** There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

**21.** There are no significant contingent liabilities, other than those disclosed in Note 26 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2022/23 accounting code and IAS 37.

### **Fraud**

**22.** I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

**23.** I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

**24.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2022/23 accounting code. I have made available to you the identity of all the Scottish Borders Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

**25.** The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

## **Management commentary**

**26.** I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

**27.** I confirm that Scottish Borders Council has undertaken a review of the system of internal control during 2022/23 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

**28.** I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2023, which require to be reflected.

## **Group Accounts**

**29.** I have identified all the other entities in which Scottish Borders Council has a material interest and have classified and accounted for them in accordance with the 2022/23 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

## **Common Good Funds**

**30.** I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good financial statements and where appropriate, common good assets in use by Scottish Borders Council have been assessed and accounted for in line with IAS 17.

## **Events Subsequent to the Date of the Balance Sheet**

**31.** All events subsequent to 31 March 2023 for which the 2022/23 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Suzanne Douglas

Director of Finance and Procurement

Section 95 Officer

# Scottish Borders Council

2022/23 Annual Audit Report – PROPOSED



 AUDIT SCOTLAND

Prepared for the Members of Scottish Borders Council and the Controller of Audit  
September 2023

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# Key messages

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## 2022/23 annual accounts

- 1 Our audit opinions on the annual accounts of Scottish Borders Council (the Council) and its group are unmodified, i.e., the financial statements and related reports are free from material misstatement.
- 2 Adjustments have been made to the annual accounts as a result of the audit process as detailed in Exhibit 2 of the report.

## Financial management and sustainability

- 3 The Council continues to balance its budget each year and operated within budget in 2022/23. While facing significant financial challenges through inflationary pressures on pay and non-pay costs as well as demand on services, the Council continues to demonstrate sound financial management maintaining reserves in line with the long term Revenue Financial Strategy.
- 4 There are appropriate and effective budget setting, financial management and monitoring arrangements in place.
- 5 Medium and longer-term financial plans reflect the Council's strategic priorities and outcomes.

## Best Value

- 6 The Council plan outlines the Council's vision for 2033 and elected members have shaped that vision.
- 7 The Council has elements of an effective performance framework but needs to ensure it can measure its performance against clearer outcome-based targets for the next ten years.
- 8 A Best Value Assurance Report on Scottish Borders Council was published in October 2019, containing seven improvement recommendations. The Council has concluded these have now been addressed.

## Vision, leadership and governance

- 9 Governance arrangements are appropriate and operated effectively.
- 10 There is effective scrutiny, challenge and informed decision making.

## **Use of resources to improve outcomes**

- 11** There is strong partnership working to meet the health and social care challenges facing the Scottish Borders.
- 12** The Council failed to comply with the statutory requirement for their significant trading operation, SBc Contracts to break even.



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# Introduction

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1. This report summarises the findings from the 2022/23 annual audit of Scottish Borders Council. The scope of the audit was set out in our Annual Audit Plan presented to the 13 March 2023 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of Scottish Borders Council's annual accounts
- conclusions on Scottish Borders Council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

2. This report is addressed to the members of Scottish Borders Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

3. I, John Boyd, have been appointed by the Accounts Commission as auditor of Scottish Borders Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, audit committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

## Responsibilities and reporting

5. Scottish Borders Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Scottish Borders Council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**6.** The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

**7.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of Scottish Borders Council from its responsibility to address the issues we raise and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## **Auditor Independence**

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £328,340 (£323,340 in respect of the Council and £5,000 in respect of the Trust accounts) as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to Scottish Borders Council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

Our audit opinions on the annual accounts of Scottish Borders Council (the Council) and its group are unmodified, i.e., the financial statements and related reports are free from material misstatement.

Adjustments have been made to the annual accounts as a result of the audit process as detailed in Exhibit 2 of the report.

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## Audit opinions on the annual accounts are unmodified

**11.** The Council approved the annual accounts for Scottish Borders Council and its group for the year ended 31 March 2023 on 28 September 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

## Overall materiality for the group was assessed as £9.350 million

**12.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#). The revision had no impact on our audit approach.

## Exhibit 1

### Materiality values

Materiality level	Council	Group
Overall materiality	£9.0 million	£9.350 million
Performance materiality	£5.4 million	£5.6 million
Reporting threshold	£250,000	£250,000

**Source: Audit Scotland**

**14.** The overall materiality threshold for the audit of the annual accounts of the Council was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60 per cent of overall materiality, reflecting findings reported in prior years.

**16.** It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

### Significant findings and key audit matters

**17.** Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices.

**18.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements. The significant findings are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p><b>1. Valuation of land and buildings</b></p> <p>A number of issues have been identified from our testing of land and buildings assets:</p> <ul style="list-style-type: none"> <li>• Buildings valued using depreciated replacement cost (DRC) were sample tested and issues identified. The accuracy of underlying data and assumptions (including obsolescence) was incorrect, and these have been revisited by the valuer. Our sample was overstated by £ 0.64 million. Further work was carried out which increase and decreased values of DRC assets with a final position of £0.13 million understatement.</li> <li>• An impairment review did not identify that Parkside primary school buildings had been demolished in year. Assets were overstated by £1.19 million.</li> </ul>	<p>No adjustment has been made in the accounts. We are satisfied that the errors identified are not material to the accounts.</p> <p><b>Recommendation 1</b> (Refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>2. Significant trading operation</b></p> <p>The Council has one significant trading operation (STO), SBc Contracts. Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations have a prescribed objective to break even over a rolling three-year period.</p> <p>SBc Contracts reported an operating surplus of £1.299 million in 2022/23. However, following technical accounting adjustments for IAS 19 Employee Benefits (including pensions), the final position was a deficit for 2022/23 of £75,000 for external works and a three-year cumulative deficit of £0.331 million.</p>	<p>The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.</p> <p>There is no impact on our Independent Auditor's Report.</p> <p><b>Recommendation 2</b> (Refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>3. Internal recharges</b></p> <p>In 2022/23, a total of £14.2 million of infrastructure asset additions were completed by SBc Contracts. Included in this is a 16 per cent profit margin, equivalent to £2.3 million.</p> <p>As SBc Contracts is a significant trading operation of the Council, this would not be classed as a cost which is wholly attributable to bringing the asset into use, in line with IAS 16.</p>	<p>No adjustment has been made in the accounts. We are satisfied that the maximum potential error is not material to the accounts.</p> <p><b>Recommendation 3</b> (Refer <a href="#">Appendix 1</a>, action plan)</p>

Issue	Resolution
<p>£2.3 million represents the maximum error which would be identified in the accounts, but further work needs to be carried out by the Council to fully understanding the costings model in place.</p>	
<p><b>4. Pension ceiling asset</b></p> <p>The unaudited accounts recognised the Council's share of its local government pension scheme assets and liabilities as at the balance sheet date. In the unaudited accounts, the net pension asset was recognised in accordance with IAS 19: Employee Benefits of £64.297 million.</p> <p>IFRIC 14 limits the measurement of the net defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In accordance with IFRIC 14, the pension asset derived through IAS 19 valuation should be capped in accordance with IFRIC 14 at the pension asset ceiling. This represents the economic benefit available as a reduction in future contributions.</p>	<p>The Council engaged with the actuary, Hymans Robertson, to provide an actuarial valuation of the net pension asset ceiling (cap) in accordance with IFRIC 14.</p> <p>This information was not received from the actuary before the unaudited accounts were submitted to audit.</p> <p>This is calculated as the Present value of IAS 19 future service costs (calculated based on IAS 19 assumptions as at the balance sheet date) less the Present value of future service contributions. This has been calculated as £32.666 million and is reflected in the updated accounts.</p> <p>The audit team have reviewed the actuarial assumptions applied and basis of calculation and satisfied that this is appropriate and that the net pension asset ceiling has been appropriately capped in accordance with IFRIC 14.</p>
<p><b>5. Assets on Common Good Land</b></p> <p>A judicial review concluded that all Council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. The Council has a number of operational assets which stand on Common Good land.</p>	<p>The current accounting treatment reflects the substance of the transaction but that the Council should look to establish a formal agreement between the Council and common good funds for the use of the assets.</p> <p><b>Recommendation 4</b></p> <p>(Refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

## Our audit work responded to the risks of material misstatement we identified in the annual accounts

**19.** We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we

performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

#### Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assessed the design and implementation of controls over journal entry processing.</p> <p>Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Tested journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Considered the need to test journal entries and other adjustments during the period.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year</p>	<p><b>Results:</b> We found no instances of material misstatement due to fraud caused by management override of controls.</p>
<p><b>2. Estimation in the valuation of land and buildings.</b></p> <p>Scottish Borders Council held land and buildings with a NBV of £458 million as at 31 March 2022. Land and building asset categories are revalued on a five-year rolling basis and following</p>	<p>Reviewed the information provided to the external valuer to assess for completeness.</p> <p>Evaluated the competence, capabilities, and objectivity of the internal and external professional valuers.</p> <p>Obtained an understanding of the management's involvement in the valuation process to</p>	<p><b>Results:</b> Our findings in respect of the audit work we carried out are detailed in <a href="#">Exhibit 2</a>.</p> <p>Adjustments have been made to the financial statements to ensure that the carrying value of land &amp; buildings represent fair value at 31 March 2023.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>an audit recommendation the valuation date has been changed from 1 April to 31 March.</p> <p>There can be a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p>	<p>assess if appropriate oversight has occurred.</p> <p>Critically assessed the approach Scottish Borders Council has adopted to assess the risk that assets not subject to valuation are materially misstated, consider the robustness of that approach and the appropriateness of any assumptions made.</p> <p>Tested the reconciliation between the financial ledger and the property asset register.</p> <p>Reviewed the reasonableness of the underlying assumptions used in the valuation and confirmed that the valuations were undertaken in accordance with the CIPFA Code of Practice on Local Authority Accounting.</p>	<p>Assurance has been gained that there are no material misstatements in the carrying value of land &amp; buildings.</p>

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**Source: Audit Scotland**

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**20.** In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- The review of legal agreements relating to, and accounting treatment of those assets utilised by Scottish Borders Council, but which have been identified as properly owned by the Common Good.
- The pension liability valuation due to the material value and significant assumptions used in the calculation of the liability. We will utilise the work of PwC as auditor expert in assessing the reasonableness of the methodology used and assumptions made by the Council’s actuary, Hymans Robertson LLP, in arriving at the IAS 19 pension valuation as at 31 March 2023.
- In 2021/22, the Council failed to comply with the statutory requirement for their significant trading operation, SBc Contracts to break even. A matter reported by exception was included within our Independent Auditor’s Report. The presentation and disclosure of significant trading operations will be reviewed to determine if there are any implications for our Independent Auditor’s Report.

**21.** We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, we have outlined our recommendations as set out in [Exhibit 2](#).



## **Identified misstatements of £6.7 million were adjusted in the financial statements**

**22.** In addition to the misstatements outlined in [Exhibit 2](#), other misstatements of £6.7 million were identified in the annual accounts and are detailed within [Appendix 2A](#). As noted in [Exhibit 2](#) the adjustment relating to the net pension asset ceiling of £31.6 million related to late information from the actuary. Adjustments have been processed to the annual accounts for the above misstatements. We concluded that further audit procedures were not required as the misstatements arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

## **There were number of non-material misstatements identified within the financial statements**

**23.** We identified a number of misstatements which were not corrected by management in the audited accounts. We considered the size, nature and circumstances leading to all uncorrected misstatements, individually and in aggregate, and concluded that these were not material. Further details of the uncorrected misstatements are included in [Appendix 2B](#).

## **The unaudited annual accounts were received in line with the agreed audit timetable**

**24.** The unaudited annual accounts were received in line with our agreed audit timetable on 29 June 2023. Scottish Borders Integration Joint Board (the IJB) figures were not included in the group accounts, as information had not been received from the IJB.

## **Limited progress was made on prior year recommendations**

**25.** The Council has made limited progress in implementing prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

### Conclusion

The Council operated within budget in 2022/23.

The Council continues to balance its budget each year and the level of reserves is in line with the long term Revenue Financial Strategy.

There are appropriate and effective budget setting, financial management and monitoring arrangements in place.

### The Council operated within budget in 2022/23

**26.** The Council approved its 2022/23 budget in February 2022. The budget was set at £324.9 million, including the use of £2.4 million of earmarked reserves carried forward from 2021/22 and £8.1 million of savings. The budget was prepared against the significant financial uncertainty caused by the Covid-19 pandemic.

**27.** The decision was made to redirect the Covid-19 reserve to a “Recovery Fund” and to utilise this fund to balance the 2022/23 budget. The remaining balance of £5.8 million within the Recovery Fund was drawn down as required to meet identified financial pressures arising during the year.

**28.** The Council has a good track record of delivering services within budget over several years. The actual outturn for the year was expenditure of £323.4 million, which was an underspend of £1.5 million against the final approved budget for the year.

**29.** The more significant under and overspends are summarised in [Exhibit 4](#).

### Exhibit 4

#### Summary of significant under/overspends against budget

Area	£m	Reason for variance
<b>Underspends</b>		
Infrastructure and Environment	1.14	Underspend in temporary accommodation and catering. There are compensating overspends within Resilient Communities and School Meals.

Area	£m	Reason for variance
		The net position for I&E is an underspend of £0.868 million primarily being driven by an increased surplus within SBc Contracts, additional income and staff turnover.
Social Work & Practice and Public Health	0.48	Underspend in Older People, People with Physical Disabilities and Joint Mental Health Services.
Finance & Corporate Governance	0.21	Staff turnover and discretionary underspends
People, Performance & Change	0.23	Staff turnover, additional income and discretionary spend savings
<b>Overspends</b>		
Strategic Commissioning & Partnerships	0.51	Information Technology being over budget due to increased service charges and mobile telephony costs

Source: Scottish Borders Council 2022/23 Annual Accounts

## The Council has appropriate and effective budget setting and monitoring arrangement in place

**30.** The Council continues to balance its budget each year and maintains the level of reserves is in line with the long term Revenue Financial Strategy.

**31.** The Council has an Executive Committee with 17 members, half of all council elected members. This operates as the overall strategic committee for the Council and has cross-party membership. The Executive Committee receive regular revenue and capital monitoring reports and, from a governance perspective, conducts detailed scrutiny of financial performance.

**32.** From our review of these reports, we concluded that these provide an overall picture of the budget position at service level and good explanations for significant variances against budget. These allow both members and officers to carry out scrutiny of the Council's finances.

**33.** Council members worked collaboratively to set the Council budget for 2023/24. A cross party budget working group was established as a mechanism to support this and facilitated robust early discussions that enabled scenarios and options to be worked through.

**34.** The Council has appropriate and effective budget setting and monitoring arrangements in place.

## **The level of General Fund reserves has decreased slightly however uncommitted reserves is in line with the financial strategy**

**35.** One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves reduced slightly from £64.5 million in 2021/22 to £62.2 million in 2022/23. The General Fund is the largest usable reserve and is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of such expenditure. The total level of general fund reserves has reduced from £51.991 million in 2021/22 to £49.647 million in 2022/23. However, the level of uncommitted reserves has increased from £9.849 million in 2021/22 to £9.980 million in 2022/23.

**36.** The Council reviews the level of its uncommitted reserves when setting the budget each year. The review is based on 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 2023/24, the Financial Strategy Risk Register was considered by the Council in February 2023. At this time the financial risk was assessed as being £14.3 million with the projected unallocated general fund balance of £8.4 million sufficient to cover 59 per cent of the risks at that time. This is a decrease on the prior year position which covered 61 per cent of the assessed risks at that time.

**37.** We are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level.

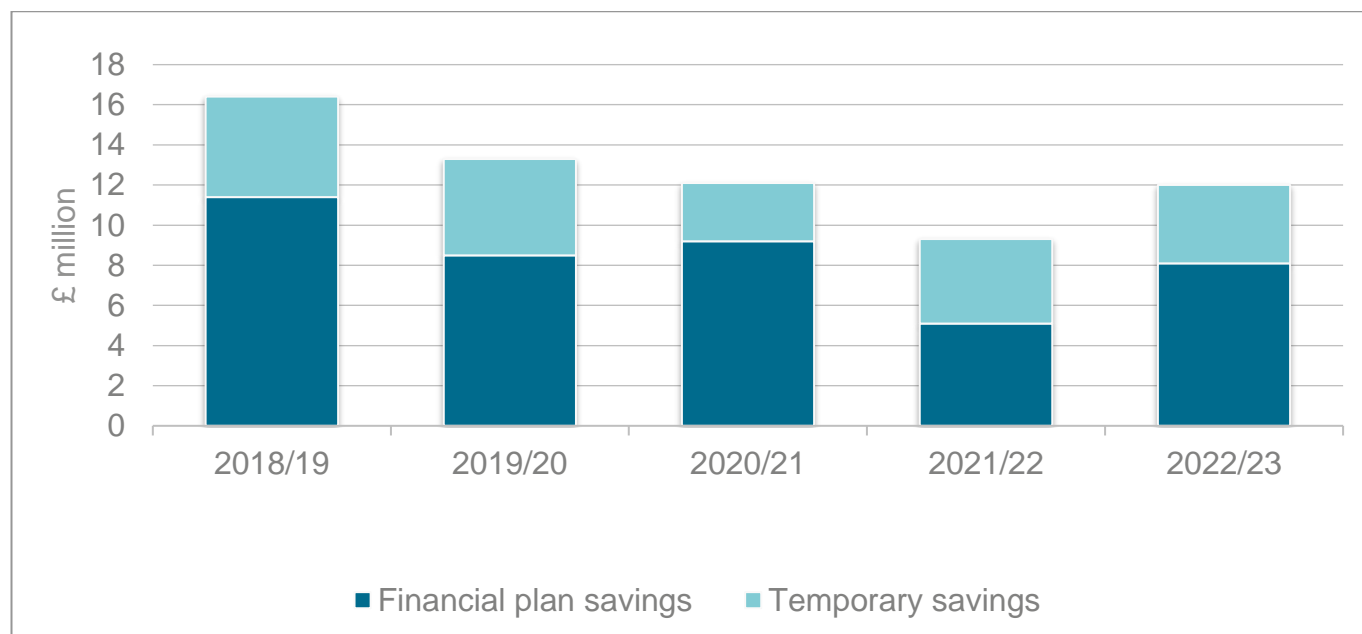
## **Planned efficiency savings were achieved**

**38.** Financial plan savings of £12.027 million were reported in 2022/23. The total savings are made up of £8.147 million included within the 2022/23 financial plan plus £3.880 million of savings brought forward from previous years. Of these savings £8.934 million (74 per cent) were reported as delivered permanently and a recurring saving to the Council. This is important to support the Council deliver financially sustainable services.

**39.** [Exhibit 5](#) below highlights the level of savings being reported within the Council on an ongoing basis. The savings are categorised into those established as part of the Financial Plan in each year and those temporary savings brought forward from previous years for permanent delivery.

## Exhibit 5

### Savings



Source: Scottish Borders Council annual accounts 2022/23

### Capital expenditure was less than originally budgeted in 2022/23

**40.** The Council agrees a ten-year capital plan each year as part of its budget process. Total capital expenditure in 2022/23 was £63.537 million. The total capital spend was £11.583 million below the revised capital budget of £75.120 million. The main areas of underspend were in respect of flood and coastal protection of £4 million, plant and vehicle £1.8 million and the school estate £4.8 million.

### Borrowing levels have decreased in 2022/23

**41.** At 31 March 2023, long term borrowing stood at £209.9 million, a slight decrease of £0.6 million on the 2022 level of £210.5 million. During the same period, short term borrowing decreased from £4.8 million to £3.6 million.

**42.** Capital financing need was not fully funded by external loan debt and instead by internal cash. The Council has applied this strategy on the basis that this is prudent and cost effective in an environment where investment returns are low and counterparty risk is high.

**43.** Total external debt, which includes the Council's long-term liabilities, was within the authorised limit and operational boundary set in the Treasury Management Strategy. The current borrowing position complies with the Prudential Code, and the Council will continue to consider the affordability of future borrowing.

## **The Council has not identified any buildings/sites which have Reinforced Autoclaved Aerated Concrete**

**44.** Reinforced Autoclaved Aerated Concrete (RAAC) was widely used in the construction of floors and roofs from the 1950s to early 1990s. Recent investigations have identified that leaks or water exposure could lead to the deterioration of RAAC planks.

**45.** The Scottish Government are working in partnership with the UK Government on research into the extent of the use of RAAC in public buildings and public bodies, including the Council, have been advised to check as a matter of urgency whether any buildings in their estates have roofs, floors, cladding or walls made of RAAC.

**46.** The Council has undertaken an assessment of its estate and has not identified the existence of RAAC in its buildings, with specific work on the school estate concluding in September. We will monitor any further work on this to fully understand the impact of RAAC and any future potential remediation work required.

## **Overall, we concluded that the Council has satisfactory systems of internal control in place**

**47.** Our responsibilities under the Code of Audit Practice requires us to assess the system of internal control put in place by management. We seek 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
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud, or corruption
- complies with established policies, procedures, laws, and regulations.

**48.** We carried out a review of the key controls within the financial systems used by the Council during our interim audit. We concluded that the Council has satisfactory systems of internal control in place, however business continuity testing could be improved. A significant number of continuity plans are in place across the council (departments, schools, care homes) and these should be refreshed periodically to ensure that they are readily accessible to staff. Disaster recovery is addressed in paragraph [80](#).

## **Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate**

**49.** The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**50.** The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, counter fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

**51.** The Integrity Group, which supports management in their primary responsibility for the prevention, detection, and investigation of fraud, met regularly during the year.

**52.** The Integrity Group carried out a Counter Fraud Controls Assessment for 2022/23 which was presented to the Audit Committee on 13 February 2023 and provided assurances about the effectiveness of the Council's existing systems and arrangements for the prevention, detection, and investigation of fraud. A Cyber Security Maturity Assessment had been undertaken that has delivered recommendations on how to enhance and increase the effectiveness of current controls and identify areas where resilience against persistent threats could be improved. An action plan of recommendations to enhance the Council's resilience to fraud was approved at the meeting.

**53.** We have reviewed the arrangements put in place by the Council to address any heightened risks and concluded that there are appropriate arrangements for the prevention and detection of fraud, error, and irregularities.

### **National Fraud Initiative**

**54.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud.

**55.** The previous external auditors reported that the Council had not investigated any NFI matches due to ongoing capacity issues in the relevant service areas and full participation in the 2020/21 NFI exercise was not achieved due to continued resourcing pressures.

**56.** Participation in the 2022/23 NFI exercise has commenced, and the NFI Self-Appraisal Checklist 2022/23 has been completed and presented to the Integrity Group and subsequently considered by the Audit Committee on 13 February 2023. Assurances were given that the remaining questions on the Self-Appraisal would be completed and reviewed by the Integrity Group in alignment with the phases within the timetable of the National Fraud Initiative 2022/2023 exercise.

**57.** In July 2023, we were advised that work is being carried out on the NFI exercise, but this has been offline with information still to be recorded on the NFI portal. It is important that the investigation work and conclusions reached are recorded in the NFI portal in a timely manner to inform the national review.

# 3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

## Conclusion

The Council has appropriate budget setting and monitoring arrangements in place.

Medium and longer-term financial plans reflect the Council's strategic priorities and outcomes.

## We have obtained audit assurances over the wider audit dimension risks relating to Financial Sustainability identified in our 2022/23 Annual Audit Plan

58. [Exhibit 6](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 Annual Audit Plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 6

### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>Financial Sustainability</b></p> <p>Scottish Borders Council continues to operate in an increasingly complex and challenging environment where they aim to provide the best possible service within the resources available. The principal pressures identified by the Council are the continuing constraints on external revenue and capital funding from central government, rising costs resulting from high rates of inflation which is expected to continue through 2023/24,</p>	<p>Reviewed the Council's annual budget setting arrangements.</p> <p>Reviewed and assessed budget monitoring arrangements.</p> <p>Reviewed the Council's medium to longer-term financial planning.</p> <p>Reviewed of the Council's financial position and delivery of planned savings.</p>	<p><b>Results and conclusion:</b></p> <p>We reviewed the Council's medium to longer-term financial planning and concluded that clear plans are in place and are regularly reviewed and reported.</p> <p>The Council recognise the financial challenges facing the organisation but have appropriate measures in place to assess and monitor financial sustainability. It is recognised that over the medium to longer term.</p>



Audit risk	Assurance procedure	Results and conclusions
and increasing service pressures, particularly relating to population demographics where there are increasing number of older people requiring care services and children requiring to be looked after and accommodated out with the authority.		

### The Council has appropriate budget setting and monitoring arrangements in place

**59.** The Council faces significant uncertainty for 2023/24 onwards in terms of financial settlement, recovery from Covid-19, inflation and rising living costs.

**60.** The Council approved its 2023/24 budget in February 2023. Budget monitoring is reported to the Executive Committee on a quarterly basis. The latest monitoring report was presented to the Executive Committee in August 2023 and was based on the first quarter of 2023/24. The report projected overall pressures within the Council of £3.771 million at the financial year end made up of £3.267 million of service pressures together with £0.504 million of inflation pressures. The overall £3.771 million pressure identified created a significant risk to the Council's ability to balance the 2023/24 budget.

**61.** A review was undertaken by the Council Management Team. As a result, the recommendation was made that, as the Recovery Fund was not sufficient to address this scale of pressure a 20 per cent reduction in some previously approved earmarked balances, brought forward from 2022/23, be utilised as a solution to balancing the budget in 2023/24. This was approved by the Executive Committee.

**62.** We have concluded that the Council has appropriate budget setting and monitoring arrangements in place to ensure that the budget is reviewed on a regular basis to consider the impact of ongoing uncertainties.

### Medium and longer-term financial plans reflect the Council's strategic priorities and outcomes

**63.** The Council has continued to adopt a five-year approach to medium term revenue planning, and a ten-year timeframe for the capital plan. The long-term financial strategy, published for the first time as part of the 2022/23 financial planning process, has been extended to include revenue for a ten-year period to allow the Council to plan more effectively over a longer period.

**64.** During 2023/24, the Council will adopt the change in statutory accounting treatment for Service Concession Arrangements as set out by the Scottish Government in Finance Circular 10/2022. This permits the Council to undertake internal accounting changes that extend the period to the life of the asset over

which the principal repayment of the unitary charge can be made, instead of the life of the contract for the five schools built through Public Private Partnerships.

**65.** The Council Plan 2023/24 was published in April 2023 sets out a 10 year vision and outlines the priorities, proposed outcomes and actions for 2023/2024. The Council's medium-term budget covers the period to 2027/28 with the longer-term financial plan projecting forward to 2032/33.

**66.** The Council Plan is divided into three main sections:

- a **Strategic Context and Vision** section which, in responding to strategic challenges and opportunities, outlines a long-term vision for the Council
- a **Scottish Borders-Wide Actions** section listing the key strategic priorities and outcomes for the Council over the next financial year
- a **Locality Actions** section featuring key actions and priorities in each of the Borders' five Area Partnership localities.

**67.** The Council continues to monitor, review and reforecast its plans as appropriate, to take into account ongoing uncertainties.

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# 4. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

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## Conclusions

The Council plan outlines the Council's vision for 2033 and elected members have shaped that vision.

The Council has elements of an effective performance framework but needs to ensure it can measure its performance against clearer outcome-based targets for the next ten years.

A Best Value Assurance Report on Scottish Borders Council was published in October 2019, containing seven improvement recommendations. The Council has concluded these have now been addressed.

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## Best Value work in 2022/23

**68.** For 2022/23 the scope of Best Value work included conclusions on:

- Leadership of the development of new local strategic priorities (2022/23 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting
- Progress made against Best Value improvement actions made in previous years

**69.** As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts three, five and six of this annual audit report.

**70.** Annual thematic Best Value work is set by the Accounts Commission. The results of this work were reported to elected members at the Audit Committee on 25 September 2023. This report will be published on the Audit Scotland website in due course.

**71.** The audit recommendations made in this report, together with the management responses, are included in [Appendix 1](#) of this report.

## Leadership of the development of new local strategic priorities

**72.** For the 2022/23 financial year, auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The key findings in this report are:

- Since the last BVAR in 2019, there has been a significant amount of change in the leadership of the Council at both officer and elected member level. However, the Council continues to demonstrate evidence of collaborative working between members of different political parties since the 2022 election. This is reflected in the development of the Council vision, following the election.
- The Council plan outlines the Council's vision for 2033. Elected members have shaped that vision. The Council plan is refreshed annually and sets out actions to deliver that vision. The overall community plan for the area was last updated in 2018 and the Council acknowledges it needs to work with partners to update this plan, that further work is required to align the corporate plan to the budget setting process and to directorate delivery plans.
- The Council has established a comprehensive induction programme to support elected members. It now needs to encourage the uptake of personal training and development plans for elected members. A period of stability in council leadership will support moving forward with plans to deliver the vision for 2034. The Council needs to ensure its revised approach to people, and succession planning, is delivering the anticipated benefits and addressing the challenges of workforce planning.
- The Council has elements of an effective performance framework but needs to ensure it can measure its performance against clearer outcome-based targets for the next ten years. The Council is coming to the end of its five-year transformation programme, Fit for 2024. While recognising the Council will continue to transform over the coming years, there is an opportunity for the Council to reflect on what improvements to service delivery and customer experience have been achieved through this programme.
- The Council has made efforts to engage with citizens and communities over the new council priorities but acknowledges it could do more to encourage participation in consultation. The revised corporate plan has a good focus on the building blocks of community engagement.
- Inequalities and climate change are incorporated into the Council plan outcomes. The Council is establishing its monitoring arrangements to assess its risk and impact in both these areas.

## **Best Value improvement recommendations from previous years have now been addressed**

**73.** A Best Value Assurance Report on Scottish Borders Council was published in October 2019, containing seven improvement recommendations. The Council responded by identifying 40 improvement action points. The Council has been reporting progress against those actions to the Audit Committee, with the most recent report in March 2023 showing progress made against all 40 actions, concluding that these are now addressed. As such, the Council has now closed off monitoring against the BVAR recommendations and will monitor against its corporate improvement plan.

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# 5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

Governance arrangements are appropriate and operated effectively.

There is effective scrutiny, challenge and informed decision making.

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## Governance arrangements are appropriate and operated effectively

**74.** The Council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate.

**75.** In January 2023 the current Chief Executive was appointed to the post on a permanent basis, having been acting Chief Executive since June 2022. The senior leadership model within the Council has been reorganised with eight Director roles supporting the Chief Executive.

**76.** The Council has appropriate governance arrangement in place which support effective scrutiny, challenge and decision making. This is informed by our regular attendance at the Audit Committee and review of Council and other committee papers as appropriate. The Council decided in August 2022 to separate the Audit Committee from the Scrutiny & Petitions Committee which has been the practice since September 2022.

**77.** We have concluded that overall, Scottish Borders Council has appropriate governance arrangements in place which support effective scrutiny, challenge and decision making.

## ICT Governance

**78.** CGI report on contract performance to the External Services/Providers Monitoring Group each quarter. Reports provide detail on transformation progress, a summary of key projects and on service performance. The Social

Work Pathfinder project programme commenced in October 2022 with three key aims:

- provide mobile technology to front line staff which will be populated during home visits to save returns to the office to update data and should automatically populate the Mosaic system
- revise business processes to capture accurate data to allow the service to improve efficiency and make more informed decisions on further improvements
- develop a performance dashboard to provide senior managers with the information they need to manage their service area.

**79.** Audit Scotland reported in their 2020/21 Annual Audit Report that the Council was continuing to work to achieve Cyber Essentials + reaccreditation. The Council's application for reaccreditation was submitted on 30 September 2022 and was confirmed on 31 January 2023.

**80.** CGI have not yet undertaken a full disaster recovery test due to factors including available resources and agreement of a convenient time within the business for services to be taken offline. The IT team have, however, been able to successfully complete several disaster recovery tests in specific areas in response to service incidents.

**81.** In addition, mandatory training for data and cyber security eLearning modules was at a lower completion rate than when last reported to the Audit Committee. Actions were being undertaken including helping support non-office based staff to complete this training.

## Climate change arrangements

**82.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75 per cent reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**83.** The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

**84.** The Climate Change Act 2019 committed Scotland to Net Zero by 2045. The Public Bodies Climate Change Reporting Duties place a legal requirement on public bodies to set target dates for zero direct emissions and indirect emission reductions. They must also report on how spending and resources will contribute to these targets, and report on the body's contribution to Scotland's Climate Change Adaptation Programme.

**85.** The Council declared a climate emergency in September 2020, which was followed up with the development of a Climate Change Route Map in June

2021. The Council identified priority actions to deliver on the Route Map and the Council approved those in March 2022. The path to net zero was underlined in the Council Plan for 2023/24, with Outcome 1 in the Council Plan is a 'Clean, green future'.

**86.** The Council takes forward its vision for 'Clean, green future' in the actions for its five localities. Flooding and coastal erosion is a risk for the Council and there are actions on flood management in Berwickshire, Eildon, Teviot and Liddesdale and Tweeddale. Nature-based flood-management solutions, including natural flood defences have been put in place to manage the impact of extreme weather on the River Tweed.

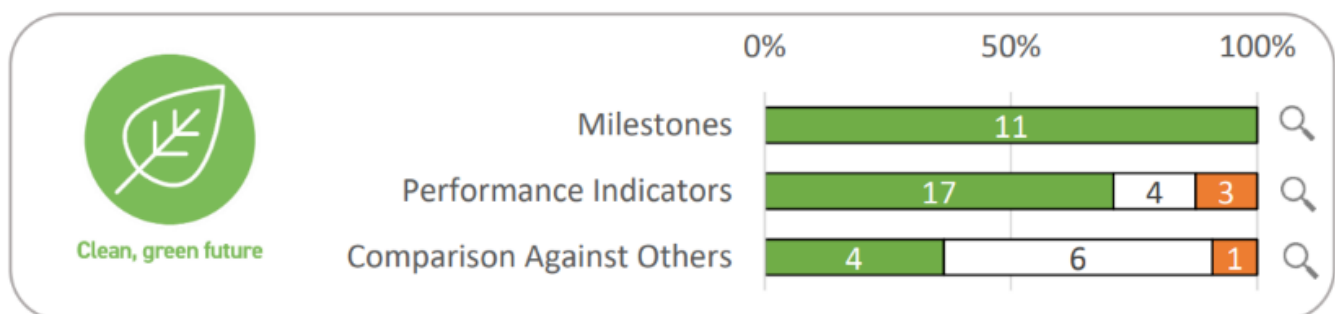
**87.** The Council is working with external bodies to clarify its approach to the challenges of climate change. They are working in partnership with South of Scotland Enterprise to establish carbon baselines for the Council as an organisation but also for the wider Scottish Borders area. The Council has also been working with the Edinburgh Climate Change Institute on their plans for action.

**88.** In line with other authorities, the Council submitted its [annual climate change report](#) to the Scottish Government in November 2022. It also has a [web-site page](#) laying out progress to date, however this is not measured against a baseline or targets. The Council does report quarterly and annually against its corporate plan outcomes, with its performance report for 2022/2023 being presented to the Executive Committee in June 2023.

**89.** The Council reports performance against milestones (actions and milestones to be achieved each year), performance indicators (quantitative indicators to measure performance) and comparison with others (comparisons to the Scottish average and comparator authorities). [Exhibit 7](#) shows some highlights of performance against Outcome 1.

## Exhibit 7

Highlights of annual performance for outcome 1, 'Clean, green future' for 2022/23.



Please see page 3 of the annual performance report for descriptions of colours against performance. In general, green is positive performance, amber denotes where further focus is required.



- Milestones: All Milestones set out for being achieved this year have been met. This has included positive progress on:
  - Increasing numbers of allotments
  - Extreme weather assessments of critical infrastructure
  - Creation of plans to improve sustainability of local energy systems
- Performance Indicators:
  - The recycling rate of household waste continues to be high and increasing, and less than half a percent of waste is going to landfill. This positive position is due to the closure of the Council's landfill in 2019, and a new contract that extracts as much recyclates as possible from the waste before it is treated in an energy from waste plant.
  - Electricity and Gas consumption has not decreased and has seen some increases from last year. This is due to colder weather conditions, and increased ventilation requirements due to Covid.
- Comparison with others:
  - Our household recycling rate is higher than authorities similar to us and Scotland's average.
  - We are similar to the Scottish average for our carbon emissions and although we are lower than authorities similar to us, we have a long way to go to achieve Net Zero by 2045.

**Source: Scottish Borders Council**

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**90.** The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

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# 6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

There is strong partnership working to meet the health and social care challenges facing the Scottish Borders.

The Council failed to comply with the statutory requirement for their significant trading operation, SBc Contracts to break even.

The Performance Management Framework supports the delivery of the Council Plan.

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## There is strong partnership working to meet the health and social care challenges facing the Scottish Borders

**91.** The Council has well established working relationships with NHS Borders and the Scottish Borders Integration Joint Board (the IJB). The Council recognise the health and social care challenges facing the region in both demand led pressures with a changing demographic, by 2032 the population of those over 65 years of age will have grown by 51 per cent, and pressures on available resources.

**92.** The Council has implemented a number of improvements to health and social care service delivery, including the use of technology to support more efficient and effective frontline service delivery. However, the Council recognise the need for greater integration of services is required to develop a sustainable and patient centred model of care.

**93.** The Council, working with NHS Borders and the IJB established a vision to be the rural Integrated Healthcare Exemplar (rIHE) for the region. The aim is transforming the model of care from reactive to preventative and improve health outcomes and inequalities in a sustainable way. The key partners have developed an overarching business case which proposes significant process and technological changes to support an integrated model of care between the partners. This requires support from wider partners including Scottish Ambulance Service, NHS 24 and partners from wider industries to support required development.

**94.** The current proposals have yet to receive Scottish Government support that would be required to meet the investment required. Officers continue to work closely with key partners to engage with the Scottish Government around the system of care.

### **The Council failed to comply with the statutory requirement for their significant trading operation, SBc Contracts to break even**

**95.** The Council has one significant trading operation (STO), SBc Contracts, which provides a range of activities including revenue and capital works for council services and external contracts for other local authorities, the Scottish Government, and the private sector.

**96.** Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations have a prescribed objective to break even over a rolling three-year period.

**97.** SBc Contracts reported an operating surplus of £1.299 million in 2022/23. However, following technical accounting adjustments for IAS 19 Employee Benefits (including pensions), the final position was a deficit for 2022/23 of £75,000 for external works and a three-year cumulative deficit of £0.331 million.

**98.** The adjustments for IAS 19 are made to comply with accounting standards. The pension adjustment values all future pension liabilities for employees at the balance sheet date as if these pension payments were to be made now. This does not reflect the projected pattern of when pensions will be paid. As a trading organisation, the STO results require to be reported included this adjustment. Further details are included at [paragraph 20](#).

### **The Performance Management Framework supports the delivery of the Council Plan**

**99.** The Council reports and presents its performance information relating to each corporate priority on a quarterly basis to the Council Management Team and the Executive Committee. We reviewed the performance information submitted to the Executive Committee to assess whether performance measures are aligned to the Council's key priorities and outcomes.

**100.** The Council approved a refreshed Council Plan for 2023/24 which was published in April 2023. This is aligned to the Performance Management Framework which was updated in June 2022 to reflect the six new themes from that plan: Clean, green future; Fulfilling our potential; Strong inclusive economy, transport, and infrastructure; Empowered, vibrant communities; Good health and wellbeing; and Working together improving lives.

**101.** The Performance Management Framework supports delivery of the Council Plan and its annual review cycle. It looks to place a greater emphasis on the use and management of performance information in order to drive continuous improvement and deliver Best Value.

## The requirements of the Statutory Performance Information (SPIs) Direction are being met

**102.** The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. 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.

**103.** The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

**104. Quarterly performance indicators:** The Council has established a suite of set of key performance indicators to help monitor progress against the outcomes detailed in the Council Plan and Community Plan. These indicators are updated quarterly and reported through the Executive Committee. The reports are readily accessible on the Council's website and show actual performance against target performance, performance trend (whether improving or deteriorating), a brief commentary on performance, and comparison with other councils' performance.

**105. Annual reporting of performance information:** The Council reports on a series of annual performance measures in its Annual Performance Report; the report for 2022/23 was considered at the June 2023 meeting of the Executive Committee.

**106. Verification of performance information:** The Council's Internal Audit team carry out a review of key performance indicators submitted by the Council each year to the Improvement Service as part of the Local Government Benchmarking Framework (LGBF). The report for 2022/23 information concluded that substantial assurance could be provided over the performance information included within the 2022/23 LGBF Return.

**107.** We have evaluated the Council's arrangements for fulfilling the above requirements and concluded that the Council has made the necessary arrangements for collecting, recording, and publishing the statutory performance information.

# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Valuation of land and buildings</b></p> <p>Issues were identified with regard to the accuracy and underlying assumptions used during the valuation process.</p> <p>In addition, a demolished asset was not initially identified as part of impairment work.</p> <p><b>Risk</b> – assets are not held at the correct value in the accounts.</p>	<p>The Council should ensure there is a more robust process in place to review valuation assumptions, data used and ensure conclusion are robust. An overarching review to ensure that all valuations make sense should be completed at the end of the process.</p> <p><a href="#">Exhibit 2</a></p>	<p>2022/23 year end coincided with significant staffing movement in the Council and a new approach in engaging external support to deliver much of the valuation. Officers will undertake a lessons learned exercise to determine what improvements can be implemented for the 2023/24 audit process.</p> <p><b>Responsible officer:</b> Director of Infrastructure &amp; Environment, John Curry</p> <p><b>Agreed date:</b> 31 March 2024</p>
<p><b>2. Significant trading operation</b></p> <p>The Council has one significant trading operation (STO), <b>SBc Contracts</b>. Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations have a prescribed objective to break even over a rolling three-year period.</p> <p>SBc Contracts reported an operating surplus of £1.299 million in 2022/23. However, following technical accounting adjustments for IAS 19</p>	<p>The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.</p> <p><a href="#">Exhibit 2</a></p>	<p>This review has commenced and will be progressed during 2023/24 as part of the Council's Future Target Operating Model work.</p> <p><b>Responsible officer:</b> Director of Infrastructure &amp; Environment, John Curry</p> <p><b>Agreed date:</b> 31 March 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Employee Benefits (including pensions), the final position was a deficit for 2022/23 of £75,000 for external works and a three-year cumulative deficit of £0.331 million.</p> <p><b>Risk</b> – that the Council's significant trading operation activities do not represent best value for the Council.</p>		
<p><b>3. Internal recharges</b></p> <p>The Council has identified that £14.2 million of infrastructure asset additions are included in the accounts and include in this is a profit margin of 16% equivalent to £2.3 million.</p> <p>This is not a charge which is wholly attributable in bringing the asset into use.</p> <p>The system reporting has made getting information challenging.</p> <p><b>Risk</b> – the value of the asset is misstated in the accounts.</p>	<p>As part of the review recommended in point 2 above, the Council should also review the accounting treatment of asset additions from work done by SBc Contracts to ensure it complies with accounting standards.</p> <p><a href="#">Exhibit 2</a></p>	<p>Officers can confirm that this will form part of the review of SBc Contracts.</p> <p><b>Responsible officer:</b> Director of Finance &amp; Procurement, Suzy Douglas</p> <p><b>Agreed date:</b> 31 March 2024</p>
<p><b>4. Assets on Common Good Land</b></p> <p>A judicial review concluded that all Council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. The Council has a number of operational assets which stand on Common Good land.</p> <p><b>Risk</b> –that the Council does not have a formal agreement in place.</p>	<p>The current accounting treatment reflects the substance of the transaction but that the Council should look to establish a formal agreement between the Council and common good funds for the use of the assets.</p> <p><a href="#">Exhibit 2</a></p>	<p>Officers are committed to progressing this work during the remainder of 2023/24.</p> <p><b>Responsible officer:</b> Director of Finance &amp; Procurement, Suzy Douglas Director of Corporate Governance, Nuala McKinlay</p> <p><b>Agreed date:</b> 31 March 2024</p>

## 2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Refresh of the community plan</b></p> <p>The Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council Plan.</p>	<p>The Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council Plan.</p>	<p>The Community Plan will be fully refreshed during 2023.</p> <p><b>Responsible officer:</b> Director Resilient Communities, Jenni Craig</p> <p><b>Agreed date:</b> September 2023</p>
<p><b>2. Ensure the performance management framework includes clearer outcome based targets for the next ten years, so it can demonstrate progress against outcomes</b></p> <p>The Council should ensure its performance management framework captures progress against the Council Plan. This should include actions being met according to target milestone and progress against the six council outcomes.</p>	<p>The Council should ensure its performance management framework captures progress against the Council Plan. This should include actions being met according to target milestone and progress against the six council outcomes.</p>	<p>A revised performance management framework will be developed to report performance against Council Plan strategic outcome to the Executive Committee on a quarterly Basis.</p> <p><b>Responsible officer:</b> Director People, Performance and Change, Clair Hepburn</p> <p><b>Agreed date:</b> September 2023</p>
<p><b>3. Transformation, innovation and service improvement</b></p> <p>Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.</p>	<p>Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.</p>	<p>Reporting of Transformation Outcomes and improvements will be developed during 2023. The Council will develop a new target Operating model to deliver improvements in service delivery, performance and ensure the Council is resourced to deliver its strategic priorities.</p> <p><b>Responsible officer:</b> Chief Executive, David Robertson</p> <p><b>Agreed date:</b> March 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>4. Elected member leadership</b></p> <p>The Council should encourage uptake of personal development plans for elected members. These should be flexible to individual needs and be able to show that training is meeting needs.</p>	<p>The Council should encourage uptake of personal development plans for elected members. These should be flexible to individual needs and be able to show that training is meeting needs.</p> <p>The Council should continue to support opportunities for cross-party working and promote the benefits that brings.</p>	<p>A new policy on elected member training and development, tailored to the needs of individuals by through a training survey will be agreed and implemented for all members.</p> <p><b>Responsible officer:</b> Chief Executive, David Robertson</p> <p><b>Agreed date:</b> October 2023</p>
<p><b>5. Senior officer leadership</b></p> <p>The Council should review the senior management structure after a period of stability to determine how the changes at directorate level are supporting delivery of the Council Vision.</p>	<p>The Council should review the senior management structure after a period of stability to determine how the changes at directorate level are supporting delivery of the Council Vision.</p>	<p>Position will be reviewed and reported to Council as part of work on developing a new Operating Model for the Council</p> <p><b>Responsible officer:</b> Chief Executive, David Robertson</p> <p><b>Agreed date:</b> December 2023</p>
<p><b>6. Planning for the workforce</b></p> <p>The Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.</p>	<p>The Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.</p>	<p>People planning will be fully aligned with service and financial planning as part of the budget process for financial year 2024/25.</p> <p><b>Responsible officer:</b> Director People Performance and Change, Clair Hepburn</p> <p><b>Agreed date:</b> February 2024</p>



## Follow-up of prior year recommendations 2021/22

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Inquiry Action Plan</b></p> <p>An action plan implementing the recommendations highlighted in the inquiry report into the Council's handling of school assaults accusations was approved by Council at their meeting on 10 March 2022 along with the establishment of a Review Group to steer the progress of the work required.</p> <p>Progress updates were provided to Council at their meetings in June, August, and October 2022 with 26 of the 52 actions points completed to date.</p> <p><b>Risk</b> – the required improvement actions are not being addressed.</p>	<p>The Council needs to continue to monitor progress with regards to outstanding actions to ensure that all recommendations from the report are fully implemented.</p>	<p><b>In Progress</b></p> <p>The <a href="#">Independent Inquiry Action Plan Update</a> was presented to Councillors in March 2023. At 30 March 2023, of the 54 actions in total, 42 actions were completed, 4 were ongoing and 8 were to be completed at that point.</p> <p>It was agreed at the meeting that the Inquiry Action Plan Group would cease to meet and that any ongoing actions contained in the plan progress as continuous improvement.</p> <p>The Chief Executive was granted delegated authority to monitor and approve any actions deemed to be ongoing.</p> <p><b>Responsible officer:</b></p> <p>Chief Executive, David Robertson</p> <p><b>Revised date:</b></p> <p>March 2024</p>
<p><b>2. Significant trading operation</b></p> <p>The Council's significant trading operation, SBc Contracts, reported a deficit in trading relating to external services for the three-years ended 31 March 2022.</p> <p>Therefore, the Council failed to meet a prescribed financial objective, and this was reported in our Independent Auditor's Report as a matter reported by exception.</p>	<p>The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.</p>	<p><b>See recommendation 2 above.</b></p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>Risk</b> – that the Council’s significant trading operation activities do not represent best value for the Council.</p>		
<p><b>Follow-up of prior year recommendations 2020/21</b></p>		
<p><b>1. Asset valuations</b></p> <p>The Balance Sheet includes property, plant and equipment with a total value of £607 million. The Council has a five-year rolling valuation programme as detailed in Note 12 of the accounts. In line with the Council’s asset policy, assets were revalued at 1 April 2020. Given 2020/21 has been an exceptional year with the Covid-19 pandemic which affected how the Council operated, we needed further evidence for the asset values at 31 March 2021. The valuer’s certificate also included material uncertainty which was inconsistent with the latest guidance from RICS.</p> <p><b>Risk</b> – that a value at 1 April is not representative of fair value as at 31 March the following year, as required by the Code.</p>	<p>The Council should: review their accounting policy and consider valuing assets at 31 March, rather than at 1 April; and consider valuing 20 per cent of each asset category annually rather than each asset category every five years which can lead to large swings in asset values.</p>	<p><b>See recommendation 1 above.</b></p>
<p><b>2. Assets on Common Good Land</b></p> <p>A judicial review concluded that all Council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. The Council has a number of operational assets which</p>	<p>The Council should conclude the process of reviewing the legal and accounting implications of the judicial ruling by March 2022 and make any accounting adjustments in the 2021/22 annual accounts of the Council and Common Good Funds.</p>	<p><b>See recommendation 4 above.</b></p>

Issue/risk	Recommendation	Agreed management action/timing
<p>stand on Common Good land.</p> <p>The full list of affected assets is still to be determined. The Council is in the process of reviewing the legal and accounting implications of the judicial ruling and expects to conclude the process in time for the preparation of the 2021/22 accounts.</p> <p><b>Risk</b> – the Common Good Funds omit assets which rightly belong to them.</p>		
<p><b>3. Internal recharges</b></p> <p>Through our testing of new assets we learned that they included some internal recharges to capital expenditure, for work such as architect fees and road overlays. However, the evidence to support the amounts recharged was not clear or comprehensive.</p> <p><b>Risk</b> – items are being incorrectly capitalised and revenue expenditure is understated.</p>	<p>The Council should revisit the rationale and calculations to confirm the basis for recharges remains relevant and accurate so that the amount that has been capitalised is defensible.</p>	<p><b>See recommendation 3 above.</b></p>
<p><b>4. Non-Domestic Rates</b></p> <p>Our testing found that the calculation of the NDR debtor is not consistent with the Code. Specifically, the balance in Note 30 Other Receivables, relating to NDR includes taxpayers' debt rather than what the Council is due to receive from or pay to the Scottish Government.</p> <p><b>Risk</b> – the Council's reporting to the Scottish Government on Non-Domestic Rates is inconsistent with the Code.</p>	<p>The Council should do further work and analysis to ensure that they are fully consistent with the Code.</p>	<p>The Council made adjustments within the 2021/22 financial statements to ensure that the carrying value of NDR balances due to the Scottish Government is in line with the Code.</p> <p>Work remains in progress to ensure that disclosures within the financial statements are fully compliant with the requirements of the Code.</p> <p>The 2022/23 audit work identified that, in respect of</p>

Issue/risk	Recommendation	Agreed management action/timing
		balances with taxpayers, the NDR year-end net debtor and NDR bad debt provision net to zero and therefore balances due from taxpayers are not recognised in the Balance Sheet, which is satisfactory.
<p><b>5. NFI match investigation</b></p> <p>As at September 2021, the Council had not investigated any NFI matches due to ongoing capacity issues in the relevant service areas. NFI includes data matching on business support grants where weaknesses in controls were identified by internal audit.</p> <p><b>Risk</b> – there are fraud and errors undetected without investigating the data matches.</p>	<p>The Council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error.</p>	<p><b>Ongoing</b></p> <p>We will continue to review progress for the 2022/23 NFI matches.</p>
<p><b>6. Best Value Action Plan</b></p> <p>The Council agreed an action plan in December 2019 in response to the Best Value Assurance Report (BVAR) published in October 2019. Updates on progress with the action plan were delayed due to the council's response to the Covid-19 pandemic.</p> <p><b>Risk</b> – that required improvement actions are not being addressed.</p>	<p>The Council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.</p>	<p><b>Complete</b></p>

# Appendix 2A: Summary of corrected misstatements

We report all corrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250,000.

The table below summarises corrected misstatements that were noted during our audit testing.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
<b>Accounting Misstatements</b>		<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
1. Net asset pension ceiling ( <a href="#">Exhibit 2</a> )*	Net pension asset				31,631
	Pension Reserve			31,631	
2. Internal recharges of staff costs	Expenditure	5,275			
	Staff costs		5,275		
3. Place based investments	Grant expenditure	1,401			
	PPE Assets				1,401

\*The net pension asset ceiling adjustment stemmed from late information from the actuary.

# Appendix 2B: Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250,000.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 1](#). We are satisfied that these errors do not have a material impact on the financial statements.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
<b>Accounting Misstatements</b>		<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
1. MMI contingent liability should be report as a provision	Expenditure	310			
	Provision				310
2. Impairment of Parkside School	Expenditure	1,191			
	PPE Buildings				1,191
3. Internal recharges – profit margin charged to capital	Expenditure	2,266			
	Infrastructure assets				2,266

# Scottish Borders Council Scottish Borders Council

## Proposed 2022/23 Annual Audit Report

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# Leadership of the development of new local strategic priorities

Best Value thematic work in Scottish Borders Council 2022-23



Prepared by Audit Scotland  
September 2023

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# Key messages

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- 1** Since the last BVAR in 2019, there has been a significant amount of change in the leadership of the Council at both officer and elected member level. However, the Council continues to demonstrate evidence of collaborative working between members of different political parties since the 2022 election. This is reflected in the development of the Council vision, following the election.
- 2** The Scottish Borders Council (the Council) plan outlines the Council's vision for 2033. Elected members have shaped that vision. The Council plan is refreshed annually and sets out actions to deliver that vision. The overall community plan for the area was last updated in 2018 and the Council acknowledges it needs to work with partners to update this plan. Further work is required to align the corporate plan to the budget setting process and to directorate delivery plans.
- 3** The Council has established a comprehensive induction programme to support elected members. It now needs to encourage the uptake of personal training and development plans for elected members. A period of stability in Council leadership will support moving forward with plans to deliver the vision for 2033. The Council needs to ensure its revised approach to people, and succession planning, is delivering the anticipated benefits and addressing the challenges of workforce planning.
- 4** The Council has elements of an effective performance framework but needs to ensure it can measure its performance against clearer outcome-based targets for the next ten years. The Council is coming to the end of its five-year transformation programme, Fit for 2024. While recognising the Council will continue to transform over the coming years, there is an opportunity for the Council to reflect on what improvements to service delivery and customer experience have been achieved through this programme.
- 5** The Council has made efforts to engage with citizens and communities over the new Council priorities but acknowledges it could do more to encourage participation in consultation. The revised corporate plan has a good focus on the building blocks of community engagement.
- 6** Inequalities and climate change are incorporated into the Council plan outcomes. The Council is establishing its monitoring arrangements to assess its risk and impact in both these areas.

# Scope of the audit

1. The Accounts Commission has noted that councils are operating in a complex and increasingly volatile, unprecedented and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources.”
2. This report concludes on the effectiveness of Scottish Borders Council’s (the Council’s) leadership of the development of the Council’s strategic priorities, following the recent local government elections.
3. [The Accounts Commission’s Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The [Code of Audit Practice](#) sets out the Best Value work required to report on these priorities.

## Code of Audit Practice 2021 Best Value reporting requirements

### Best Value reporting – extract from the Code

87. The Accounts Commission’s approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each Council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body’s performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.<sup>1</sup>
- The Accounts Commission reports nationally on thematic aspects of local government bodies’ approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

4. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership of the development of the Council’s strategic priorities.

<sup>1</sup> The Controller of Audit will report the first tranche of council BV reports to the Commission between October 2023 and August 2024 on Moray, Falkirk, Dundee City, Orkney Islands, South Ayrshire, Dumfries and Galloway, Clackmannanshire and West Dunbartonshire.



5. In carrying out the work auditors have considered the following questions:

- How clear is the new Council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?
- How effectively do the Council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

6. A [Best Value Assurance Report](#) (BVAR) on Scottish Borders Council was published in October 2019, containing seven improvement recommendations. The Council responded by identifying 40 improvement action points. The Council has been reporting progress against those actions to the Audit Committee, with the most recent report in March 2023 showing progress made against all 40 actions. The Council is ready to close off monitoring against the BVAR recommendations and consider improvement actions through its performance management framework.

7. An improvement action plan is included at [Appendix 1](#) of this report. This sets out audit recommendations in key areas, and the Council's planned response including responsible officers and dates for implementation.

8. The coverage of the work is in line with the expectations for Council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020](#).

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# Council vision and priorities

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**The Council has established a vision for 2033 within its updated Council plan and members have shaped that vision. There is an annual refresh of the Council plan, which sets out actions to deliver that vision. The Council needs to establish how it will measure performance against clearer outcome-based targets.**

**9.** A council focused on achieving Best Value in how it operates will be able to demonstrate that elected members and officers have a clear vision and priorities for their area.

**10.** The Local Government in Scotland Overview 2022 says that Scotland's councils have had a pivotal role in supporting and working with communities as they respond to the impact of Covid-19. Following the council elections in May 2022, councils will have reviewed their priorities.

**11.** The Council has an overall vision of what will be achieved by 2033. This vision is based on six outcomes ([Exhibit 1](#)). Five focus on improving the wellbeing of citizens in the area and making the region a more sustainable and better place to live, work and visit. The sixth outcome is about developing a Council that is as effective and efficient as it can be. The vision is rooted in the challenges of the area - the climate and nature emergencies, the cost-of-living crisis, demographic pressure and challenges around transport and digital connectivity.

**12.** Elected members have shaped the vision. It is based on the Administration Policy Plan, developed after the elections and approved in November 2022. The vision sits within the new Council plan, approved in February 2023. The Council plan sets out the actions to take place over 2023/24 to deliver that vision. The corporate plan includes clear actions against each of the six outcomes, with delivery dates from Q1 – Q4 of 2023/24. The Council has outlined an ambitious number of actions to deliver by April 2024. Annual updates of the Council plan will take place to review what has been achieved and refresh the actions.

**13.** The Council plan stresses the importance of local communities with a chapter devoted to actions for the five 'localities' of Berwickshire, Cheviot, Eildon, Teviot & Liddesdale and Tweeddale. These actions are aligned with the five outcome areas shown in [Exhibit 1](#). The Council acknowledges this is a work in progress and it will take time to embed locality planning within the Council's strategic planning framework.

**Exhibit 1**

**The 2033 vision within the Council plan approved in February 2023**

<p style="text-align: center;"><b>Outcome 1 - Clean green future</b></p> <div style="background-color: #d9ead3; padding: 10px; margin-top: 10px;"> <p><b>Our 2033 Vision for the Scottish Borders</b></p> <p>We met the 75% target of reducing greenhouse gas emissions in 2030, and continue to transform the region and our organisation.</p> <p>Increasingly, we live and work in energy efficient homes and premises, powered by green energy sources.</p> <p>We walk, wheel and cycle to get around for the most part, use hydrogen buses and trains for longer journeys or, occasionally, electric vehicles.</p> <p>Nature is recovering in our settlements and across the region, while 'refuse, reuse, reduce, recycle' is the way we live now.</p> </div>	<p style="text-align: center;"><b>Outcome 2 - Fulfilling our potential</b></p> <div style="background-color: #d9d2e9; padding: 10px; margin-top: 10px;"> <p><b>Our 2033 Vision for the Scottish Borders</b></p> <p>By 2033, everyone in the Scottish Borders will have the opportunities to acquire the knowledge and skills needed to realise their full potential, and the Borders will be a place where people grow and develop into high skilled, happy and healthy global citizens.</p> </div>
<p style="text-align: center;"><b>Outcome 3 - Strong Inclusive Economy, Transport and Infrastructure</b></p> <div style="background-color: #f4cccc; padding: 10px; margin-top: 10px;"> <p><b>Our 2033 Vision for the Scottish Borders</b></p> <p>Built upon strong and effective physical and digital connections and infrastructure, the benefits of a productive and sustainable economy are widely shared, enabling us to fulfil our potential in the Scottish Borders and attract others to live, work, study and visit.</p> <p>With an increasingly higher skilled and higher paid workforce, the Scottish Borders is a place which has begun to fully harness the potential of its communities, attracting resources from beyond our region, using new technology, and growing the number of jobs found in renewable energy, healthcare, and our natural resources.</p> <p>Our region is well connected internally and with the world beyond, enabling employees to make positive choices to work in the Borders and enjoy the high quality of life here. The extension of the Borders Railway to Carlisle will create new opportunities, supported by an effective network of green powered buses, and a network of paths for walking, wheeling and cycling.</p> </div>	<p style="text-align: center;"><b>Outcome 4 - Empowered vibrant communities</b></p> <div style="background-color: #cfe2f3; padding: 10px; margin-top: 10px;"> <p><b>Our 2033 Vision for the Scottish Borders</b></p> <p>Built on an established track-record of co-production, delivery, and strong partnerships, the Scottish Borders is a region of sustainable, well-designed healthy and happy places that reflect the experience and aspirations of our citizens and communities and meet their needs.</p> </div>

<p><b>Outcome 5 - Good health and wellbeing</b></p> <p><b>Our 2033 Vision for the Scottish Borders</b></p> <p>The people of the Scottish Borders have the opportunities and are supported to take control of their health and wellbeing, enjoying a high quality of life.</p> <p>This is enabled by seamless community-based services which are based on local need, with a focus on improving access, early intervention and prevention, reducing inequalities, supporting unpaid carers and the embrace of new technologies.</p> <p>Services are delivered by a highly valued and motivated workforce.</p>	<p><b>Outcome 6 - Working Together, Improving Lives</b></p> <p><b>Our 2033 Vision for the Scottish Borders</b></p> <p>A fully effective council which is an exemplar of excellent organisational and budgetary performance, and of how to harness the combined power of local communities, institutions and stakeholders in delivering a sustainable future and an economy that works for everyone.</p>
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Source: Scottish Borders Council

**The Council acknowledges it needs to work with partners to update the community plan.**

14. Community planning partners should have an up-to-date community plan to coordinate the strategic vision of partner organisations within an area. The overall community plan for the Scottish Borders was last updated in 2018. There are links between the priorities in the community plan and the Council’s corporate plan, through the following high-level themes: Our Economy, Skills and Learning, Our Health, Care & Wellbeing, Our Quality of Life, Our Place. However, the Council acknowledges it needs to work with partners to update this plan. There is an action within the Council plan to develop a new community plan with partners, by September 2023.

15. The Council consulted with partners as part of the refresh of the Council plan. It received a limited but positive response from two partners. South of Scotland Enterprise and Borders College provided responses, showing support for the corporate outcomes, whilst expressing the need for greater partnership working amongst organisations, especially relating to transport provision.

**The Council has elements of an effective performance framework but needs to ensure it needs clearer outcome-based targets for the next ten years.**

16. The 2019 BVAR made recommendations in relation to performance management and continuous improvement. Those were:



- Embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.
- Ensure performance reports to members and the public are more comprehensive and balanced, and that they cover service performance and delivery of the Fit for 2024 programme.

**17.** The Council responded with four actions, including implementing a revised performance management framework. The Council now measures Performance in three ways - actions in the Council plan (milestones), performance indicators and comparison with others, example shown at [Exhibit 3](#). The Council was unable to meet its deadline for updating performance indicators for the revised corporate plan in March, as the plan was only agreed in February. The Council should identify clearer outcome-based targets for the next ten years, that will enable it to demonstrate how it is achieving outcomes such as ‘the Borders will be a place where people grow and develop into high skilled, happy and healthy global citizens’.

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# Citizen and community engagement

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**The Council has made efforts to engage with citizens and communities over the new Council priorities but acknowledges it could do more to encourage participation in consultation. The revised corporate plan has a good focus on the building blocks of community engagement.**

**18.** Recovery from the pandemic will require councils to work alongside their local communities. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives.

**19.** Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

**20.** The 2019 BVAR found there were some aspects citizen and community engagement that required improvement. The BVAR contained the recommendation that the Council should improve how the Scottish Borders Community Planning Partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment (Scotland) Act 2015.

**21.** The Council has made efforts to engage with its citizens and communities when developing the new corporate plan priorities. These began in summer 2022 and ran to January 2023.

## **Summer 2022**

- Summer tour undertaken by the Council Leader and supported by senior officers.
- Place-making workshops scheduled across the region.
- Community conversations events and budget consultation process, which resulted in 866 responses.

## **January 2023**

- Further public consultation using Citizen space, the Council's online survey and consultation hub, from 16-30 January. This was to determine whether residents were content with the draft vision. Although the Council

acknowledges a relatively low response rate, feedback indicated that people found the draft plan clear and understandable and agreed with the vision put forward.

**22.** The Council acknowledges it could do more to encourage participation in consultations about the vision and strategic priorities. It has put forward ideas on how it could achieve this, including extending consultation periods, raising the profile of feedback opportunities, and bringing forward the drafting of the 2024/25 Council plan update. The Council hopes this will support further engagement with communities, strengthen the resulting plan and ensure greater alignment with the Council's financial plans. As mentioned at paragraph [13.](#) the Council plan has a strong focus on its five localities and includes actions to take forward in 2023/24 aimed at empowering communities.

### **The Council has made progress against the previous recommendation to accelerate implementation of the community empowerment act and has clear actions in the 2023/24 corporate plan.**

**23.** The 2019 BVAR report included the recommendation that the Council should accelerate implementation of the Community Empowerment Act. The Council took forward 11 actions in response. This includes the restart of the community conversations, paragraph [21.](#) as Covid-19 restrictions lifted. The Council also appointed nine engagement officers to develop community capacity building and place-making.

**24.** In addition to the actions taken, the Council plan includes a clear commitment to community empowerment. The vision statement includes the following, 'the most vital partnership of all is that partnership we have with you as a citizen of the Scottish Borders.' As shown in [Exhibit 1](#), Outcome 4 of the Council plan is to deliver 'Empowered, Vibrant Communities' and there are 12 actions to support this in 2023/24. These include:

- Support communities in the Borderland target towns of Eyemouth, Galashiels, Hawick and Jedburgh to form inclusive Town Teams and develop community-led plans and associated investment plans.
- Implement our Community Engagement Strategy.
- Support Area Partnerships to oversee Place Making in their localities and facilitate the development and delivery of community-led place plans.
- Community Choices: Offer communities a greater say in local spend of Council resources.

**25.** The actions above show the Council has strong intentions to involve local people in decision making processes and in co-producing services. This commitment to improving community empowerment is welcome. The Council needs to ensure its performance management arrangements captures the progress it makes against the actions within the corporate plan.

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# Reducing inequalities and tackling climate change

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**Inequalities and climate change are incorporated into revised Council plan outcomes. The Council is aware of the challenge around climate change, including the risk of flooding in certain localities. The Council is establishing its baseline and developing monitoring arrangements to assess impact.**

**26.** Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change.

**27.** The Local Government in Scotland Overview 2022 report says that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal support those most affected and addresses inequalities.

**28.** Over two-thirds of councils, including Scottish Borders, have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than Covid'. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

**29.** Scottish Borders Council Plan 2023/24 and strategic vision for 2033 ([Exhibit 1](#)) have outcomes relevant to reducing inequalities and tackling climate change:

- Outcome 1 Clean Green Future: including, meeting the 70% target for reducing greenhouse gas emissions, increasing green transport and green energy use and nature recovering in settlements, paragraphs [38.](#) - [41.](#)
- Outcome 5 Good Health and Wellbeing. Including a focus on wellbeing and a high quality of life. Services are focused on improving access, early intervention and reducing inequalities.

## Scottish Borders Council is implementing actions across its equalities mainstreaming report and anti-poverty plans. It has tailored its measurement framework to suit local needs.

**30.** Scottish Borders Council has published a progress report against its Equality Mainstreaming report 2022 – 2025. This includes Equality Outcomes Performance Data, Employment Data and Equality Impact Assessments. Relevant reports are available on the Council's [Equality and diversity/Fairer Scotland Duty webpages](#).

**31.** Integrated Impact Assessments (IIA) provide a framework to enable councils to comply with their statutory obligations around fairness and equality. The Council publishes IIAs on its website, in line with good practice on transparency and public awareness. By September, the Council had already published 18 separate IIAs for 2023, although some cover the same initiative at different stages e.g., Children and Young People Services Plan. Other examples include IIAs for changes to high schools and council specific guidance for staff.

**32.** The Fairer Scotland Duty requires councils to consider how they can reduce inequalities of outcome caused by socio-economic disadvantage. In June 2023, Scottish Borders Council took two relevant progress reports. These were a report against the Council's '2021 anti-poverty strategy' and a 'Local child poverty progress report and action plan'.

**33.** The Anti-Poverty Strategy is structured around the 'pockets, prospects, places' measurement framework adopted by the Scottish Government Child Poverty Strategy. The Council has added 'people', 'partnerships', and 'pathways' to this framework and set out 11 outcomes. The strategy is overseen by an Anti-Poverty Members Reference Group, formed of seven elected members on a non-political basis and, where possible, ensuring a gender and geographic balance.

**34.** The June 2023 progress report is well structured and includes a mix of quantitative data and updates against actions. Highlights include:

- Pockets – increase in the use of the money worries app that signposts the public to areas of support. Use of the community foodhub.
- Prospects – an awareness of the baseline, that Scottish Borders has significantly lower attainment in comparison to Scotland, with figures exacerbated within areas of deprivation. The regional pay gap between Scottish Borders and Scotland has improved since 2020.
- Places - In the Scottish Borders, the number of homeless applications has remained steady since 2011/12 as a result of a proactive approach to prevention through the delivery of the Housing Options approach. Fifty percent of young people and children aged 5-21 years have applied for the Young Persons' (Under 22s) Free Bus Travel Scheme.

- People – Outlining progress with the four Borderlands Inclusive Growth Deal towns (Eyemouth, Galashiels, Jedburgh, Hawick) where work is underway to develop a place plan.
- Partnerships – listing the collaborative networks focused on reducing inequality - Cost of Living Strategic and Operational Group, Financial Inclusion Practitioners Group and the Food Conversations Group.
- Pathways – outlining how the pathways to support people to move from dependence to independence are developing.

**35.** Also in June 2023, Scottish Borders Council took a progress report against the 'Local child poverty progress report and action plan'. [Exhibit 2](#) shows highlights of the progress for 2022/23.

## Exhibit 2

### Progress against actions and measures in the local child poverty action plan

Employability	<ul style="list-style-type: none"> <li>A total of 215 young people volunteered through Live Borders' Active Schools programme.</li> <li>Tweeddale Youth Action employed 1 young person and supported 5 young people to gain recruitment within local employers.</li> <li>SBHA recruited 4 Modern Apprentices.</li> </ul>
Education	<ul style="list-style-type: none"> <li>Equity and Excellence Leads were placed in large SBC Early Learning Childcare (ELC) with progress made in narrowing developmental gaps, assisting to make positive attainment by the end of P1.</li> <li>ASN youths have been supported with ILF transition funding applications, accessing qualifications both national and local and launching Youth Enterprise Scotland YES teams programme in August 2022 to provide qualification SVQ 3 and access to social innovation and enterprise.</li> </ul>
Information and advice	<ul style="list-style-type: none"> <li>SOSE has financially supported 5 organisations whose activities indirectly or directly addressed child poverty. Across the organisations, funding support has also enabled the creation of 267 jobs and safeguarded 323 jobs across the Scottish Borders.</li> <li>CAB utilised 'Our Money Talk Team' Project, funded by Scottish Government. This provided customers with advice on rights and responsibilities, what is available locally and how to access services.</li> </ul>
Housing and energy	<ul style="list-style-type: none"> <li>SBHA provided 115 tenants with a payment from the Fuel Debt Fund to clear their fuel debt (£150,000 in total payments made), an average of £1,300 per household.</li> <li>17 Warm and Well Hubs were established across the Scottish Borders, funded by SBC's Cost of Living support package of £1.2million.</li> </ul>
Health and wellbeing	<ul style="list-style-type: none"> <li>Over 4170 visits were made by children and young people to Live Borders activities. This provided coordinated access to food, childcare, sports, leisure, and cultural activities during the holidays.</li> </ul>
Digital exclusion	<ul style="list-style-type: none"> <li>SBHA's Digital Champions network continues to support the 224 households who received a device via Connecting Scotland.</li> <li>Live Borders received 225 referrals for digital devices. Of the 225 referrals, 77 households included children. A total of 100 chromebooks and 106 ipads were distributed through the Connecting the Borders programme.</li> </ul>
Food	<ul style="list-style-type: none"> <li>£60,000 was allocated to support the setting up, continuation or provision of a free breakfast club across the Scottish Borders. 19 Schools were successful in their application for funding along with 1 community-based group.</li> <li>BHA has provided £25,000 to local foodbank and larders from the National</li> </ul>

	<p>Lottery Community Anchor fund, accessed through the Scottish Federation of Housing Associations.</p> <ul style="list-style-type: none"> <li>Over £5,000 worth of supermarket gift cards have been distributed by SBC to local foodbanks and fareshare providers as well as to prominent groups within communities that are supporting individuals with the cost-of-living crisis.</li> </ul>
Financial inclusion	<ul style="list-style-type: none"> <li>A £1.2m cost of living support package was made available in August 2022 and has been used to help families in a variety of ways, including, funding a warm clothing payment of £100 to children in receipt of free school meals/clothing grant/home schooling, which benefitted 2,695 children.</li> <li>Midwives and Health Visitors continued to be proactive in referring expectant and new mothers for benefits checks. In 2022-23 there were 500 referrals resulting in an uplift in benefits of £1.2million.</li> </ul>
Money worries	<ul style="list-style-type: none"> <li>BHA supported £5,200 gains from Scottish Child payments and £674,825 total benefit gains for 2022/23.</li> </ul>

Source: [Scottish Borders Council](#)

**The Council is aware of the challenge around climate change and is working with external experts on its baseline and approach. The Council reports performance according to Scottish Government requirements and against its corporate plan vision.**

**36.** The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

**37.** The Climate Change Act 2019 committed Scotland to Net Zero by 2045. The Public Bodies Climate Change Reporting Duties place a legal requirement on public bodies to set target dates for zero direct emissions and indirect emission reductions. They must also report on how spending and resources will contribute to these targets, and report on the body's contribution to Scotland's Climate Change Adaptation Programme.

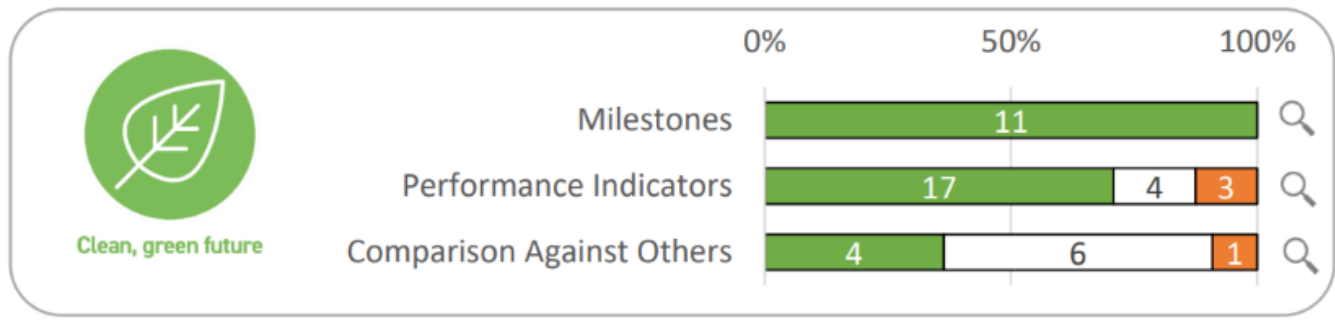
**38.** Scottish Borders Council declared a climate emergency in September 2020, which was followed up with the development of a Climate Change Route Map in June 2021. The Council identified priority actions to deliver on the Route Map and the Council approved those in March 2022. The path to net zero was underlined in the Council plan for 2023/24. Outcome 1 in the Council plan is a 'Clean, green future,' see paragraph [29](#).

**39.** The Council takes forward its vision for 'Clean, green future' in the actions for its six localities. Flooding and coastal erosion is a risk for Scottish Borders Council and there are actions on flood management in Berwickshire, Eildon, Teviot and Liddesdale and Tweeddale. The action being taken within Scottish Borders on flooding was mentioned in the Account Commission's recent report '[Scotland's Councils' approach to addressing climate change](#)'. Nature-based flood-management solutions, including natural flood defences have been put in place to manage the impact of extreme weather on the River Tweed.

**40.** The Council is working with external bodies to clarify its approach to the challenges of climate change. It is working with South of Scotland Enterprise to establish carbon baselines for the Council as an organisation, but also for the wider Scottish Borders area. The Council has also been working with the Edinburgh Climate Change Institute on their action plan.

**41.** In line with other authorities, the Council submitted its [annual climate change report](#) to the Scottish Government in November 2022. It also has a [web-site page](#) laying out progress to date, however this is not measured against a baseline or targets. The Council does report quarterly and annually against Outcome 1 of its corporate plan - the performance report for 2022/2023 was presented to Council committee in June 2023. [Exhibit 3](#) shows some highlights of performance against Outcome 1.



**Exhibit 3****Highlights of annual performance for outcome 1, 'Clean, green future' for 2022/23**

Please see page 3 of the annual performance report for descriptions of colours against performance. In general, green is positive performance, amber denotes where further focus is required.

- Milestones: All Milestones set out for being achieved this year have been met. This has included positive progress on:
  - Increasing numbers of allotments.
  - Extreme weather assessments of critical infrastructure.
  - Creation of plans to improve sustainability of local energy systems.
- Performance Indicators:
  - The recycling rate of household waste continues to be high and increasing, and less than half a percent of waste is going to landfill. This positive position is due to the closure of the Council's landfill in 2019, and a new contract that extracts as much recyclates as possible from the waste before it is treated in an energy from waste plant.
  - Electricity and Gas consumption has not decreased and has seen some increases from last year. This is due to colder weather conditions, and increased ventilation requirements due to Covid.
- Comparison with others:
  - Our household recycling rate is higher than authorities similar to us and Scotland's average.
  - We are similar to the Scottish average for our carbon emissions and although we are lower than authorities similar to us, we have a long way to go to achieve Net Zero by 2045.

Source: Scottish Borders Council

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# Alignment of delivery plans

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**42.** Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

**43.** In our [Local Government Overview Report 2023](#), we acknowledged that budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it makes it challenging for councils to make decisions about how funds can be used at a local level, to meet local need. Increasingly difficult choices about spending priorities and service provision are having to be made. Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable.

## **The Council acknowledges further work is required to align the corporate plan to the budget setting process and to directorate delivery plans.**

**44.** The Council acknowledges linking the overall vision expressed in the corporate plan to the budget and five-year financial plan, is a work in progress. The Council is also aware that departmental delivery plans need to be aligned to the overall vision for the Scottish Borders. The recent changes at senior officer level and Council directorate structure provides an opportunity to update directorate delivery plans. Work is underway to align the overarching corporate plans to directorate and financial plans.

## **Recruitment and retention are acknowledged as risk areas. The Council is implementing a departmental approach to workforce and succession planning. Updating its strategic people plan will be an important step to help address workforce challenges.**

**45.** Staffing capacity was noted as an issue within the 2019 BVAR. The BVAR stated workforce management has developed slowly and planning the future workforce remains a key issue. Staffing capacity and filling vacancies is still noted as a significant risk for the Council within its risk reporting mechanisms.

**46.** The Council responded to the BVAR with four actions. This includes ensuring each department has a five-year people plan which aligns with the corporate plan and Fit for 2024 principles. A pilot of the new format of people plans took place within the E&I service. By March 2023, all services had started the new cycle with digital format people and succession plans.

**47.** The Council is currently updating its Strategic People Plan, 2016-21, due for completion in October/November 2023, after work is completed on the Council's future operating model. Updating the Strategic People Plan is an important step. This will help support workforce planning to reflect the Council's new directorates, following the changes in senior leadership structure, paragraph [57](#).

**48.** The Council has adopted a training matrix system for staff. This is a tool that evaluates current skills, training requirements and tracks the delivery of training. It can also support corporate workforce planning by giving a Council wide view of the skills and qualifications necessary to meet current and future business needs.

**49.** The Council has had some success in growing its own workforce. Scottish Borders has had difficulty in recruiting to social work posts and introduced an approach to growing its own social workers. This has resulted in 11 posts been filled through that scheme. The Council reviewed its position to recruiting teachers in 2022/23 and changed its approach to offer permanent positions, rather than temporary posts, where it was able to do so.

**The Council is coming to the end of its five-year transformation programme Fit for 2024. The Council needs to demonstrate what improvements to service delivery have been achieved through this programme.**

**50.** The Council is coming to the end of its five-year transformation programme 'Fit for 2024'. In reality, the five-year plan has been impacted by the need to respond to the Covid-19 pandemic and the cost-of-living crises. The Council has managed to deliver financial stability over the course of this time.

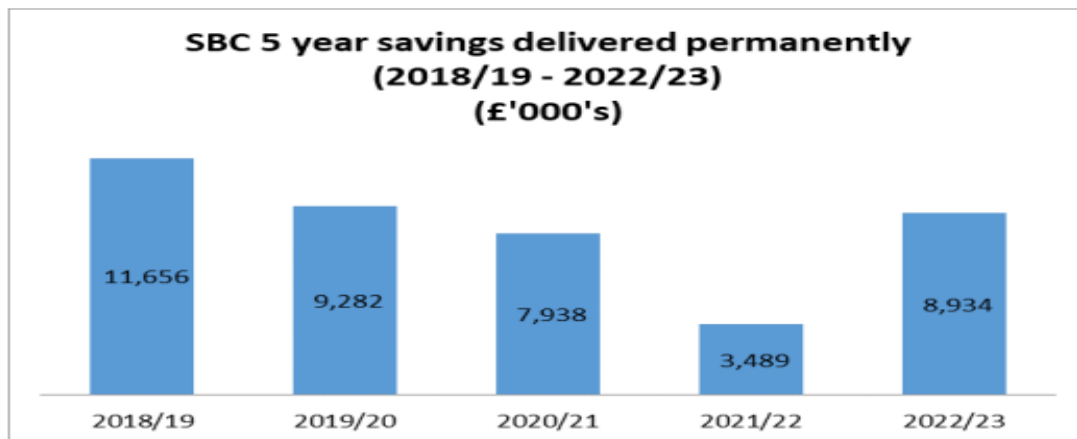
**51.** Fit for 2024 has included a partnership with digital partner CGI to deliver on the approved Digital Strategy to make the Borders a 'smart rural region', an aim of Fit for 2024. The Council committed £34m of investment into digital infrastructure, including servers and WiFi access. A strand of this programme has involved enabling front line staff. Mobile devices have been provided to social workers, to support them in the recording of their work with clients, with the aim of freeing staff time from administration so more hours can be given to supporting clients.

**52.** The Council has reported the savings it has delivered in the financial outturn report for 2022/23 as seen in [Exhibit 4](#). The Council has achieved £8.9m of savings in 2022/23. As the Council nears the end of its five-year transformation programme it needs to set out the improvements to customer experience and service delivery that have also been achieved through this programme.

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**Exhibit 4: Delivery of savings**

£8.9m of savings were delivered in 2022/23.



Source: Scottish Borders Council

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# Leadership

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**There has been a significant amount of change in the leadership of Scottish Borders Council since the last BVAR. There are examples of effective cross-party working and elected members have shaped the Council priorities. A period of stability in Council leadership will support moving forward with plans to deliver the vision for 2033.**

**53.** Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

**54.** Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

**55.** Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

**56.** The 2019 BVAR identified the following key messages:

- members and officers demonstrate a strong commitment to working together for the fulfilment of the vision, while effective governance arrangements ensure opportunity for challenge and scrutiny.
- In 2017, the Council saw many new elected members and offered a coordinated approach to induction. It now needs to support elected members through individual training plans.

**57.** There have been several changes in the Council since the 2019 BVAR report. Three Chief Executives have been in post since 2019. In January 2023 the current Chief Executive was appointed to the post, having been acting Chief Executive since June 2022. The Council has been steadily reorganising its senior leadership, moving from a model of two Executive Directors with supporting senior officers to the current model of Chief Executive and eight Directors. The post of Executive Director, Leading Stakeholder & External Relationships was removed in 2021, with functions reorganised within the Council and the post of Director of Corporate Governance was established in

2023. A period of stability in Council leadership will support moving forward with plans to deliver the vision for 2033.

### **The Council continues to demonstrate evidence of collaborative working between members of different political parties since the 2022 election.**

**58.** The 2019 BVAR commented on the impact of many new members following the local council elections. There has also been a number of newly elected members joining the Council, following the elections in 2022. Twenty elected members were re-elected, and 14 newly elected members joined the Council. The Council administration continues to be led by the largest elected party, the Scottish Conservative and Unionists, as it has been since the 2017 election.

**59.** The Council has an Executive Committee with 17 members, half of all Council elected members. This operates as the overall strategic committee for the Council and has cross-party membership. Since October 2022, the Executive committee comprises of 10 Scottish Conservative and Unionist, 3 SNP, 3 Independent and 1 Scottish Liberal Democrat. The Executive Committee takes the following regular reports:

- revenue and capital spend
- quarterly and annual performance reports and
- updates on the Strategic Housing Investment Plan.

**60.** Council members worked collaboratively to set the Council budget for 2023/24. A cross party budget working group was established as a mechanism to support this. This was a good experience for the Council as it facilitated robust and frank early discussions that enabled scenarios and options to be worked through.

### **The Council has established a comprehensive induction programme to support elected members. It now needs to progress plans to put personal training and development plans in place for elected members.**

**61.** The Council has put in place a comprehensive induction programme for all elected members, following the 2022 elections. The programme involved three phases, from May to Sep 2022. It covered both broad outcome areas - 'Clean, green, future' and 'Working together, improving lives' - and specific Council functions, such as licencing. The Council keeps a log of attendance at its training and induction events. The Council also understands the importance of ongoing training and awareness raising and will schedule a briefing session when the need arises.

**62.** The 2019 BVAR included the recommendation that the Council needs to support members' continuing professional development by tailoring training to meet their individual needs. The Council responded to this by deciding to use the Improvement Service elected member CPD to enable them to evaluate their continuing professional development needs. As at March 2023, five elected

members had taken up that offer. The Council should encourage uptake of personal development plans for elected members. Having personal development plans tailored to elected members' individual needs would allow the impact of all induction and training events to be evaluated.

# Appendix 1

## Improvement Action plan

Issue/risk	Recommendation	Agreed management action/timing
1. Refresh of the community plan.	Scottish Borders Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council plan.	The Community Plan will be fully refreshed during 2023.  Director, Resilient Communities, Jenni Craig September 2023
2. Ensure its performance management framework includes clearer outcome based targets for the next ten years, so it can demonstrate progress against outcomes.	Scottish Borders Council should ensure its performance management framework captures progress against the Council plan. This should include actions being met according to target milestone and progress against the six Council outcomes.	A revised performance management framework will be developed to report performance against Council Plan strategic outcome to the Executive Committee on a quarterly Basis.  Director People, Performance and Change, Clair Hepburn September 2023
3. Transformation, innovation and service improvement.	Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.	Reporting of Transformation Outcomes and improvements will be developed during 2023. The Council will develop a new target Operating model to deliver improvements in service delivery, performance and ensure the Council is resourced to deliver its strategic priorities.  Chief Executive March 2024
4. Elected member leadership.	Scottish Borders Council should encourage uptake of personal development plans	A new policy on elected member training and development, tailored to the



	<p>for elected members. These should be flexible to individual needs and be able to show that training is meeting needs.</p> <p>Scottish Borders Council should continue to support opportunities for cross-party working and promote the benefits that brings.</p>	<p>needs of individuals by through a training survey will be agreed and implemented for all members.</p> <p>Chief Executive, David Robertson</p> <p>October 2023</p>
<b>5. Senior officer leadership.</b>	<p>Scottish Borders Council should review the senior management structure after a period of stability to determine how the changes at directorate level are supporting delivery of the Council vision.</p>	<p>Position will be reviewed and reported to Council as part of work on developing a new Operating Model for the Council</p> <p>Chief Executive, David Robertson</p> <p>December 2023</p>
<b>6. Planning for the workforce.</b>	<p>Scottish Borders Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.</p>	<p>People planning will be fully aligned with service and financial planning as part of the budget process for financial year 204/25.</p> <p>Director People Performance and Change, Clair Hepburn</p> <p>February 2024</p>

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