

Public Document Pack



AUDIT AND SCRUTINY COMMITTEE MONDAY, 25 NOVEMBER 2019

A MEETING of the AUDIT AND SCRUTINY COMMITTEE will be held in the COUNCIL CHAMBER, COUNCIL HEADQUARTERS, NEWTOWN ST BOSWELLS on MONDAY, 25 NOVEMBER 2019 at 10.00 am

J. J. WILKINSON,
Clerk to the Council,

19 November 2019

BUSINESS		
1.	Apologies for Absence.	
2.	Order of Business.	
3.	Declarations of Interest.	
SCRUTINY BUSINESS		
4.	Minute (Pages 5 - 10) Minute of Meeting of the Audit & Scrutiny Committee held on 24 October 2019 to be approved and signed by the Chairman. (Copy attached).	2 mins
5.	Jedburgh Library & Contact Centre Petition	30 mins
	(a) Petition Procedure (Pages 11 - 14) (Copy attached).	
	(b) Petition (Pages 15 - 18) Petition – “The retention of a library service and contact centre at the Carnegie Library in Jedburgh” (Copy attached).	
	(c) Briefing Note by Service Director Customer & Communities (Pages 19 - 28) (Copy attached).	
6.	Any Other Scrutiny Items Previously Circulated.	
7.	Any Other Scrutiny Items which the Chairman Decides are Urgent.	

	ADJOURNMENT FOR INFORMAL BRIEFING	
	<p>At 10.45 am (or at the conclusion of the Scrutiny Business) and as previously agreed, there will be a meeting of Members of the Committee prior to the main Audit Business. The main focus will be an Informal Briefing Seminar on Treasury Management, delivered by Richard Dunlop, prior to considering the Mid-Term Treasury Management Performance Report 2019/20 in formal business.</p> <p>The formal meeting of the Committee will reconvene at <u>11:30 am</u>, or at the conclusion of the informal briefing, whichever is the later.</p>	
	AUDIT BUSINESS	
8.	<p>Mid-Term Treasury Management Report 2019/20 (Pages 29 - 46)</p> <p>Consider mid-term report by Chief Financial Officer on the Council's Treasury Management activities undertaken during first half of financial year 2019/20 for review and scrutiny prior to Council approval. (Copy attached).</p>	15 mins
9.	<p>Risk Management in Services</p> <p>Presentation by Chief Financial Officer on the strategic risks facing the service and the internal controls and governance in place to manage / mitigate those risks to demonstrate how risk management is embedded within services. (Verbal presentation).</p>	30 mins
10.	<p>Internal Audit Mid-Term Performance Report 2019/20 (Pages 47 - 58)</p> <p>Consider a report by Chief Officer Audit & Risk on progress Internal Audit has made during the first half of the year towards completing the Annual Plan 2019/20 and an outline of performance. (Copy attached).</p>	15 mins
11.	<p>Progress with Implementation of Internal Audit Recommendations (Pages 59 - 68)</p> <p>Consider a report by Chief Officer Audit & Risk on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports during 2019/20 and previous years. (Copy attached).</p>	15 mins
12.	<p>Internal Audit Work to October 2019 (Pages 69 - 76)</p> <p>Consider a report by Chief Officer Audit & Risk on findings from recent work carried out by Internal Audit, including the recommended audit actions agreed by Management to improve internal controls and governance arrangements, and other work in progress to deliver the approved Internal Audit Annual Plan 2019/20. (Copy attached).</p>	15 mins
13.	<p>Annual Assurance Statement 2018/19 to Scottish Housing Regulator (Pages 77 - 88)</p> <p>Consider report by Service Director Customer and Communities on annual assurance statement 2018/19 in respect of landlord services provided by the Council for submission to the Scottish Housing Regulator. (Copy attached).</p>	10 mins
14.	<p>SB Cares LLP & SB Supports LLP Annual Accounts 2018/19 (Pages 89 - 168)</p> <p>Consider report by Chief Operating Officer, SB Cares. (Copy report</p>	15 mins

	attached).	
15.	Any Other Audit Items Previously Circulated.	
16.	Any Other Audit Items which the Chairman Decides are Urgent.	

NOTES

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

Membership of Committee:- Councillors S. Bell (Chairman), H. Anderson, K. Chapman, J. A. Fullarton, S. Hamilton (Vice-Chairman), N. Richards, H. Scott, E. Thornton-Nicol, S. Scott, Mr M Middlemiss and Ms H Barnett

Please direct any enquiries to Fiona Walling, Tel: 01835 826504
E-mail: fwalling@scotborders.gov.uk

This page is intentionally left blank

**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTE of Meeting of the AUDIT AND SCRUTINY COMMITTEE held in Council Chambers. Council Headquarters, Newtown St Boswells on Thursday, 24 October 2019 at 10.00 am

Present:- Councillors S Bell (Chairman), H. Anderson, K. Chapman, J.A. Fullarton, S. Hamilton, N. Richards, H. Scott, E. Thornton-Nicol.
Apologies:- Councillor S Scott.
Also Present - Councillors S. Aitchison, C. Hamilton, S. Marshall, W. McAteer, E. Robson.
In Attendance:- Service Director Assets & Infrastructure, Clerk to the Council, Lead Education Officer (L. Munro), Trainee Democratic Services Officer.

AUDIT & SCRUTINY BUSINESS

1. **MINUTE.**

There had been circulated copies of the Minute of the Meeting held on 23 September 2019.

DECISION

APPROVED for signature by the Chairman.

SCRUTINY BUSINESS

2. **PETITIONS**

2.1 **Petitions Procedure**

There had been circulated copies of an extract from the Audit and Scrutiny Committee Petitions procedure. The Chairman advised that, due to the similar nature of the petitions to be heard, there would be a slight change to the formal petition process and that both petitions would be heard, and then the Committee would come to its conclusions which may or may not be the same for each petition. Councillor Robson had notified the Chairman that he wished to make a statement in support of the Kelso petition and the Chairman had agreed to this request, with the statement being made after the officers' responses to Committee. The Chairman further advised that sadly the Hawick petitioner, Mr Greg Dalgleish, was not able to be present at the meeting due to a family bereavement and Councillor McAteer would present the petition on his behalf. The Chairman asked that Councillor Marshall pass on the Committee's condolences to Mr Dalgleish.

2.2 **Kelso Play Parks Petition**

There had been circulated copies of a petition entitled "Save Kelso's Playparks", which had received 502 signatures. The form was accompanied by comments made by the signatories as part of an online petition. There had also been circulated copies of a briefing note by the Service Director Assets & Infrastructure in response to the petition. In the statement within the petition, it was explained that the smaller, local parks in Kelso currently threatened with closure were well-used by the under-12s. Although the investment at Shedden Park was to be applauded, access was still needed to local parks, especially for smaller children in Kelso. These parks should also attract investment to keep them smart and in full working order. There was a plea to 'keep our playparks'.

2.3 The Chairman welcomed Kirsty Wichary, Lead Petitioner, to the meeting and invited her to present her petition. In support of the petition statement, Mrs Wichary advised that she

had come to the meeting to appeal to the child in everyone. Shedden Park was welcomed as a destination park but it was mainly for older children, and not a neighbourhood park, and would mainly be used at weekends; these other local parks were for younger children, close to home, where parents often took toddlers. Should the local parks close, the ones remaining would be too far away either for children to be able to go there on their own to meet their friends, or for parents to take younger children for an hour and still come home in time for tea. Investing in technology was great with the recent introduction of I-pads for older children, but if parents had the choice they would likely have preferred children to have outdoor lives, with evidence that access to green spaces for children to play was better for them than being stuck at home using electronic devices. Reducing access to play parks could have a detrimental impact on children's mental well-being and ability to interact. Mrs Wichary referenced evidence produced at the Fifth Ministerial Conference on Environment and Health in Italy in 2010, Ben Fogle, the Joseph Rowntree Foundation and Fields in Trust about the benefits of green spaces, outdoors being an ideal location for learning and where children could be themselves. The Chairman congratulated Mrs Wichary on her eloquent and articulate presentation. Members of the Committee then asked a number of questions about the use of the local parks, the age range of children using them, the distance to parks, and the use of High School facilities. Mrs Wichary responded, advising that she lived on one side of town so could not comment on the use of all parks, but some could do with some investment to keep them smart and in full working order. The High Croft Co-op park was used a lot, with local children using that as a meeting place. However, those based further away needed to access this through a woodland path which would need to be a supervised trip and again reiterated that it was part of a child's experience of freedom to be allowed to access nearby parks themselves. All of the parks to be de-commissioned were mainly for use by younger children from toddlers to the age of eight. By keeping smaller parks, that meant younger children could access play space 5 minutes from home and slightly older children could go there alone. There was a perceived threat to children which was not the case when the previous generations were growing up, but times had changed, and parents were unwilling to allow younger children to travel too far from home on their own while still allowing them to have a sense of freedom and responsibility. Some of the local parks had been put in place as a condition of planning permission for new housing. The High School facilities could be used but at a cost.

2.4 The Service Director Assets & Infrastructure (Mr Martin Joyce), the Neighbourhood Services Manager (Mr Jason Hedley), and the Neighbourhood Area Manager (Mr Craig Blackie) were also present at the meeting to present the Council response to the petition. Mr Joyce made a key clarification that the Council was not seeking to remove play spaces or parks but to remove equipment, so that the equipment in those remaining neighbourhood parks could be enhanced. Mr Hedley then thanked all those who had contributed to the petition and presented details from the briefing note. A report had been presented to the Cheviot Area Partnership in June 2019 which had given details of the 9 play parks in the Kelso area that were recommended for decommissioning and 7 for retention. A consultation had also been undertaken inviting feedback from the public via email and telephone, with responses detailed in section 4 of the briefing note. In comparison with other similar local authorities, Scottish Borders Council provided a large number of play parks but a low level play experience. The table in section 6 of the report gave commentary on the concerns raised during the consultation which covered: children's health and wellbeing; parks or safe spaces available to communities; the usage of the equipment through regular inspections and wear and tear; future maintenance of sites with no equipment. Mr Hedley confirmed that the amount of maintenance required for play park equipment depended on the amount of usage with some tell-tale signs e.g. bark displacement under equipment. None of the play parks were supervised and the Council did not promote unsupervised play. Any increase in demand in the retained parks would allow further investment in play equipment.

2.5 Councillor Robson addressed the meeting and queried the number of inspections and when they had taken place as being critical to ascertain play values. If the assessments

for play value and fit score analysis had been carried out during the working day when children were at school as this was not a fair reflection of use. He noted the Inspectors also assessed parks for wear and tear and commented that this was a very difficult mechanism to assess on usage and assessments should be carried out in the evenings or during the holidays. The parks in question were predominantly used by mothers with toddlers and younger children who could be seen from home, and much of the equipment was designed for this younger age group. He also asked if reconsideration be given to Rosewood Gardens where the equipment was for younger children and the park was relatively new, having just been built a few years ago. He also queried the cost of removal of equipment and what would happen to the removed equipment. In response, Mr Joyce advised that the inspections were carried out throughout the year so some would take place during school holidays and he undertook to look at what would happen with removed equipment. However, the access to those play parks would remain and the Early Years expansion programme would also provide greater opportunities for outdoor play.

- 2.6 In response to Members' questions, Mr Joyce explained that when Council had approved the new play parks this had been on the basis of it being cost neutral for the revenue budget. The annual cost of maintaining the full programme of the new play facilities was estimated at £30k which needed to be contained within the existing budget of £100,000. Much of the cost was in staff resource for inspections and the new equipment in the destination play parks required a greater degree of inspection. The cost of removal would need to be met from this budget. It was difficult to break down the cost of inspection/maintenance of equipment per park as that depended on location and the number of pieces of equipment in each park. For a very rough estimate, if the budget was divided by the number of play parks this worked out at about £400 per park, but again depending on the amount of equipment this could vary considerably from park to park. With regard to the cost of removal, this would depend on the type and amount of equipment but could be a few thousand, depending on what needed to be done. Members raised concerns that exact costs of maintenance for the new parks and removal of play equipment was not known. Officers confirmed that Equality Impact Assessments had been undertaken for each of the new destination play parks with no negative impact identified for protected groups. A consultation on the removal of equipment from play parks had been undertaken at the request of attendees when details had been presented to Area Partnership meetings, and details from that consultation had been provided in section 4 of the briefing note.
- 2.7 Mr Joyce confirmed that the new play parks had been designed for all age groups and to be all inclusive so they had a broader range of play equipment. As examples, a double swing which could be used by 2 wheelchair users had been installed at Harestanes play area; some swings had reclined backs and harnesses had been provided. Specific engagement with local groups had not been carried out but the designers of the new play parks were experts in that field and had designed the parks within the constraints of locale and budget. The aim was to have a sustainable play park portfolio going forward. Once play equipment was removed the areas would be grassed over and communities would also have opportunities to decide what to do with that space through the Community Empowerment Act regarding food growing and community asset transfers. Currently, the Council did not adopt play parks in new housing estates for maintenance and developers were required to provide this or it was a factored service paid by residents. Where it was not possible to put in new play areas in new housing developments, then developers could make a contribution to enhance existing facilities instead e.g. Clovenfords. Mr Joyce undertook to have a further look at Rosewood Gardens park but emphasised that difficult decisions had to be made around play parks.

3. **HAWICK PLAY PARKS PETITION**

- 3.1 The Chairman then welcomed Councillor McAteer, deputising for the Lead Petitioner, Greg Dalgleish, to present the petition on “Stop Scottish Borders Council Closing Play Parks”. The petition had been accompanied by a statement which advised that bigger and better facilities should not be justified for the removal of the smaller parks that were situated in various housing estates in Hawick and the Borders. The comments associated with the petition and on social media made it clear that these smaller parks were still well used and had been described as a safe place to play and exercise close to many homes. Not everyone was able to access the likes of Wilton Lodge Park on a regular basis and children with additional needs also found these areas too busy and noisy. The petitioners called into question how the Council had carefully looked at playparks that were not used as much and to explain how they arrived at that decision. They also questioned why some parks were in a poor state of repair and if these had been neglected over the years, then this should not be justification for removal. Priority 2 within the Borders Director of Public Health Report 2018 highlighted that investment in children’s play was one of the most important things that could be done as a community to support children’s health and wellbeing. The statement concluded that the Council was above the national average for play park provision and that position should not change.
- 3.2 Councillor McAteer advised that the principal petitioner, Mr Dalgleish, had put a power of work into the town and this was effectively closing play parks. Residents had a right to determine how Council money should be spent and the decision on play parks should be re-considered by full Council. The new destination play parks were a great success but there was not enough evidence to show that these local play parks were not needed by the community. The consultation exercise carried out with Elected Members and at Area Partnerships simply gave details of the closures and did not seek representative views as the plan to remove the playparks had already been made. Smaller parks were still well used and were a safe place to play. By failing to maintain play parks the Council had contributed to their lack of use and account had to be taken of the health, wellbeing and safety of young people and their needs. These smaller parks provided a starting place for play and were the bedrock for future play parks as young people were the future of the Borders.
- 3.3 Members then asked about specific play parks at Sleepy Valley, Burnfoot Community School and Millersknowe. Councillor McAteer advised that Burnfoot School play park was a central congregation point for youngsters, with Sleepy Valley a perfect place, with wide open space. To give some context, the population of Burnfoot was similar to Jedburgh. With the removal of play equipment from smaller parks, parents would need to make a deliberate decision to visit a park further from home. This could make it difficult for parents with smaller children to walk to and allow their children adequate time to play. There were 4 newer play parks – Hislop, Leeburn, Mayfield and Wilton Court.
- 3.4 There had been circulated copies of a report by the Service Director Assets and Infrastructure on the Plays Parks Petition, Hawick which gave a response to various points in the petition. Mr Hedley then displayed some photographs of the play equipment which was to be removed. The Fields in Trust organisation advocated access to open space and provided tools for officers to use. The FIT score/play value was based on set criteria, such as number of slides, whether it was fenced, access to a bin. With regard to investment in smaller parks, there were issues with older equipment pre-1988 as often parts were not available so it would not be a case of repairing or replacing like for like as standards had changed. Geography had been part of the assessment of the smaller play parks but not travel distance. If a town only had one play park then that remained. Mr Joyce confirmed that if equipment was removed then there could be investment in the remaining parks not just the destination parks. Other facilities such as that provided through the expansion of early years, 3G pitches and new community hubs would also be available. In terms of the size of a community, that varied across the Borders, but there had been representation on travel distance to some parks so some had already been retained in Galashiels, Innerleithen and Peebles. Engagement had taken place with Elected Members at Area Partnership meetings. With regard to the Members’ Reference

Group, Mr Joyce advised that this had been raised at a Council meeting, and confirmed, following an email from the Convener to all Members, this was being taken forward on a more informal basis. Mr Joyce further confirmed that Officers would be open to access any funding as there was a need to create a long term, sustainable future for play parks across the Borders. With regard to Hawick play parks, Mr Joyce was re-considering the one at Hislop Gardens.

- 3.5 The Chairman thanked both Mrs Wichary and Councillor McAteer for presenting the 2 petitions and the officers for their input. Members then considered their next steps. Councillor Scott expressed concern about the lack of a robust consultation process prior to the decision on removing play equipment, and the lack of clarity on how savings were to be made when specific costs were not available. Councillor Anderson suggested that the matter be referred back to full Council. Councillor Fullarton commented on the difficulties in resourcing all play parks and balancing the investment in destination play parks against the smaller parks closer to home. Councillor Chapman also raised the issue of the cost of removal of equipment and the spread of the smaller play parks.
- 3.6 A 15-minute recess was called while Committee members considered what motions to put forward.

VOTE

Councillor Anderson, seconded by Councillor Thornton-Nicol, moved that the 2 petitions be referred back to Scottish Borders and that "Scottish Borders Council re-assesses its original decision made on 31 May 2018 in relation to the capital programme 18/19 and investment in play areas and outdoor community spaces to 'delegate authority to the Service Director Assets and Infrastructure, after consultation with local Members, the Chief Financial Officer and the Chief Legal Officer, to declare play parks obsolete or those surplus to requirements and arrange for the removal of equipment and disposal, if appropriate.' The Service Director is requested to prepare a fully costed report on options for future and existing play park provision for consideration at the next meeting of Council."

Councillor Fullarton, seconded by Councillor Hamilton, moved as an amendment that "while we welcome the petition and the views expressed by the communities of Hawick and Kelso, the impact of retaining every play park could delay the Capital Programme and will impact on the existing Revenue Budget going forward and therefore we reluctantly propose no further action is taken".

On a show of hands Members voted as follows:-

<i>Motion</i>	-	5 Votes
<i>Amendment</i>	-	3 Votes

The Motion was accordingly carried.

DECISION

DECIDED:-

- (a) to refer the petitions to Scottish Borders Council; and
- * (b) to RECOMMEND that Scottish Borders Council re-assesses its original decision made on 31 May 2018 in relation to the capital programme 18/19 and investment in play areas and outdoor community spaces to 'delegate authority to the Service Director Assets and Infrastructure, after consultation with local Members, the Chief Financial Officer and the Chief Legal Officer, to declare play parks obsolete or those surplus to requirements and arrange for the removal of equipment and disposal, if appropriate.' The Service Director should be requested to prepare a fully costed report on options for future and existing play park provision for consideration at the next meeting of Council.

4. **COMMUNITY ACCESS TO SCHOOLS**

4.1 With reference to paragraph 3 of the Minute of 19 April 2018, there had been circulated of a report by the Interim Services Director Children & Young People, providing details for a proposed review of community access to schools. Ms Lesley Munro, Lead Education Officer, presented the report, which was in response to a request from the Audit and Scrutiny Committee for a scoping paper on community access to schools. While there was no specific policy relating to which schools were available for community use, the report covered the work planned to produce a new policy for community access to schools. Given the many differences across the Borders with regard to community access to schools and the amount of information that would need to be gathered, it was proposed that a steering group of officers be convened to take this forward. Initially, the group would carry out a full analysis of all community use of schools recorded over a twelve-month period. This work would be reported to the Audit & Scrutiny Committee by June 2020. The next stage would be for the group to formulate policy and undertake consultation, prior to any new policy being presented for Elected Member approval. The final stage for the group would be to monitor the implementation of the new policy and processes. This would include evaluation of user groups at key points in the first year of implementation. The outcome of this evaluation and the impact of the policy would then be reported to the Audit and Scrutiny Committee by August 2021.

4.2 Members welcomed the report although asked if the work could be expedited. It was confirmed that an interim report would be provided to the Committee by June 2020, but advised that this was a complex piece of work for officers, with many historic practices and charges across different localities and venues, not just schools. It was important to get parity across the area for all organisations. Quarterly briefings on progress could be issued to Members. The Chairman expressed concern about the length of time it had taken to get the scoping report and proposed adding in to the end of the recommendation, "with a view to concluding this matter as soon as possible." This was unanimously accepted.

DECISION

AGREED to APPROVE the process for reviewing community access to schools, with a view to concluding this matter as soon as possible.

The meeting concluded at 13:35 pm



Scottish Borders Council Audit & Scrutiny Committee Petitions Procedure

Part of the remit of the Audit & Scrutiny Committee is to consider petitions submitted to the Council in accordance with the Council's approved petitions procedure, outlined below, and to determine the appropriate action to be taken within the terms of the procedure.

Petitions

1. Petitions should raise issues which relate to matters within the responsibility of Scottish Borders Council or the general well-being of the residents of the Scottish Borders. Petitioners should be able to demonstrate that there is a public interest in the issue that they are raising.
2. A petition should be on a standard form, titled and should include a clear statement (no more than 250 words) which covers the main subject. Any further information, for example, about measures already taken or approaches made to other bodies, should be included but limited to no more than 4 sides of A4 paper.
3. Petitions should be accompanied by at least 10 signatures in total, from persons aged 16 and over, resident in the Scottish Borders. The signatures must be from a minimum of 3 separate addresses. The principal petitioner should be on the Register of Electors for the Scottish Borders Council area.
4. Petitions from local businesses shall be accepted where there is support from at least 5 businesses on the Valuation Roll for Scottish Borders Council.
5. Elected Members may not be a signatory on a petition and no petition will be accepted from a political party.
6. Where there are already regulatory procedures in place or the matter relates to individuals, then it would not be appropriate to accept such petitions, therefore petitions shall not be accepted:
 - (i) about planning, licensing, or other matters where there are already regulatory procedures in place;
 - (ii) about personal or business issues;
 - (iii) about commercially sensitive or confidential material;

- (iv) about individual Councillors, members of Council staff, or other individuals who may easily be identified;
 - (v) about employees' terms and conditions of employment;
 - (vi) about information which is protected by an interdict or court order;
 - (vii) about an allegation that someone has broken the law;
 - (viii) which contain language which is defamatory, offensive, provocative or otherwise inappropriate;
 - (ix) which relate to a complaint or grievance (which should be handled through the Council's complaints procedure);
 - (x) which relate to a decision made by the Council or a committee during the preceding six months; and
 - (xi) which are identical or similar to other petitions made within the preceding twelve months.
7. The Clerk to the Council, or her representative, shall ensure petitions keep to procedures and are admissible. All valid petitions, with accompanying information if any, shall be passed to the next scheduled meeting of the Audit & Scrutiny Committee. Petitions which are the same, or substantially similar, shall be considered together.
 8. A summary report shall be prepared for the Committee by the Clerk to the Council about any petitions received during the period that are considered inadmissible for any of the reasons listed in paragraph 6 above. The Committee will make the final decision as to whether these are valid.

Meetings of the Audit & Scrutiny Committee

9. When hearing a petition the relevant Director(s), Executive Member(s) and Community Planning Partner representative(s) shall be invited to attend the meeting to provide further information, as appropriate.
10. The principal petitioner should indicate on the form whether or not he/she, or a named deputy, wish to have the opportunity to make a statement at the meeting of the Audit & Scrutiny Committee where their petition is being considered. It would be normal practice to allow the principal petitioner or a deputy to speak, but this is at the discretion of the Chairman of the Committee.
11. No deputation to the Meeting of the Audit & Scrutiny Committee shall exceed 10 in number and, at the discretion of the Chairman, only one speaker shall be heard by the Committee. The time allowed to present the petition shall not exceed 10 minutes, except at the discretion of the Chairman. The speaker should also be prepared to answer questions.

12. Notice of petitions scheduled to be considered by the Audit & Scrutiny Committee will be through the usual on-line public access facility to committee papers, with a link from the petitions "page" on the Council website. Those signing petitions should be made aware that the detail of the petition, with their name and address (but not signature), will be published on the Council website as part of the agenda pack for the meeting of the Audit & Scrutiny Committee.
13. For the moment, no "e-petitions" will be facilitated, or comments from the public accepted on petitions scheduled for consideration by the Audit & Scrutiny Committee.
14. The procedure at the meeting, for each petition considered, shall be as follows:
 - (i) the meeting shall be in public unless the subject matter of the petition would be deemed to be confidential under the terms of Section 7A of the Local Government (Scotland) Act 1973;
 - (ii) the principal petitioner, or named deputy, shall give a statement in explanation of the petition;
 - (iii) there will be an opportunity for Members of the Committee to ask questions of the petitioner or their named deputy;
 - (iv) there will be an opportunity for any Director(s), Executive Member(s) and Community Planning Partner representative(s) present to ask questions of the petitioner or their named deputy;
 - (v) a response to the petition may be heard from a Director, Executive Member and/or Community Planning Partner representative present at the meeting;
 - (vi) there will be an opportunity for Members of the Committee to ask questions of any Director, Executive Member(s) and Community Planning Partner representative(s) present at the meeting;
 - (vii) there will be an opportunity for the petitioner or their named deputy to ask questions of any Elected Member, Director or Community Planning Partner representative present at the meeting;
 - (viii) Members of the Committee shall then discuss the information available and consider their findings. The Committee may defer a decision should further information be required.

Note: any contribution on behalf of the petition from a second or other speaker(s) shall be at the discretion of the Chairman. The public will not be allowed to speak at the meeting unless invited to do so by the Chairman.
15. The Audit & Scrutiny Committee shall agree to one of the following:-

- (i) refer the petition to another Committee or Director, with or without a recommendation or comment. That Committee or Director shall then make the final decision which could include taking no further action;
 - (ii) refer the petition to the relevant Community Planning Partner, with or without a recommendation or comment, if appropriate;
 - (iii) that the issue(s) raised do not merit or do not require further action.
16. The decision of the Audit & Scrutiny Committee, and any reason for that decision, shall be recorded in the Minute of the Meeting and a copy of the Minute shall be sent to the principal petitioner by Democratic Services staff. Where the petition is referred to a Director or another body, the responsibility for communicating the final outcome of the petition is also referred. Updates on these outcomes will be provided to the Audit & Scrutiny Committee.
17. There will be no right of appeal in response to a final decision made in response to a petition.
18. The usage and effectiveness of the petitions procedure shall be reviewed on an annual basis.

Chief Executive

23 SEP 2019

Reference (official use)



Petitions – submission form

If you wish to submit a petition for consideration by the Audit & Scrutiny Committee, please complete the form below. You are advised to refer to the Guidance Questions and Answer sheet provided.

Details of Principal Petitioner	
Please enter the name and contact details of the person raising the petition. <i>The Principal Petitioner must be on the Register of Electors for the Scottish Borders Council area.</i>	
Name:	Marianne Bamkin
Address:	Waterside Cottage
	Waterside Road
	Jedburgh
Postcode:	
Telephone no:	
Email:	

Title of Petition and Petition Statement
Please enter the title of the Petition and a statement to cover the main subject of the Petition or the action you would like the Council to take.
Title: The retention of a library service and contact centre at the Carnegie Library in Jedburgh
Statement (no more than 250 words):
<p>The people of Jedburgh wish to retain the library service and contact centre in the current building rather than re-locate to Jedburgh Grammar Campus (JGC) for the following reasons:</p> <ul style="list-style-type: none"> • Proposed location is unsuitable, being hard to access for many council residents • Proposed space is too small to comply with SLIC’s public library strategy • Current heritage building was given to the town as a library for every resident • Left vacant the building will become a liability

122

Further information.

Please enter below any measures already taken, or persons/organisations approached to attempt to resolve the issues. Attach additional sheets to this form if required but please note that this information must be limited to no more than 4 sides of A4 paper.

Consequences of relocation will be:

- Detrimental to the health and social welfare of residents
- Economic health of the town will be impaired
- SBC will not be delivering an excellent public service
- Culture and creativity will be impaired

Each resident of Jedburgh has a right to access information and council services, but that right will be withdrawn from them if the library is removed from the town centre. Vehicular access to JGC is limited and pedestrian access to the steep hillside location, up a flight of steps, will not be possible for older and vulnerable people. A library is a gateway to knowledge, not merely a book delivery point. The proposed space with limited access to books and computers leaves little opportunity for residents to increase their knowledge and improve their health, social welfare and well-being. Footfall in both the library and the High Street will drop as residents that cannot access the library stay at home. Ultimately, SBC will incur costs spent on health and social welfare and the safety of the vacant building.

Presentation of petition to the Committee.

Please indicate below if you would like the opportunity to make a statement at the meeting of the Audit & Scrutiny Committee when your petition is considered. Whether or not you will be invited to do so will be at the discretion of the Chairman.

*I do/~~do not~~ wish the opportunity to make a brief statement about the petition.

*I would like my deputy named below to make a statement on my behalf.

Name of deputy

Contact details

Signature of deputy.....

* please delete as appropriate

Signature of Principal Petitioner.

If you are satisfied your petition meets all the requirements as stated in the Guidance Questions and Answers please add your signature and date below.

Signature of Principal Petitioner..

Date: 31/08/2019

Accompanying signatures.

Your petition must be accompanied by at least 10 signatures in total, from persons aged 16 and over, resident in the Scottish Borders. The signatures must be from a minimum of 3 separate addresses.

Please be aware that if the petition is on the agenda for a meeting of the Audit & Scrutiny Committee the names and addresses, but not signatures, of all signatories will be published on the Council website.

	Name	Address	Signature
1	EDMUND CRASTER	NORMANNE, FR MRS JEDBURGH TD8 6BN	
2	MARK WALKER-STEWART	3 CORNELIUS CLOSE JEDBURGH TD8 6AW	
3	MARIANNE BANKIN	Waterside Cottage, Waterside Rd, Jedburgh TD8 6HA	
4	DAVID GREEN	KISHORN THE FRIARS JEDBURGH TD8 6BF	
5	JANE NEAGLE	91B Castlegate Jedburgh	
6	MAGGIE SURGISON	BEECHROUNT HONEYFIELD ROAD JEDBURGH	
7	LISA BROWN	HIGH CROFT HONEYFIELD RD JEDBURGH	

Frank Morrow 4, Cypress Grove.

ELLA MURROW 4, Cypress

Elysha - Jones Cypress

8	b.B CHISHOLM	HIGH CROFT HONEYFIELD RD. JEDBURGH
9	Harry Brown	HIGH CROFT HONEYFIELD RD. JEDBURGH
10	b. Jeffrey	Lypress Grove JEDBURGH

Attach additional sheets of signatures if you wish.

Please submit this form and any additional sheets to:-

Clerk to the Council, Scottish Borders Council, Council Headquarters, Newtown
St Boswells, Melrose, TD6 0SA,

or email to:

committeepapers@scotborders.gov.uk

+ 127 signatures on accompanying
sheets



JEDBURGH LIBRARY PETITION

Briefing Note by Service Director Customer & Communities

AUDIT & SCRUTINY COMMITTEE

25 November 2019

1 PURPOSE AND SUMMARY

- 1.1 **This briefing note summarises the content and context of a petition received by the Audit & Scrutiny Committee on 23 September 2019. The petition, titled 'The retention of a Library Service and Contact Centre at the Carnegie Library in Jedburgh' received a total of 157 signatures.**

2 PETITION

- 2.1 The 157 signatories to the petition wish to retain the Library Service and Contact Centre in the current building rather than relocating the services to the new Jedburgh Grammar Campus (JGC) for the following reasons:

- (a) Proposed location is unsuitable, being hard to access for many council residents.
- (b) Proposed space is too small to comply with Scottish Library and Information Council's (SLIC) public library strategy.
- (c) The current heritage building was given to the town as a library for every resident.
- (d) Left vacant the building will become a liability.

- 2.2 The petition outlines a number of consequences to the plans to integrate the services in to the JGC as:

- (a) Detrimental to the health and social welfare of residents.
- (b) Economic health of the town will be impaired.
- (c) Scottish Borders Council will not be delivering an excellent public service.
- (d) Culture and creativity will be impaired.

3 CURRENT LIBRARY CONTACT CENTRE

- 3.1 Previously the Council's Contact Centre, which is the Council's face to face Customer Advice & Support Service, operated separately from the Library via a property in Exchange Street, Jedburgh. In April 2013 the Contact Centre was fully integrated with the Library and is currently operated by the Council's Customer Advice & Support Service.
- 3.2 The Library Contact Centre is currently open on a part-time basis for a total of 25 hours per week as shown in Table 1 below

Opening times of Library Contact Centre, Jedburgh		Number of hours
Monday	10.00-13.00 & 14.00-17.00	6
Tuesday	14.00-19.00	5
Wednesday	Closed	-
Thursday	10.00-13.00 & 14.00-17.00	6
Friday	10.00-15.00	5
Saturday	09.30-12.30	3
Sunday	Closed	-
Total number of hours per week		25

Table 1

- 3.3 There were 389 members of the Library as at 31 March 2019 with 229 members under the age of 60 and 160 over 60.
- 3.4 During that year a total of 8,625 items, mainly books, were issued averaging 166 per week.
- 3.5 The library currently offers access to computers through the Peoples Network. During 2018/19 they were used for a total of 1,391 hours averaging 27 hours per week.
- 3.6 Last year the usage of the Contact Centre facility averaged 72 transactions a week.

4 THE JEDBURGH GRAMMAR CAMPUS

- 4.1 In 2016, Scottish Borders Council undertook a strategic review of the school estate. Each community was invited to identify needs for educational opportunities going forward, and despite Jedburgh being by far the smallest school population, the engagement in the consultations accounted for 75% of all responses received. The town highlighted a clear appetite for change in how not only education, but all services and facilities were being delivered.

- 4.2 As a result of this clear support for something different, a large scale exercise was undertaken to scope out what could be achieved and as a result, the objective was set **"to deliver a community asset which would deliver tangible benefits for the health, wellbeing, learning and economic opportunities across the Jedburgh community."**
- 4.3 The vision for the campus was agreed as:
- A single learning space in the town where everyone in the community simultaneously learns, develops and keeps healthy.
 - Where everyone in the community can attain, achieve, participate and be included.
 - Where our most vulnerable children and citizens are supported and included to achieve, attain and participate.
 - Where Education is for everyone at every stage of their life.
 - Where care and learning are embedded.
 - Where learning and employment are embedded.
 - Where healthy living i.e. diet, lifestyle and activity are embedded.
 - Where learning as a lifelong journey with access to resource and facility regardless of age or ability.
 - A space where the talents, abilities and skills of everyone in the community are brought together for the benefit of all.
 - A space which maximises use of all community and council resources.
 - Where there is a one place approach to service delivery.
 - With a one place approach to making the most of capacity in the community.
 - A Secondary based learning space for children with additional support needs including children with autistic spectrum needs.
- 4.4 As well as the obvious benefits from this, the Council is committed to the Christie principals of best value and integration and sees education provision and its buildings as a valuable resource for the community before, during and after the school day. Through developing the objectives, the campus project sees the merger of all the educational, sports and community facilities. Funding investment was secured from Scottish Government on the basis of concurrent community use within the facility in early 2017 and the construction of the campus is well underway with opening scheduled for April 2020.

5 FIT FOR 2024 - PROPERTY RATIONALISATION

- 5.1 A programme of property rationalisation is being progressed as part of Fit for 2024 and the theme "Making Better Use of Council Properties".

- 5.2 Over the last five years, SBC has, on average, spent £14m per year on the running costs of property including refurbishing and repairing the estate. However, the sheer size of the estate means that this investment is spread too thinly and makes it challenging to sustain properties that are fit for purpose in future.
- 5.3 The programme aims to ensure that the Council is bolder and braver in the decisions it takes about its properties and engages with communities and partners on how we can, together, meet changing customer needs and community demands in a sustainable and innovative way. It takes a localities and town-based approach to property rationalisation looking at:
- The investments the Council are making in both new and existing properties in each town and locality
 - The opportunities that these investments offer for rationalising properties and having fewer but better fit for purpose buildings
 - Identifying those properties that are core, non-core or surplus
- 5.4 Engagement with local communities around proposals in each town and locality is central to the programme approach. This engagement includes how, and where, services can be provided and what should be done with buildings which are no longer core to service delivery or are already surplus to requirements. A series of engagement events are currently being rolled-out across Borders communities as part of the programme and the first of these was in Jedburgh on the 26th June this year. The event, which built on earlier public engagement around the development of the campus, provided an opportunity to highlight the way in which the campus could be used for wider community uses including library and contact centre services in future.
- 5.5 Members of the public attending the event were asked for their views on the future use of the library building as well as the existing grammar school site and the town hall. Views are currently being fed into a feasibility study on the future use of these buildings and sites, to avoid them being left vacant, which is understandably a concern of the petitioners. At least two community groups have subsequently expressed an interest, under the Community Empowerment Act, in the Library Building. Nothing has progressed to a formal stage as yet.
- 5.6 Legal advice was taken on any potential restrictions on the sale of the Library Building ahead of the engagement event. While the property is a "Carnegie Library", it can be sold without restriction. The property itself was not given to the Council by Carnegie but was, instead, purchased from a private individual. There were no restrictions on the title imposed by that disposition and the Council can sell it.

6 FUTURE VISION FOR SERVICES

- 6.1 The JGC will strengthen Jedburgh as a learning town where children and adults of all ages can grow and learn together. It will enable a completely different vision for learning and community, bolster Jedburgh's ability to support and sustain community life by providing a new and appropriately

scaled single learning campus for all the generations within Jedburgh and the surrounding rural communities.

- 6.2 The learning campus will have space for parental and community activities from early morning into the evening where the whole community can enjoy learning and wellbeing activities. One of the biggest changes we have is to allow concurrent use of facilities. Traditionally buildings have accommodated schools from 9 to 4 and the wider agenda for the community has wrapped round these times. This campus will be able to be utilised by all groups at all times, and this was a condition of the funding awarded by Government.
- 6.3 Simply through being in the same facility will offer endless opportunities for informal contact across the generations. Learning being visible to all those accessing the building provides inspiration as well as promoting a positive view of the young people in schools.
- 6.4 For young people, older generations being in and around, sharing facilities and resources creates positive role models. Generations learn to understand and respect each other and to benefit from learning together.
- 6.5 The location of the public library resource within the campus means that from babies onwards families will have the opportunity to engage in literacy activities from intergenerational storytelling in purpose built 'reading snugs' to online reading programmes which support the basics of reading skills.
- 6.6 Providing the Contact Centre services from the campus will further encourage community to access all their needs in one place – but in a place where there are opportunities to meet and be sociable. Rather than just attending to business and leaving, all generations will hopefully be encouraged to stay and contribute to the life of the campus.
- 6.7 Increasingly customers expect to be able to access services 24/7 and the Council's current Digital Customer Access (DCA) programme is focussed on how the Council can deliver more, and improve the customer experience, in a digital world. This is key to the delivery of the Council's digital vision which is to become a digital organisation implementing digital options across the entirety of its functions to improve service delivery. This will be achieved by, for example, building processes around the customer experience, employing data-driven decision making, rolling out digital learning and digital self-service, simplifying and standardising processes, exploiting automation and utilising digital methods of engagement with employees and citizens.
- 6.8 Inherent in that vision is an acknowledgement that not all services or transactions can be delivered in a digital manner, nor will all citizens have the relevant skills or resources to engage digitally. Those citizens will still receive relevant support and this will be considered as part of the Fit for 2024 transformation programme.

- 6.9 The Scottish Libraries Information Council (SLIC) do not have any guidance on the design of libraries. The designated library space will form an integral part of the new campus building and extends beyond one fixed space e.g. into the designated community space within the main entrance. The new campus will provide Live Borders, working in partnership with the Council, with the opportunity to refresh the current stock, allow opening hours to be extended and to work with the community to start up new activities and services e.g. Code Club, Lego sessions and live music events. The new campus will ensure that library services in Jedburgh have a more visible presence in a location where the community can access other services. This approach will enhance the opportunities to engage in cultural and creative activity as opposed to impair them.
- 6.10 The new campus will enable a more joined up service with partners and other agencies and the ability to forge new partnerships and delivery models to better meet present and future needs of the community. The co-location of libraries with other services is not a new approach and there is an increased emphasis on the changing role and the way communities use libraries e.g. digital access, learning and employment support. Co-location will open up opportunities for the service to engage with a much wider audience and attract new users to the library service who may not have visited the library in its previous location in the town centre.
- 6.11 Increasingly customers are using the digital services offered by Live Borders Library services. These are provided free for all library members, in a location with a wi-fi connection e.g. home/school/gym/library, and provide a range of online resources which customers can access 24 hours a day to download e-books, e-audiobooks and e-magazines. Support is available through the service for customers who require support to access the internet and this is something that will be a key focus for the new campus. The investment in 'Inspire Learning' allowing the rollout of iPads to pupils will offer families new opportunities to access digital services.
- 6.12 Live Borders Library Services deliver a housebound library service to borrowers who are more or less confined to their home, for the very old and vulnerable or for persons with a disability who cannot reach their local library. This service enhances the provision for vulnerable groups.
- 6.13 "What Matters Hubs" are sessions held in many Borders Towns under the Health and Social Care agenda. Bringing together staff from Social Work, Health, Carer's association, Charities and various support networks, these hubs offer the opportunity for the older population to access advice, support and services. Locating such a provision within the campus will not only extend this opportunity to the elderly population, but to the entire community.
- 6.14 It is recognised that for some residents the new location may be less convenient or pose some challenges. Officers from the project delivery team are in dialogue with colleagues in passenger transport to review transport routes and seek opportunities to enhance provision within the town to include public transport accessing the campus as part of the

established routes and services and it is hoped, that with sufficient demand, this provision could expand.

- 6.15 The JGC provides an opportunity for the Council, Live Borders and other key partners to improve outcomes for the residents of the town. This means taking a new approach to service design and delivery and being adaptable to change as the Campus opens and develops. Key to this will be ongoing discussions with all stakeholders on how services can be accessible for all.

7 SUMMARY

- 7.1 The response to the petition is outlined above. The response to each of the key concerns, detailed in the petition are summarised in table 2 below.

Concerns raised	Commentary
<p><i>Proposed location is unsuitable, being hard to access for many council residents.</i></p>	<p>It is recognised that for some residents the new location may be less convenient or pose some challenges. The project delivery team are specifically looking at access which includes a review of transport routes seeking opportunities to enhance provision within the town.</p> <p>It was also highlighted at the property engagement event on 26 June 2019 that for some residents of the town the location will be easier to access.</p> <p>The site selected for the new community campus was chosen following a rigorous options appraisal process which included significant community engagement</p> <p>The expansion of the opening hours of these services and the further promotion of digital services, will also improve accessibility. This includes the new opportunities via 'Inspire Learning' for families to access digital services through iPads.</p> <p>Discussions will continue with all stakeholders on how the services can be accessible for all.</p>

<p><i>Proposed space is too small to comply with Scottish Library and Information Council's (SLIC) public library strategy.</i></p>	<p>The Scottish Libraries Information Council (SLIC) do not have any guidance on the design of libraries.</p> <p>The Library and Contact Centre services will be provided from areas across the campus and are not restricted to only the fixed space shown on the plans. There are large, flexible areas within the campus that the community can use in addition to the school and nursery spaces and Live Borders and the Council are taking the opportunity to consider how services can be delivered differently.</p> <p>The new campus will provide Live Borders, working in partnership with the Council, with the opportunity to refresh the current stock, allow opening hours to be extended and to work with the community to start up new activities and services.</p>
<p><i>The current heritage building was given to the town as a library for every resident.</i></p>	<p>It is acknowledged that the building is important to the town. Although a "Carnegie Library", the property was not given to the Council by Carnegie but was purchased by the Council from a private individual. There were no restrictions on title imposed by that disposition. The property can be sold without restriction.</p>
<p><i>Left vacant the building will become a liability.</i></p>	<p>The Council, through engagement with the community, through interested bodies and via a feasibility study, is seeking to find a sustainable future for the building which maintains or enhances the built environment in the town.</p> <p>Interest in the building has already been expressed informally and discussions will continue on it's potential future use.</p>

Table 2

Approved by:

Jenni Craig

Service Director Customer & Communities Signature

Author(s)

Name	Designation and Contact Number
Jenni Craig	Service Director Customer & Communities
Lesley Munro	Lead Education Officer

Background Papers:

Previous Minute Reference:

Jedburgh Intergenerational Learning Campus – 21 December 2017

<https://scottishborders.moderngov.co.uk/documents/s21313/Item%20No.%2011%20-%20Jedburgh%20Intergenerational%20Learning%20Campus%20-%20Report.pdf>

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

Contact us at Jenni Craig, Scottish Borders Council, Council Headquarters, Newtown St. Boswells – Tel. No. 01835 824000 Ext. 5013; Email- jcraig@scotborders.gov.uk

This page is intentionally left blank

TREASURY MANAGEMENT MID-YEAR REPORT 2019/20

Report by Chief Financial Officer

AUDIT AND SCRUTINY COMMITTEE

25 November 2019

1 PURPOSE AND SUMMARY

- 1.1 **This report presents the mid-year report of treasury management activities for 2019/20, in line with the requirements of the CIPFA Code of Practice, including Prudential and Treasury Management Indicators, and seeks comments from Audit and Scrutiny Committee prior to consideration of the report by Council.**
- 1.2 The report is required as part of the Council's treasury management control regime. It provides a mid-year report on the Council's treasury activity during the six month period to 30 September 2019 and demonstrates that Treasury activity in the first six months of 2019/20 has been undertaken in full compliance with the approved Treasury Strategy and Policy for the year.
- 1.3 Appendix 1 contains an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators, and proposes revised estimates of these indicators in light of the 2018/19 out-turn and experience in 2019/20 to date for Council approval.

2 STATUS

- 2.1 This report is being distributed prior to the September Financial Monitoring being approved by the Executive Committee, currently scheduled for 19 November 2019. Any changes required as a result of this meeting will be reflected in the final version of this report being submitted to Council on 19 December 2019.

3 RECOMMENDATIONS

- 3.1 **It is recommended that the Audit and Scrutiny Committee:**
 - (a) **Notes that treasury management activity in the six months to 30 September 2019 was carried out in compliance with the approved Treasury Management Strategy and Policy**
 - (b) **Agrees to the presentation of the Treasury Management Mid-Year Report 2019/20, as contained in Appendix 1, to Council for approval of the revised indicators.**

4 BACKGROUND

- 4.1 The Council approved the Annual Treasury Management Strategy (the Strategy) for 2019/20 at the Council on 28 February 2019. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 4.2 As set out in the annual Treasury Strategy, the Audit and Scrutiny Committee has a role to scrutinise the Mid Year Report before submission to Council for final approval.

5 TREASURY MANAGEMENT MID-YEAR REPORT 2019/20

- 5.1 The Treasury Management Mid-Year Report for 2019/20 (the Mid-Year Report) is contained in Appendix 1. All of the 2019/20 target indicators reported upon are based on the indicators agreed as part of the Strategy approved by Council on 28 February 2019.
- 5.2 The Mid-Year Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
 - (a) An economic update for the first six months of 2019/20
 - (b) A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - (c) The Council's capital expenditure (prudential indicators)
 - (d) A review of the Council's investment portfolio for 2019/20
 - (e) A review of the Council's borrowing strategy for 2019/20
 - (f) A review of compliance with Treasury and Prudential Limits for 2019/20
- 5.3 The Mid-Year Report at Annex A contains revised Prudential and Treasury Management Indicators for consideration prior to Council approval.
- 5.4 The Mid-Year Report indicates that the Council's Treasury Management activities are being managed and monitored within the agreed boundaries and indicators approved by the Council.

6 IMPLICATIONS

6.1 Financial

There are no further financial implications relating to this report. The outcomes from the Council's treasury management activities are explained in detail within Appendix 1.

6.2 Risk and Mitigations

This report is an account of the outcomes delivered at the six-month stage from the tightly controlled risk management work that the Council's Treasury staff have carried out; Appendix 1 gives further detail on these controls. The report is an important element of the overall risk management environment but has no specific risk implications of its own.

6.3 Equalities

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

6.4 Acting Sustainably

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

6.5 Carbon Management

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

6.6 Rural Proofing

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

6.7 Changes to Scheme of Administration or Scheme of Delegation

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

7 CONSULTATION

7.1 The Service Director Regulatory Services as Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their comments incorporated into the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pensions & Investment Manager, 01835 825249
Sara Halliday	Treasury Business Partner, 01835 824000 extn 5854

Background Papers:

Previous Minute Reference:

Scottish Borders Council, 28 February 2019

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

Contact us at: Pensions & Investment Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA Tel: 01835 825016 Fax 01835 825166.
email: t&cteam@scotborders.gov.uk

This page is intentionally left blank

SCOTTISH BORDERS COUNCIL

TREASURY MANAGEMENT MID-YEAR REPORT 2019/20

1. BACKGROUND

a) Treasury management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

b) The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing security and adequate liquidity, before considering optimising investment return.

c) The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, where favourable conditions exist, any debt previously drawn may be restructured to meet Council risk or cost objectives.

d) **Annex A** contains a summary of the updated Prudential and Treasury Management Indicators for 2019/20 as highlighted throughout this report.

2 ECONOMIC POSITION

2.1 ECONOMIC UPDATE (*from Link Asset Services*)

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about

the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the **labour market**, despite the contraction in quarterly GDP growth of -0.2% q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the **political arena**, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be

seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

2.2 INTEREST RATE FORECAST

Table 1 summarises the latest interest rate forecast provided by the Council’s treasury advisor, Link Asset Services.

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

Source: Link Asset Services – October 2019

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That’s shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a “gradual pace and to a limited extent” is now also conditional on “some recovery in global growth”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

What we saw during the last half year up to 30 September is a near halving of longer term PWLB rates to completely unprecedented historic low levels. (*See paragraph 7 for comments on the increase in margin over gilt yields of 100bps introduced on 9.10.19.*) There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

3 TREASURY MANAGEMENT POLICY STATEMENT - UPDATE

- a) The Treasury Management Policy Statement (the Statement) was approved by Council in April 2010. There have been no policy changes to the Statement. The details in this report update the position in light of updated economic position and budgetary changes.
- b) Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by Council on 28 February 2019, with revision to the Investment Strategy approved by Council on 26 September 2019. There are no further policy changes to the Statement. The details in this report provides an update on Treasury Management activities, including Prudential and Treasury Management Indicators.

4 COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2019/20

4.1 This part of the report is structured to update:

- The Council's capital expenditure plan;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.2 CAPITAL EXPENDITURE

(Prudential Indicator (PI-1))

a) The original capital plan for 2019/20 was approved on 28 February 2019. **Table 2** shows the current budgets for capital expenditure compared to the original estimates used in the Treasury Management Strategy report for 2019/20.

Table 2	2019/20 Original Budget £m	2019/20 Current Approved Budget ¹ £m	Variance Original to Current Approved £m
Assets & Infrastructure	23.4	27.6	4.2
Other Corporate Services	3.6	5.4	1.8
Children & Young People	6.8	13.4	6.6
Culture & Sport	1.2	2.4	1.2
Economic Regeneration	13.2	9.0	(4.2)
Housing Strategy & Services	0.5	0.5	0
Social Care Infrastructure	3.7	3.6	(0.1)
Emergency & Unplanned Schemes	0.3	0.3	0
Total Capital Expenditure (PI-1)	52.7	62.2	9.5

¹ Executive Committee 19 November 2019

b) The current approved budget for 2019/20 is higher than the original budget due to adverse timing movements from February 2019 to 31 March 2019 in areas of the capital plan and additional grant received. Detailed explanations of the movements within the planned expenditure have been reported in the ongoing monitoring reports, the last of which was to the Executive Committee on 19 November 2019. The key drivers for the 2019/20 changes in Table 2 are:

- Assets & Infrastructure - addition to budget amounts to £4.2m as a result of timing movements between financial years and the receipt of additional funding for vehicles and roads & bridges.
- Other Corporate Services budget - increased by £1.8m due to timing movements between financial years in ICT and Digital Learning Transformation.
- Children & Young People – increase of £6.6m due to £7.9m budget movement from 2018/19 and £(1.3m) budget movement into 2020/21.
- Economic Regeneration – the reduction in budget reflects a timing movement between financial years for Hawick regeneration and reprofiling of the capital programme for the Central Borders Business Park.

4.3 FINANCING OF THE CAPITAL PROGRAMME

- a) **Table 3** on the following page draws together the main funding elements of the capital expenditure plans (see 4.2 above), comparing the original components of the funding strategy to those of the latest approved budget for the 2019/20 capital programme.

Table 3	2019/20 Original Budget	2019/20 Current Approved Budget ¹	Variance Original to Current Approved
	£m	£m	£m
Capital Expenditure (PI-1)	52.7	62.2	9.5
Other Relevant Expenditure	-	-	-
Total Expenditure	52.7	62.2	9.5
<i>Financed by:</i>			
Capital receipts	(1.8)	(3.0)	(1.2)
Capital from Revenue (CFCR)	-	(0.2)	(0.2)
Developer Contributions	(0.2)	(0.2)	-
Govt. General Capital Grant	(16.8)	(16.8)	-
Govt. Specific Capital Grant	(8.1)	(12.6)	(4.5)
Other Grants & Contributions	(5.5)	(10.0)	(4.5)
Replacement Funds	(2.4)	(2.0)	0.4
Total Financing	(34.8)	(44.8)	(10.0)
Net Financing Need for the Year	17.9	17.4	0.5

¹ Executive Committee 19 November 2019

- b) The increase in overall financing need is primarily driven by the additional projected capital expenditure as detailed in table 2, above. The impact on net financing need by this increase in expenditure of £9.5m in total, has been primarily off-set by a material increase in Scottish Government Specific Grants of £4.5m, principally relating to Vehicles, and Early Learning and Childcare projects (carried forward from 2018/19); along with a £4.5m increase in Other Grants & Contributions which is mainly due to timing differences between financial years. Additional increases in other funding streams as detailed above has also increased total funding, thereby resulting in a decrease to the net financing need of £0.5m.

4.4 CAPITAL FINANCING REQUIREMENT AND EXTERNAL DEBT INDICATORS

CAPITAL FINANCING REQUIREMENT (CFR) (PI-2)

- i) **Table 4** below shows the CFR, which is the underlying need to incur external borrowing for a capital purpose.
- ii) The CFR has been re-calculated in light of the changes to the capital plan and the fixed asset and reserve valuations in the Council's accounts for the year ending 31 March 2019; this has resulted in a variance of £11.4m in the CFR.

Table 4	2019/20 Original estimate £m	2019/20 Revised estimate £m	Variance £m
CFR * (PI-2)	332.4	321.0	11.4

The CFR for this calculation includes current capital expenditure assumptions to 30 September 2019.

ACTUAL EXTERNAL DEBT (PI-5)

- iii) Projected external debt for 2019/20 is shown in **Table 5** below and is estimated to remain within the operational boundary.
- iv) **Table 5** also compares the current projected external borrowing estimate with the estimate in the Annual Strategy. In cash terms, the borrowing figure is lower than originally projected in line with the reduced net financing need as detailed above. A variance in cash levels held at the year-end compared to those projected also impact on the variance below.
- v) Due to the cashflow of the capital program, £7.5m of additional borrowing has been incurred during the first half of 2019/20, and it is anticipated that further borrowing of £2m will be required during the remainder of the year.

Table 5	2019/20 Original estimate	2019/20 Current Approved Budget	Variance
	£m	£m	£m
Borrowing	215.4	204.8	(10.6)
Other long-term liabilities	67.3	67.3	0
Total External Debt (PI-5)	282.7	272.1	(10.6)

(UNDER)/OVER BORROWING AGAINST CFR (PI-6)

- vi) A key control over treasury activity is a prudential indicator to ensure that, over the medium term, borrowing will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years.
- vii) **Table 6** compares the prudential indicator for (under)/over borrowing against CFR versus the updated estimate for the year end and shows that the Council's actual debt levels are well within its capital financing requirement. This is primarily driven by the tactical measures which use the Council's surplus cash-flows to finance capital expenditure minimising the need enter into additional debt financing arrangements.

Table 6	2018/19 Original estimate	2018/19 Current Approved Budget	Variance
	£m	£m	£m
Gross External Debt	282.7	272.1	(10.6)
CFR *	383.8	376.7	7.1
(Under)/Over Borrowing against CFR (PI-6)	(101.1)	(104.6)	(3.5)

* The CFR for this calculation includes the current and two future years projected capital expenditure.

- viii) No difficulties are envisaged for the current or future years in complying with this prudential indicator.

AUTHORISED LIMIT AND OPERATIONAL BOUNDARY (PI-7 and PI-8)

- ix) Two further prudential indicators control the overall level of borrowing. These are:

- (i) The **Authorised Limit** which represents the limit beyond which borrowing is prohibited and the expected maximum borrowing need for the Council. It needs to be set and revised by Members. The Authorised Limit is the statutory limit determined under the Local Government in Scotland Act 2003.
- (ii) The **Operational Boundary** which shows the expected operational debt position for the period.
- x) **Table 7** below shows revised estimates for the debt indicators for the 2019/20 financial year and compares them with the original estimates shown in the 2019/20 Treasury Management Strategy Report.

Table 7	2018/19 Original estimate £m	2018/19 Revised estimate £m	Variance £m
Gross External Debt (PI-5)	282.7	272.1	10.6
Authorised Limit inc. Long Term Liabilities(PI-8a)	389.0	380.4	8.6
<i>Variance to External Debt Estimate</i>	<i>106.3</i>	<i>108.3</i>	<i>(2.0)</i>
Operational Boundary inc. Long Term Liabilities (PI-7a)	324.2	317.0	(7.2)
<i>Variance to External Debt Estimate</i>	<i>41.5</i>	<i>44.9</i>	<i>(3.4)</i>

4.5 DEBT RESCHEDULING

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

5 INVESTMENT ACTIVITY

5.1 INVESTMENTS

- a) In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in section 2.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.
- b) The Council held £29.9m of balances in interest bearing accounts as at 30 September 2019 (£2.7m at 31 March 2019). As a result of current market uncertainties, the Council has been prioritising the security of deposits by investing surplus balances with money market funds and the UK Government's Debt Management Office (DMO).
- c) The increase in the level of balances invested from March to September, highlighted above are due to timing differences between additional borrowing undertaken and corresponding capital expenditure, detailed in section 4.4 above.

- d) The Council, due to the cashflow position and the requirement to manage the Pension Fund cash as well as the Council's, continues to explore opportunities to invest surplus balances in the short term.

5.2 INVESTMENT COUNTERPARTY CRITERIA

- a) The current investment counterparty criterion, approved in the Treasury Management Strategy, represents a prudent approach to risk and the Council's concerns about security of investments. These prudent limits mean there are limited investment options when operating the cash-flow on a short term management basis.
- b) Considering security, liquidity and yield of investment, priority is given to security. Daily updates and reports are received from Link Asset Services that allow officers to assess the continued credit worthiness of investment counter parties.
- c) All investments undertaken are on a short term, highly liquid basis, allowing access to invested funds at 1 days notice.
- d) Interest rates are also monitored on a daily basis to ensure the best return is obtained. Target for internal return on cash investment is to be above the 7 Day LIBID rate. The return for six months to 30 September 2019 has averaged 0.65%, compared against an average seven day LIBID rate of 0.57%.

LOAN CHARGES

- a) The **Loan Charges** Revenue Budget estimate contained in the Council's Financial Plans approved on 28 February 2019 was £20.350m. It is expected that charges for 2019/20 will be lower than the budgeted figure, in line with the actual and projected borrowing requirements for the year.

ANNEX A

Indicator Reference	Indicator	Page Ref.	2019/20 Original estimate	2019/20 Revised estimate
PRUDENTIAL INDICATORS				
Capital Expenditure Indicator				
PI-1	Capital Expenditure Limits (£m)	8	52.7	62.2
PI-2	Capital Financing Requirement (£m) (CFR)	9	332.4	321.0
Affordability Indicator				
PI-3	Ratio of Financing Costs to Net Revenue (inc PPP repayment costs)	N/A	9.3%	9.8%
PI-4	Incremental (Saving)/ Cost Impact of Capital Investment Decisions on Council Tax	N/A	£(0.01)	£(0.01)
External Debt Indicators				
PI-5	External Debt (£m)	10	282.7	272.1
PI-7a	Operational Boundary (inc. Other Long Term Liabilities) (£m)	11	324.2	317.0
PI-7b	Operational Boundary (exc. Other Long Term Liabilities) (£m)	N/A	256.9	249.7
PI-8a	Authorised Limit (inc. Other Long Term Liabilities) (£m)	11	389.0	380.4
PI-8b	Authorised Limit (exc. Other Long Term Liabilities) (£m)	N/A	321.7	313.1
Indicators of Prudence				
PI-6	(Under)/Over Net Borrowing against the CFR (£m)	10	(101.1)	(104.6)
TREASURY INDICATORS				
TI-1	Upper Limit to Fixed Interest Rates based on Net Debt (£m)		324.2	317.0
TI-2	Upper Limit to Variable Interest Rates based on Net Debt (£m)		113.5	111.0
TI-3	Maturity Structure of Fixed Interest Rate Borrowing		Lower	
	Under 12 months		0%	
	12 months to 2 years		0%	
	2 years to 5 years		0%	
	5 years to 10 years		0%	
	10 years and above		20%	
TI-4	Maximum Principal Sum invested greater than 364 days	12	20%	20%

INTERNAL AUDIT MID-TERM PERFORMANCE REPORT 2019/20

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

25 November 2019

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to inform the Audit and Scrutiny Committee of the progress Internal Audit has made, in the first 6 months of the year to 30 September 2019, towards completing the Internal Audit Annual Plan 2019/20. It also summarises the statutory obligations for Internal Audit and requirements of the Public Sector Internal Audit Standards.**
- 1.2 The Objectives of Internal Audit are set out in its Charter: “As part of Scottish Borders Council’s system of corporate governance, Internal Audit’s purpose is to support the Council in its activities designed to achieve its declared objectives.” Internal Audit provides assurance to Management and the Audit and Scrutiny Committee on the effectiveness of internal controls and governance within the Council.
- 1.3 The Internal Audit Annual Plan 2019/20 that was approved by the Audit and Scrutiny Committee on 11 March 2019 sets out the audit coverage for the year utilising available Internal Audit staff resources to enable the Chief Officer (the Council’s Chief Audit Executive (CAE)), to provide the statutory annual Internal Audit opinion regarding the adequacy and effectiveness of internal control within the Council. Internal Audit assurance services and annual opinions are also provided to the Board of SB Cares, the Scottish Borders Pension Fund Board and Committee, and the Scottish Borders Health and Social Care Integration Joint Board to meet their obligations.
- 1.4 The Appendix 1 to this report provides details of the half-yearly progress by Internal Audit with the delivery of its programme of work. Internal Audit has made good progress in the first half of the year, despite extraordinary staff sickness absence during that period, and is currently on target to complete its Annual Plan 2019/20 subject to full staff attendance in the second half of the year.
- 1.5 The report also summarises the statutory obligations for Internal Audit and the requirements of the Public Sector Internal Audit Standards (PSIAS) with which the SBC Internal Audit function conforms.

2 RECOMMENDATION

- 2.1 I recommend that the Audit and Scrutiny Committee notes the progress Internal Audit has made towards completing the Internal Audit Annual Plan 2019/20, and confirms that it is satisfied with the Performance of the Internal Audit service.**

3 BACKGROUND

- 3.1 The Objectives of Internal Audit are set out in its Charter: "As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives and to do so:
- As a contribution to the Council's corporate management of risk.
 - As an aid to ensuring that the Council and its Members, managers and officers are operating within the law and relevant regulations.
 - In support of the Council's vision, values and priorities.
 - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.
 - As a contribution towards ensuring that financial statements and other published information are accurate and reliable."
- 3.2 Internal Audit provides assurance to Management and the Audit and Scrutiny Committee on the effectiveness of internal controls and governance within the Council.
- 3.3 The Internal Audit Annual Plan 2019/20 that was approved by the Audit and Scrutiny Committee on 11 March 2019 sets out the audit coverage for the year utilising available Internal Audit staff resources to enable the Chief Officer (the Council's Chief Audit Executive (CAE)), to provide the statutory annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.
- 3.4 Internal Audit assurance services are also provided during the year to the Council's adult social care ALEO (SB Cares), the Scottish Borders Pension Fund, and the Scottish Borders Health and Social Care Integration Joint Board, and annual opinions are provided to their respective Management and Board/Committee to meet their obligations.

4 HALF YEAR RESULTS AGAINST INTERNAL AUDIT PLAN 2019/20

- 4.1 The Internal Audit programme of work led by the Principal Internal Auditor takes account of the availability of auditor resources and consultation with Management to consider operational service delivery demands and timing of the Council's transformation programmes.
- 4.2 The Appendix 1 to this report provides details of the half yearly progress by Internal Audit with the delivery of its programme of work to deliver the approved Internal Audit Annual Plan 2019/20. Those audits which are complete are highlighted in dark shading, those underway to reflect their continuous audit approach are highlighted in light shading, those scheduled for the second half of the year are not shaded, and those audits that have not been delivered as planned are marked *.
- 4.3 The Internal Audit function has experienced reduced output arising from extraordinary staff sickness absence during the first half of the year (one Internal Auditor absent for 11 weeks i.e. 20% of the team for 25% of the available time). The most significant variations of Actual below Plan during the first half of the year to 30 September 2019 are as follows:
- Internal Controls: Adult Social Care Services – Learning Disability Service (Audit work nearly completed though slight delay compared to schedule in programme of work. Report to be issued 3rd Quarter.)
 - Internal Controls: SB Contracts (Audit work underway though slight delay compared to schedule in programme of work. Report to be issued 3rd Quarter.)

- Internal controls: Homelessness (Audit work not yet started as delay compared to schedule in programme of work. Work rescheduled to commence 4th Quarter to align with Service self-assessment.)
 - Legislative and Other Compliance: Jedburgh Conservation Area Regeneration Scheme (CARS) (Audit work underway though slight delay compared to schedule in programme of work. Report to be issued 3rd Quarter.)
 - Legislative and Other Compliance: EU Funded Programmes LEADER and European Maritime Fisheries Fund (EMFF) Audit work nearly completed though slight delay compared to schedule in programme of work. Report to be issued 3rd Quarter. Audit Assurance Report will be issued to Scottish Government to comply with Audit terms in SLA.)
- 4.4 The continuous audit approach enables Internal Auditors to provide added value advice on internal controls and governance and 'critical friend' consultancy services as the Council continues to transform its service delivery. For example: the Fit for 2024 Transformation Programme; Information Governance Group; Corporate Landlord Model; and Contract Management Framework. The related Assurance Reports are scheduled for completion by the end of the year 2019/20. The continuous audit approach is applied to non-SBC Internal Audit work for the Scottish Borders Council Pension Fund, the Scottish Borders Health and Social Care Integration Joint Board, and SB Cares. The latter is affected by the Council decision taken on 26 September 2019 following its consideration of the report by the Chief Executive "Strategic Review of SB Cares – Future Provision Of Adult Social Care Services" (refer to Appendix 1 for details).

5 COMPLETING THE PLAN FOR 2019/20

- 5.1 The Internal Audit staff resources taking account of the shared Internal Audit services arrangement with Midlothian Council comprises the Chief Officer Audit & Risk (50%), one Principal Internal Auditor, one Senior Internal Auditor, and three Internal Auditors. Internal Audit team members will continue to work in a collaborative way with the Corporate Risk Officer and the Corporate Fraud and Compliance Officer within the Audit and Risk service to provide assurance and compliance services. A Graduate Finance Trainee has joined the Audit and Risk service for a period of six months to March 2020.
- 5.2 The Internal Audit programme of work for the six months from October 2019 to March 2020 to complete the delayed work and incorporate the remaining planned audit work, based on staffing levels within this period, presently indicates that the Internal Audit Annual Plan 2019/20 can be delivered in full. There is no change proposed to the audit plan that would require approval by the Audit and Scrutiny Committee.
- 5.3 The Internal Audit work will continue to be reported to the Corporate Management Team and to the Audit and Scrutiny Committee. The Internal Audit Work reports will include: an Executive Summary of the audit objective, findings, good practice, recommendations (where appropriate) and audit opinion of assurance for each Final Internal Audit Report issued to relevant Service Management; a summary of Internal Audit Assurance Work in Progress; and an outline of Internal Audit Consultancy and other work carried out in accordance with the approved Internal Audit Charter.
- 5.4 Internal Audit's compliance with its Strategy and delivery of its risk-based Annual Plan will continue to be communicated to the Corporate Management Team and the Audit and Scrutiny Committee within the Internal Audit Annual Assurance Report which will also provide the statutory audit opinion based on audit findings over the year.

6 THE LOCAL AUTHORITY ACCOUNTS (SCOTLAND) REGULATIONS 2014

- 6.1 The Local Authority Accounts (Scotland) Regulations 2014 which came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the *Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector (PSIAS)*. The standards require internal audit to have suitable operational independence from the authority.
- 6.2 The regulations require a local authority to assess the efficiency and effectiveness of internal auditing activity from time to time in accordance with recognised internal auditing standards and practices i.e. PSIAS.

7 PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) AND QUALITY ASSURANCE & IMPROVEMENT PLAN (QAIP)

- 7.1 The SBC Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective April 2013 (updated April 2017) which includes:
- Definition of Internal Auditing;
 - Code of Ethics;
 - Attribute Standards (responsibility, independence, proficiency, quality);
 - Professional Standards (managing activity, nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, risk management).
- 7.2 The PSIAS requires the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, to carry out an annual internal self-assessment against the PSIAS, develop a quality assurance and improvement plan (QAIP) based on the outcome, and report the results of the QAIP to senior management and elected members.
- 7.3 An annual internal self-assessment against the PSIAS of the Internal Audit function will be completed prior to the end of 2019/20. The results and any associated improvement actions will continue to be reported to Corporate Management and the Audit and Scrutiny Committee within the Internal Audit Annual Assurance Report. This will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to consider the findings of assessments as part of the consideration of the system of internal control required by regulation 5.
- 7.4 The PSIAS also requires the self-assessment to be subject to an External Quality Assessment (EQA) each five years, by appropriately qualified and independent reviewers. The first EQA of SBC Internal Audit was carried out by Renfrewshire Council in October 2015 and the results reported to the Audit and Risk Committee in November 2015. The schedule for the second cycle of EQAs indicates that the EQA for SBC will take place in 2020 and will be carried out by North Lanarkshire Council and SBC will carry out the EQA of Angus Council by the end of 2019.

8 IMPLICATIONS

8.1 Financial

- (a) There are staff resources available to achieve the Internal Audit Annual Plan 2019/20 and to meet the key objective of delivering an effective Internal Audit function and providing the statutory internal audit opinion on internal controls and governance.

- (b) Budget monitoring of the Audit and Risk service (Internal Audit, Risk Management and Counter Fraud) is discussed by the Chief Officer Audit & Risk on a quarterly basis with Finance staff to address any budgetary pressures and to manage service delivery within budget.

8.2 **Risk and Mitigations**

- (a) The Objectives of Internal Audit are set out in its Charter. "As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives." Specifically as "a contribution to the Council's corporate management of risk".
- (b) Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and potential range and breadth of audit areas for inclusion. During the development of the Internal Audit Annual Plan 2019/20, to capture potential areas of risk and uncertainty more fully, key stakeholders were consulted and risk registers were considered, to ensure the Plan was formulated on a risk-based approach.
- (c) If Internal Audit staffing levels fall below that assumed for the remaining six-month period, there is the risk that the annual plan will not be achieved. That in turn increases the risk of not providing statutory audit opinion to Management and the Audit and Scrutiny Committee on the effectiveness of internal controls and governance within the Council. This will be mitigated by way of workforce planning, scheduling of audit programme of work, regularly monitoring progress, and taking action as necessary.

8.3 **Equalities**

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

8.4 **Acting Sustainably**

There are no direct economic, social or environmental issues with this report.

8.5 **Carbon Management**

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

8.6 **Rural Proofing**

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

8.7 **Changes to Scheme of Administration or Scheme of Delegation**

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

9 **CONSULTATION**

- 9.1 The Corporate Management Team have been consulted on this report and any comments received have been taken into account.
- 9.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director HR, the Clerk to the Council, the Communications team and the Corporate Risk Officer has been consulted on this report and any comments received have been incorporated into the report.

Approved by

Jill Stacey, Chief Officer Audit & Risk Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel. 01835 825036
Sue Holmes	Principal Internal Auditor Tel 01835 825556

Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Audit and Scrutiny Committee 11 March 2019

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Internal Audit intaudit@scotborders.gov.uk

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
Corporate Governance			
Corporate Governance	30	Continuous audit approach on compliance with the Local Code of Corporate Governance, progress on improvement action plans and support to Audit and Scrutiny Committee. Annual evaluation against Local Code of Corporate Governance covering the corporate whole and individual Service Directorates. Engagement in the review of the associated code of governance documents e.g. Scheme of Delegation, Scheme of Administration, Procedural Standing Orders, Financial Regulations, and Codes of Conduct for Councillors and for Employees.	Ongoing follow-up on implementation of actions on Areas of Improvement set out in the Annual Governance Statement 2018/19; Annual evaluation of compliance with and effectiveness of the Council's Local Code of Corporate Governance scheduled 4th Quarter.
Information Governance	25	Continuous audit approach performing 'critical friend' role through the review of the Information Governance framework including roles and responsibilities for the different data controllers (including Assessor ERO), policy development and implementation, and assess compliance with the General Data Protection Regulations (GDPR). Provide annual assurance to the Senior Information Risk Owner (SIRO).	Ongoing as part of assurance role on the Information Governance Group and the Information Management Team. Assurance Report scheduled 4th Quarter.
Performance Management	25	Provide independent validation of performance indicators and benchmarking information to support self-assessment and continuous improvement of the Council's services, specifically to ensure accuracy of data submitted for either Local Government Benchmarking Framework or Corporate Priorities PIs and Assessors performance monitoring and reporting.	Final report issued 10 September 2019; Executive Summary reported to Audit and Scrutiny Committee on 23 September 2019.
Corporate Transformation	30	Continuous audit approach performing 'critical friend' role through input to the Corporate Transformation Programme to influence the governance and accountability arrangements, including processes for benefit (financial and other) identification, tracking and realisation (return on investment and value for money), and evaluation of outcomes and lessons learned. A series of Gateway Reviews will be carried out to provide assurance that the Transformation Programme remains on a sound footing.	Ongoing as part of other associated audit work relating to change. Assurance Report scheduled 4th Quarter.
Contracting & Procurement	15	Review of the Council's Contract Management Framework to ensure that there are adequate and effective controls in place over Contract Monitoring arrangements throughout the Council, including arms-lengths external organisations, sports trusts and strategic arrangements with third parties.	Scheduled 3rd Quarter.
Health and Safety	15	The Council is complying with relevant Health and Safety (H&S) legislation, has a structured approach to H&S awareness, including use of the new H&S Management system (LEXI) to ensure there are adequate and effective controls in place for health and safety.	Scheduled 3rd Quarter.
Attendance Management	10	There are adequate controls in place to manage short and long term absences to minimise the impact on service delivery.	Final report issued 7 October 2019; Executive Summary to be reported to Audit and Scrutiny Committee on 25 November 2019.
	150		

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
-------	-------------------	------------	--------

Financial Governance

Payroll	25	Compliance testing of controls at Service level, including Business World assurance work on Payroll processes.	Work has been carried out in advance of the scheduled assurance audit relating to Overtime. Scheduled 4th Quarter
Sales to Cash	10	Review of income management controls in place throughout the Council to set fees and charges for services, raise invoices promptly, and collect debts efficiently resulting in debtors' balances that are complete, accurate and recoverable including review of VAT treatment. Business World assurance work on Sales to Cash processes.	Work has been carried out in advance of the scheduled assurance audit relating to Review of ICON Upgrade. Scheduled 4th Quarter
Procure to Pay	25	Review of purchase to payment processes at Service level including authorisation to test compliance and review of VAT treatment. Business World assurance work on Procure to Pay processes.	Work has been carried out in advance of the scheduled assurance audit relating to Virtual Purchase Cards. Scheduled 4th Quarter
Record to Report	15	Assurance work on Record to Report processes to determine if expected improved internal financial controls via the Business World ERP system are being achieved. Key controls work relating to core General Ledger and Management Reporting.	Scheduled 4th Quarter
Members Allowances	10	Adequate controls are in place to ensure Members allowances and expenses are accurate, and are paid correctly and timely.	Final report issued 10 September 2019; Executive Summary reported to Audit and Scrutiny Committee on 23 September 2019.
	85		

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
-------	-------------------	------------	--------

ICT Governance

ICT Security	40	Assess the adequacy of the ICT security arrangements including: physical and environmental controls; disaster recovery; third party access; operational controls (change / incident / problem management) and business applications, to ensure they are designed appropriately and that all parties are adhering and complying with them. Review of Public Services Network (PSN) compliance and Cyber Essentials requirements.	Scheduled 3rd Quarter.
ICT Business Systems / Operational Computer Systems	30	Governance and processes are in place to review and redesign computer based systems/business applications outwith the CGI Contract to ensure they are fit for purpose to support service delivery.	Final report issued 13 September 2019; Executive Summary reported to Audit and Scrutiny Committee on 23 September 2019.
	70		

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
-------	-------------------	------------	--------

Internal Controls

Schools	30	Review of internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources in the school establishments including evaluation of the systems in place to set and monitor DSM budgets.	Scheduled 3rd Quarter; sample of schools selected for visits are Peebles High School and Priorsford, Kingsland and St Ronan's Primary Schools (cluster schools).
Looked After Children at Home	15	Adequate controls are in place to ensure sound budgetary control and the demand on service delivery for Looked After Children at Home.	Final report issued 13 September 2019; Executive Summary reported to Audit and Scrutiny Committee on 23 September 2019.
Developer Contributions/Development Management Fees	25	Adequate controls are in place over income and expenditure and use of resources. Commitment from Services to ensure policies and procedures are operating effectively, including conditions within legal agreements and payback of contributions.	Scheduled 3rd Quarter.
Building Standards Emergency Works	20	The Council has adequate controls in place for emergency works income and expenditure including credit control responsibilities and transparency of reporting to Elected Members.	Final report issued 10 September 2019; Executive Summary reported to Audit and Scrutiny Committee on 23 September 2019.
Assessors	15	There are adequate controls to ensure that responsibilities are discharged appropriately to provide and maintain the valuation roll and to ensure timely and correct value assessment of properties to meet required standards and practices.	Scheduled 3rd Quarter.
Adult Social Care Services - Learning Disability Service	15	Review of the governance and accountability arrangements in place for Adults with Learning Disabilities to ensure obligations are met to deliver learning disability services and closer integration via partnership working.	*Audit work nearly completed though slight delay compared to schedule in programme of work. Report to be issued 3rd Quarter.
SB Contracts	30	Adequate financial and operational controls are in place over externally sourced income and operations to ensure sustainability. Evaluate fraud prevention controls and detection processes to ensure fraud risk is managed.	*Audit work underway though slight delay compared to schedule in programme of work. Report to be issued 3rd Quarter.
Homelessness	15	Review of controls in place to ensure the achievement of statutory obligations for the Homelessness service, including a focus on prevention and support.	*Audit work not yet started as delay compared to schedule in programme of work. Work rescheduled to commence 4th Quarter to align with Service self-assessment.
	165		

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
-------	-------------------	------------	--------

Asset Management

Property Asset Management	15	The Council has a structured Property Management Framework and an associated property maintenance programme for its buildings, other property and facilities to ensure they are fit for purpose, and has accurate records to demonstrate efficient and effective use.	Scheduled 4th Quarter
Paths Asset Management	10	Risks are identified and effectively mitigated relating to Asset Management issues on managed paths.	Scheduled 3rd Quarter.
Roads Asset Management	20	The Council has a structured framework for Roads Asset Management (roads, bridges, footways, lighting), including an inspection programme, to demonstrate efficient and effective use of resources.	Scheduled 3rd Quarter.
	45		

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
-------	-------------------	------------	--------

Legislative & Other Compliance

Jedburgh Conservation Area Regeneration Scheme (CARS)	10	Review as part of programme compliance and evaluation requirements of the external funders including audit requirements.	*Audit work underway though slight delay compared to schedule in programme of work. Report to be issued 3rd Quarter.
EU Funded Programmes (LEADER and European Maritime Fisheries Fund)	20	Annual audits of EU grant-funded programmes under the terms of Service Level Agreements (SLAs) to assess compliance with the requirements of the SLAs and the relevant EC Regulations.	*Audit work nearly completed though slight delay compared to schedule in programme of work. Report to be issued 3rd Quarter. Audit Assurance Report will be issued to Scottish Government to comply with Audit terms in SLA.
	30		

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
-------	-------------------	------------	--------

Consultancy

Advice	20	Provision of ad-hoc Internal Audit advice and assistance on internal controls, risk management and governance in response to requests.	Ongoing; specific work during first 6 months to provide advice for policy development (School Fund, Purchase Cards).
Corporate Transformation Project Boards / Teams and Other Forums	50	Provision of Internal Audit consultancy activities to support Management in delivering innovation and transformational change and continue to add value to the Council by influencing and offering ways to enhance the governance and internal control environment. In its 'critical friend' role provide: internal challenge and quality assurance on a sample of programmes and projects involving major change and systems implementation; provide independent challenge of the evidence to support improvement; and perform an independent and objective assessment of the evidence to support self-evaluation and improvement in support of Best Value.	Ongoing - during first 6 months various members of the Internal Audit team in 'critical friend' role engaged in various Project Boards / Teams or other Forums to provide internal challenge and quality assurance. For example: Fit for 2024 Transformation Programme Board; Corporate Landlord Model; Public Protection Unit; Contract Management Framework. On request by Chief Executive carried out Internal Audit Consultancy work on Cost Benefit Analysis ALEOs (SB Cares). This Internal Audit Consultancy work was referred to within report to Council 26 September 2019 by Chief Executive "Strategic Review of SB Cares – Future Provision Of Adult Social Care Services".
	70		

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
-------	-------------------	------------	--------

Other

Contingency	15	Carry out investigations and other reactive work to ensure high risk issues and concerns identified by Management during the year are appropriately addressed.	On request and in agreement by Chief Officer Audit & Risk.
Follow-Up	20	Monitor progress with implementation of Audit recommendations and ensure that Management Actions have been timeously and effectively implemented, to check that these have had the desired effect to manage identified risks, and to demonstrate continuous improvement in internal control and governance.	Ongoing; Report on Progress with Management implementation of Audit Recommendations for presentation to CMT then Audit and Scrutiny Committee on 25 November 2019.
Counter Fraud	40	Provide intelligence via data sharing requests from Police Scotland, and submission of data sets and case management of data matches arising from the Audit Scotland-led National Fraud Initiative (NFI) exercise in liaison with the Corporate Fraud & Compliance Officer.	Ongoing
	75		

SBC Total	690
-----------	-----

AUDIT	2019/20 (Days)	COMMENTARY	STATUS
-------	-------------------	------------	--------

Non SBC

SB Cares	35	To be determined and agreed with SB Cares Board and Management for review of the adequacy of the arrangements for risk management, governance and control of SB Cares.	SB Cares Internal Audit Annual Plan 2018/19 approved by SB Cares Board on 4 April 2019 following consultation with SB Cares Management Team, and continuous audit work. Following Council decision 26 September 2019 Internal Audit are involved in working group to reintegrate all of the services presently directly delivered by the ALEO into the Council from 1 December 2019 to provide assurance to the Council.
Scottish Borders Pension Fund	5	To be determined and agreed with Pension Fund Committee and Management for review of governance of pension fund and provision of annual governance statement.	Attendance at Pension Fund Committee and Board; Assurance Audit work over the systems and controls in place at Scottish Borders Council which covers the same systems for the Pension Fund and input to Annual Governance Statement scheduled in 4th Quarter. Internal Audit annual assurance report will be presented to Pension Fund Committee and Board.
Scottish Borders Health and Social Care Integration Joint Board	45	To be determined and agreed by the Scottish Borders Health and Social Care Integration Joint Board for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.	Scottish Borders Health and Social Care Integration Joint Board (IJB) Internal Audit Annual Plan 2018/19 approved by IJB Audit Committee on 11 February 2019. In respect of joint services, assurances will be sought as appropriate from partner Internal Audit service providers (e.g. NHS Borders - PwC; SBC - SBC IA). Audit work ongoing. Internal Audit annual assurance report will be presented to IJB Audit Committee.
	85		

Overall Total	775
----------------------	------------

This page is intentionally left blank

PROGRESS WITH IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

25 November 2019

1 PURPOSE AND SUMMARY

- 1.1 The purpose of the report is to provide an update to Members of the Audit and Scrutiny Committee on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports during 2019/20 and previous years.**
- 1.2 Internal Audit is an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.
- 1.3 The Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes (by way of making audit recommendations); and objectively provides relevant assurance.
- 1.4 The Remit of the Audit and Scrutiny Committee includes the Audit function to consider "all matters relating to the implementation of recommendations contained within internal audit reports", as part of its high level oversight of the framework of internal control, risk management and governance within the Council.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:-**
- (a) Acknowledges the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance, and mitigate risks;**
 - (b) Considers whether it is satisfied with the progress or whether any further action is required; and**
 - (c) Notes that Internal Audit will continue to monitor for completion the outstanding recommendations and will provide update reports to this Committee.**

3 BACKGROUND

- 3.1 Internal Audit is an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.
- 3.2 The Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes (by way of making audit recommendations); and objectively provides relevant assurance.
- 3.3 Management has the responsibility for ensuring that agreed audit actions are implemented to address the identified weaknesses and mitigate risks. At Internal Audit Final Report stage the Audit Recommendations are input to Pentana Risk (previously Covalent), the Council's corporate performance management system. This is designed to assist with Management tracking of implementation, link with relevant risks and evidence improvement.
- 3.4 The Remit of the Audit and Scrutiny Committee includes the Audit function to consider "all matters relating to the implementation of recommendations contained within internal audit reports", as part of its high level oversight of the framework of internal control, risk management and governance within the Council. An update report on Progress with Implementation of Internal Audit Recommendations was presented to the Audit and Scrutiny Committee on 27 November 2018. Furthermore, a summary of the status of recommendations was presented within the Internal Audit Annual Assurance Report 2018/19 presented to the Audit and Scrutiny Committee on 13 May 2019.
- 3.5 Internal Audit continues to perform its standard quarterly follow-up activity to check that recommendations have been implemented and to ensure that the new controls had the desired effect on improving internal control and governance, and reducing risk. Internal Audit works with Management to address any actions that become overdue, and bring any matters to the attention of the Audit and Scrutiny Committee.

4 PROGRESS UPDATE

- 4.1 The following table highlights the current status (as at 11 November 2019) of Internal Audit recommendations from current and previous years:

Year identified	Total	Implemented	Not Yet Due	Overdue on or before 31/10/19
2019/20 (to 31 Oct 2019)	12	2	8	2
2018/19	4	4	0	0
2017/18	42	36	5	1
2016/17	10	10	0	0
2015/16	21	21	0	0
2014/15	34	30	4	0

- 4.2 Further details on those Internal Audit recommendations that are not yet fully implemented are shown in Appendix 1.

- 4.3 There are occasions when it is necessary to grant extra time to complete recommendations. Some Managers have proposed extensions to due dates which have been approved by Internal Audit based on the further work required to implement these recommendations in full, as highlighted in the Appendix. The Pentana Risk system has been updated accordingly.
- 4.4 A further update on progress with the implementation of Internal Audit recommendations will be included within the Internal Audit Annual Assurance Report 2019/20 for Scottish Borders Council which is scheduled for presentation to the Audit and Scrutiny Committee in May 2020.
- 4.5 Internal Audit continue to liaise with SB Cares Management to follow-up on progress with the implementation of its recommendations. In light of the Council decision on 26 September 2019 Internal Audit are involved in a working group to reintegrate all of the services presently directly delivered by the ALEO into the Council from 1 December 2019 to provide assurance to the Council. It should also be noted that any outstanding relevant recommendations (3) from SB Cares will be transferred to the Council on 1 December 2019.

5 IMPLICATIONS

5.1 Financial

It is anticipated that efficiencies will arise either as a direct or indirect result of Management implementing the recommendations made by Internal Audit through improved internal controls and governance arrangements.

5.2 Risk and Mitigations

- (a) Internal Audit provides assurance to Management and the Audit and Scrutiny Committee on the adequacy and effectiveness of internal controls and governance within the Council, including risk management, highlights good practice and makes recommendations.
- (b) It is anticipated that improved risk management or mitigation will arise as a direct result of Management implementing the Internal Audit recommendations which will evidence improvements in internal controls and governance arrangements. If the Internal Audit recommendations are not implemented then risks may be more likely to occur or have a greater impact if they do.
- (c) Internal Audit recommendations also highlight potential risks and are taken into account when risk registers are reviewed and new risks are identified. Internal Audit is the third line of defence in the governance of risk.

5.3 Equalities

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

5.4 Acting Sustainably

There are no direct economic, social or environmental issues in this report.

5.5 Carbon Management

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

5.6 Rural Proofing

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

5.7 **Changes to Scheme of Administration or Scheme of Delegation**

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

6 CONSULTATION

- 6.1 The Corporate Management Team have been consulted on this report and any comments received have been taken into account.
- 6.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director HR, the Clerk to the Council, the Communications team and the Corporate Risk Officer have been consulted on this report and any comments received have been incorporated into the report.

Approved by

Jill Stacey
Chief Officer Audit & Risk

Signature

Author(s)

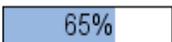
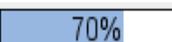
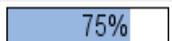
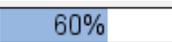
Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036
Sue Holmes	Principal Internal Auditor Tel 01835 825556

Background Papers: Appropriate Internal Audit files, and Pentana system

Previous Minute Reference: Audit and Scrutiny Committee 27 November 2018 and 13 May 2019

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Internal Audit intaudit@scotborders.gov.uk

Code	Title	Priority	Status	Progress 11.11.19	Original Due Date	Due Date	Managed By	Assigned To	Update 11.11.19
203/007 Roads Management (Final Report Issued 16 September 2014)									
AUDIT.001	(2014 IA 203-007 Rec 1) The Council's Road Asset Management Plan should be completed to include footways, structures and traffic signals. In addition, the Road Data Management Plan recommended in the SCOTS Road Asset Management Planning Ramp#2 Recommended Practices should be developed and approved.	3	 In Progress		31/03/15	31/12/19	 Service Director Assets & Infrastructure	 Network Manager	The Service is still hoping to achieve revised timescale in terms of initial draft of updated RAMP.
AUDIT.002	(2014 IA 203-007 Rec 2) Road Maintenance Manual should be developed to enable consistency in approach, methods and records. All relevant staff should have access to the manual and training in its application provided as necessary.	2	 In Progress		31/03/15	31/12/19	 Service Director Assets & Infrastructure	 Network Manager	The service is currently investing in a major upgrade to the reporting system (CONFIRM). This will influence the Roads Maintenance Manual to a considerable degree and therefore the latter is dependent on the CONFIRM implementation. An extension to 31 March 2020 is therefore requested to allow this to happen.
AUDIT.003	(2014 IA 203-007 Rec 4) Management should receive regular performance information in respect of road safety inspection and related repairs to enable policy compliance monitoring.	2	 In Progress		31/03/15	30/04/20	 Service Director Assets & Infrastructure	 Network Manager	The due date extension request to 30 April 2020 was made and agreed by Internal Audit in view of CONFIRM system testing and implementation, followed by inspection routes and training being developed and implemented.
214/005 Flood Risk and Coastal Management (Final Report Issued 10 December 2014)									
AUDIT.004	(2014 IA 214-005 Rec 5.1) The Authority should develop its own Shoreline Management Plan which covers the whole of the Berwickshire Coast.	3	 In Progress		31/03/17	31/07/20	 Service Director Assets & Infrastructure	 Flood & Coastal Management Team Leader	Tender currently being reviewed, due to appoint consultant during November 2019.

Code	Title	Priority	Status	Progress 11.11.19	Original Due Date	Due Date	Managed By	Assigned To	Update 11.11.19
------	-------	----------	--------	----------------------	-------------------------	-------------	------------	-------------	--------------------

023/001 Corporate and Social Work Complaints (Final Report Issued 19 June 2017)

AUDIT.018	(2017 IA 023-001 Recs 5.1-5.4) Refresh of Complaints Handling Policy and Procedures to include Internal Audit recommended improvements (Training arrangements for staff, Processes for validating service quality control, Root cause analysis included in Reporting, and recording Lessons Learned in corporate system).	2	 In Progress	<div style="border: 1px solid black; width: 80px; height: 15px; background-color: #add8e6; display: inline-block; text-align: center;">25%</div>	31/09/17	31/12/19	 Senior Business Services Officer	 Business Support Officer	<p>The Digital Customer Access project has had a number of delays which has meant that the new Jadu complaints process will be rolled out later than expected (aiming for April 2020). A Consultant is working with the CASS Development Team until Christmas focussing on the planning of the new complaints process.</p> <p>The current reporting tool for Lagan CRM (Cognos) is to be decommissioned by the end of 2019 and will be replaced by Power BI, one of the Council's Digital Transformation Major Change Projects. Despite the new Jadu complaints process not ready at the time of the change in reporting tools, we will be taking the opportunity to resolve the issues in the current Cognos reports by not replicating them 'like for like'. CGI have their Cognos BI Team based in Edinburgh working on this piece of work with us, and we will be working closely with the Business Support Officer to ensure that requirements are met through this interim solution. This will then lead into the Jadu / Power BI reporting solution when we are in a position to go live with the new process.</p> <p>An extension to 30 April 2020 is therefore requested.</p>
------------------	--	---	--	--	----------	----------	--	--	---

Code	Title	Priority	Status	Progress 11.11.19	Original Due Date	Due Date	Managed By	Assigned To	Update 11.11.19
------	-------	----------	--------	----------------------	-------------------------	-------------	------------	-------------	--------------------

165/001 C&YP School Excursions (Final Report Issued 6 September 2017)

AUDIT.032	(2017 IA 165-001 Rec 5.1) Material Policy updates and relevant appendices should be approved, utilising the delegated powers of the Service Director Children & Young People 'Authorise and approve educational excursions', and appended to the procedures to enable easy access by Schools.	3	 In Progress	<div style="width: 80%;"><div style="background-color: #4f81bd; color: white; padding: 2px;">80%</div></div>	30/06/18	31/12/19	 Chief Officer Education	 Senior Lead Officer, E&LL	Policies are still being updated but on target to complete on time.
AUDIT.033	(2017 IA 165-001 Rec 5.2) The importance of compliance with policy and procedures should be reaffirmed including those on authorisations, post excursion reporting, accident reporting, monitoring of compliance with the excursions procedures and processes, and assurance reporting to Management.	3	 In Progress	<div style="width: 66%;"><div style="background-color: #4f81bd; color: white; padding: 2px;">66%</div></div>	30/06/18	31/12/19	 Chief Officer Education	 Senior Lead Officer, E&LL	Work is still being completed to amalgamate the EV2 form to ParentPay. This has relied on extensive communications regarding GDPR.
AUDIT.034	(2017 IA 165-001 Rec 5.3) Clear guidance on the Disclosure requirements for non-supervisory, non-staff adults accompanying an excursion should be clarified with the support of HR and Legal services.	2	 In Progress	<div style="width: 80%;"><div style="background-color: #4f81bd; color: white; padding: 2px;">80%</div></div>	30/06/18	31/12/19	 Chief Officer Education	 Senior Lead Officer, E&LL	Discussions are still ongoing regarding when a Disclosure would be needed for adults accompanying an excursion.

076/005 Petty Cash Review and Emergency Funding (Final Report Issued 12 March 2018)

AUDIT.045	(2017 IA 076-005 Rec 5.1) The Finance Business Continuity Plan should be updated to fully reflect emergency financial support in the event of a major external incident.	3	 Overdue	<div style="width: 70%;"><div style="background-color: #4f81bd; color: white; padding: 2px;">70%</div></div>	31/07/18	30/09/19	 Chief Financial Officer	 Financial Services Manager	No response received.
------------------	--	---	---	--	----------	----------	---	--	-----------------------

Code	Title	Priority	Status	Progress 11.11.19	Original Due Date	Due Date	Managed By	Assigned To	Update 11.11.19
------	-------	----------	--------	----------------------	-------------------------	-------------	------------	-------------	--------------------

073/001 Business World ERP System Key Internal Controls (Final Report Issued 4 May 2018)

AUDIT.065	(2017 IA 073-001 Rec 7.1a) Audit Trails A review of the available (or other) audit logs should be carried out to ensure that: . all transactions within Business World are listed on these logs; . configuration and formatting are easily understandable and the audit logs are straightforward to review; . they are readily available for regular review by Managers so that any unintended, inaccurate or fraudulent changes might be detected; - evidence of regular reviews are maintained	2	 In Progress	<div style="border: 1px solid black; background-color: #4f81bd; width: 50px; height: 15px; display: inline-block; text-align: center; color: white;">50%</div>	31/10/18	31/12/19	 Chief Financial Officer	 HRSS Manager	The Business World Consultant has been involved in other priorities with the system. Further verification work between masterfiles and amendment / audit logging is required to be carried out. An extension to 31 March 2020 is therefore requested
------------------	---	---	--	--	----------	----------	---	--	--

165/002 Looked After Children (Final Report Issued 13 September 2019)

AUDIT.089	(2019 IA 165-002 Rec 5.2) Processes need to be reviewed to ensure that the statutory requirement is met that all placements are reviewed 6 months after they commence and every 6 months after that.	2		<div style="border: 1px solid black; background-color: #4f81bd; width: 50px; height: 15px; display: inline-block; text-align: center; color: white;">10%</div>	29/02/20	29/02/20	 Interim Chief Officer C&F, SW	 Locality Manager	Initial discussions have been held with Team Leaders Group, but no formal process in place as yet.
------------------	--	---	---	--	----------	----------	---	--	--

Page 66

153/005 Building Standards Emergency Works (Final Report Issued 10 September 2019)

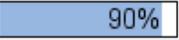
AUDIT.090	(2019 IA 153-005 Rec 5.1) The master suspense spreadsheet should be improved and reconciled to both the Uniform and Business World systems. More checks are required to ensure that all costs are invoiced.	2		<div style="border: 1px solid black; background-color: #4f81bd; width: 50px; height: 15px; display: inline-block; text-align: center; color: white;">25%</div>	31/03/20	31/03/20	 Chief Planning Officer	 Lead Officer (Building Standards)	To date reconciliations between the suspense spreadsheet, Uniform and Business World have been improved. Relevant reference numbers are now on the suspense spreadsheet. Further work still to do.
AUDIT.091	(2019 IA 153-005 Rec 5.2) All information relating to work carried out should be recorded in the Uniform system.	2		<div style="border: 1px solid black; background-color: #4f81bd; width: 50px; height: 15px; display: inline-block; text-align: center; color: white;">20%</div>	31/03/20	31/03/20	 Chief Planning Officer	 Lead Officer (Building Standards)	A new Access report in Uniform has been created to identify cases that have not been closed down. Further work is continuing.

Code	Title	Priority	Status	Progress 11.11.19	Original Due Date	Due Date	Managed By	Assigned To	Update 11.11.19
AUDIT.092	(2019 IA 153-005 Rec 5.3) Invoices should display: the Uniform reference number; the property address; and the dates the work was carried out. Notes of how amounts for invoices are raised should be retained especially when split across shared properties. Unpaid invoices should be regularly scrutinised. Regular monitoring of income should take place.	2		<input type="text" value="15%"/>	31/03/20	31/03/20	Chief Planning Officer	Lead Officer (Building Standards)	Invoices raised will now display the property address, details of the work, dates and Uniform number. Further work to do in this area.
AUDIT.093	(2019 IA 153-005 Rec 5.4) The write off procedure should be documented. Information should be recorded to support cases written off including the reasons for write off and the actions taken.	2		<input type="text" value="10%"/>	31/03/20	31/03/20	Chief Planning Officer	Lead Officer (Building Standards)	Reasons for write off where no invoice has been raised is confirmed within Uniform/idox. Documentation has been updated to include a narrative regarding the write off, but still further work to do to complete this action.
AUDIT.094	(2019 IA 153-005 Rec 5.5) Reports should be made available to Senior Management on the number of cases, the amount invoiced and the amount not yet received.	2		<input type="text" value="0%"/>	31/03/20	31/03/20	Chief Planning Officer	Lead Officer (Building Standards)	Further discussions are still required regarding this audit action.

Page 67

016/013a Performance Management – LGBF (Final Report Issued 10 September 2019)

AUDIT.095	(2019 IA 016-013a Rec 5.1) Performance Management should be included as an agenda item on Department Management Team meetings to ensure that both data and insight are recorded and reported within timescales requested by the Performance Team for performance reporting purposes. As system and organisational developments continue during 2019/20 there is a need to ensure performance monitoring and reporting is accurate, robust and provided on time.	2	Overdue	<input type="text" value="0%"/>	30/09/19	30/09/19	Service Director Neighbourhood Services	Service Director Neighbourhood Services	No response received.
------------------	---	---	---------	---------------------------------	----------	----------	---	---	-----------------------

Code	Title	Priority	Status	Progress 11.11.19	Original Due Date	Due Date	Managed By	Assigned To	Update 11.11.19
AUDIT.096	(2019 IA 016-013a Rec 5.2) Cost of Collecting Council Tax (Corp 4) Staff should ensure that they understand and are able to explain the calculations they have made.	3	 Overdue		30/09/19	30/09/19	 Service Director Neighbourhood Services	 Business Partner Finance; Development & Support Manager	There are documented procedures in place but following the changes made by CIPFA these are being reviewed and will be agreed and finalised with CASS and Finance. Request due date extension to 30 November 2019
AUDIT.097	(2019 IA 016-013a Rec 5.3) % of operational buildings which are suitable for their current use & proportion of internal floor space which is in a satisfactory condition (Corp Asset 1 & 2) A reconciliation should be carried out to ensure that information migrated from Technology Forge Facility to Technology Forge Cloud is complete and accurate.	2			31/12/19	31/12/19	 Service Director Assets & Infrastructure	 Estates Surveyor	Technology Forge Cloud has been live since August 2019 and is being used to generate rental invoices. Rental income is being monitored to check that the uploaded Estates data is correct. The diary reporting function is now being used for review and lease expiry dates, and will in turn form a check on the uploaded Estates data.

0137005 Attendance Management (Final Report Issued 7 October 2019)

AUDIT.099	(2019 IA 013-005 Rec 5.2) Processes (Monitoring, reporting and action planning) and line managers Training: <ul style="list-style-type: none"> Line managers should undertake training, or refresher training regarding Attendance Management policy and processes. Further guidance and/or training in Business World processes regarding absence recording and reporting should be provided for line managers. 	2			31/03/20	31/03/20	 Service Director Human Resources	 Employee Relations Manager; Learning & Development Officer	Training materials have been reviewed. Are currently with HR for review and to ensure they are up to date with recent policy revisions. A meeting to discuss and finalise training materials is scheduled on 18.11.19. We also need to discuss delivery methods and session plans, and involvement from HRAs at these sessions to answer any questions. Provisional dates for delivery have been put into the diary (starting December 2019 - March 2020), subject to materials being complete and ready to use.
------------------	---	---	---	--	----------	----------	--	--	--



INTERNAL AUDIT WORK TO OCTOBER 2019

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

25 November 2019

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide members of the Audit and Scrutiny Committee with details of the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements.**
- 1.2 The work Internal Audit has carried out in the period from 3 August to 1 November 2019 associated with the delivery of the approved Internal Audit Annual Plan 2019/20 is detailed in this report. During this period a total of 3 Final Internal Audit Reports have been issued. There were 2 recommendations made associated with 1 of the reports.
- 1.3 An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1 to this report.
- 1.4 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
- a) Notes the final assurance reports issued in the period from 3 August to 1 November 2019 associated with the delivery of the approved Internal Audit Annual Plan 2019/20; and**
 - b) Notes the Internal Audit Assurance work in progress and Internal Audit Consultancy and other work carried out in accordance with the approved Internal Audit Charter.**
 - c) Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

3 PROGRESS REPORT

- 3.1 The Internal Audit Annual Plan 2019/20 was approved by the Audit and Scrutiny Committee on 11 March 2019. Internal Audit has carried out the following work in the period from 3 August to 1 November 2019 associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council’s risk management, internal control and governance.
- 3.2 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

Internal Audit Reports

- 3.3 Internal Audit issued final assurance reports on the following subjects:
- Attendance Management
 - Jedburgh Conservation Area Regeneration Scheme (CARS)
 - EU Funded Programmes (LEADER and EMFF)
- 3.4 An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Officer Audit and Risk’s independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.

The definitions for Internal Audit assurance categories are as follows:

Level	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or misuse is unacceptable. Significant improvements are required.

Current Internal Audit Assurance Work in Progress

- 3.5 Internal Audit assurance work in progress to complete the delivery of the Internal Audit Annual Plan 2019/20 consists of the following:

Audit Area	Audit Stage
Adult Social Care - Learning Disability Service	Drafting the report
Health & Safety	Drafting the report
Schools	Drafting the reports
SB Contracts	Testing underway
Contracting & Procurement	Testing underway
ICT Security	Planning underway

Internal Audit Consultancy and Other Work

- 3.6 Internal Audit staff have been involved in the following for the Council to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter:
- a) On request by Chief Executive examined and evaluated at a high level the objectives, benefits and expected outputs from the original business case for SB Cares, identified and evaluated the mechanisms in place to review how SB Cares is performing and how it fits with Council and communities' priorities, and considered any changes in the operating context from the assumptions made in the original business case. This Internal Audit Consultancy work was referred to within report to Council 26 September 2019 by Chief Executive "Strategic Review of SB Cares – Future Provision of Adult Social Care Services".
 - b) Engagement in meetings of programmes and projects involving major change (Fit for 2024 Transformation Programme Board, Public Protection Unit, Information Governance Group) as a critical friend to provide internal challenge and quality assurance. There have been no recent meetings of the Capital Programme Board - Corporate Landlord though we note actions are underway to rectify this. During this year to date there have been no meetings of the Contract Management Steering Group to oversee the implementation of the new CM Framework.
 - c) Learning and development through attendance at Chief Auditors Group, Computer Audit Sub-Group, CIIA Forum, and Data Analytics Forum
 - d) Work has also been carried out in advance of the scheduled assurance audits for: Procure to Pay (Virtual Purchase Cards); Payroll (Overtime); Sales to Cash (Review of ICON upgrade).
 - e) Following Council decision 26 September 2019 Internal Audit are involved in a working group to reintegrate all of the services presently directly delivered by the ALEO into the Council from 1 December 2019 to provide assurance to the Council.

Recommendations

- 3.7 Recommendations in reports are suggested changes to existing procedures or processes to improve the controls or to introduce controls where none exist. The grading of each recommendation reflects the risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact:

<p>High: Significant weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high to require immediate action within one month of formally raising the issue. Added to the relevant Risk Register and included in the relevant Assurance Statement.</p>
--

<p>Medium: Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.</p>
--

<p>Low: Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to attention of senior management.</p>

<p>Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.</p>

- 3.8 The table below summarises the number of Internal Audit recommendations made during 2019/20:

	2019/20 Number of Recs
High	0
Medium	2
Low	0
Sub-total reported this period	2
Previously reported	10
Total	12
Recommendations agreed with action plan	12
Not agreed; risk accepted	0
Total	12

4 IMPLICATIONS

4.1 Financial

There are no costs attached to any of the recommendations in this report.

4.2 Risk and Mitigations

- (a) During the development of the Internal Audit Annual Plan 2019/20 and at the start of each audit engagement, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered.
- (b) If audit recommendations are not implemented, there is a greater risk of loss and/or reduced operational efficiency and effectiveness, and Management may not be able to demonstrate effective management of risks through improved internal controls and governance.
- (c) Internal Audit recommendations also highlight potential risks and are taken into account when risk registers are reviewed and new risks are identified. Internal Audit is the third line of defence in the governance of risk.

4.3 Equalities

There are no direct equalities and diversities as a result of this report.

4.4 Acting Sustainably

There are no direct economic, social or environmental issues in this report.

4.5 Carbon Management

No direct carbon emissions impacts arise as a result of this report.

4.6 Rural Proofing

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

4.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

5 CONSULTATION

- 5.1 The Executive/Service Directors relevant to the Internal Audit reports issued have signed off the relevant Executive Summary within Appendix 1.

- 5.2 The Corporate Management Team, the Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director HR, the Clerk to the Council, the Communications team and the Corporate Risk Officer have been consulted on this report and any comments have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit and Risk Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036
Sue Holmes	Principal Internal Auditor Tel 01835 825556

Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Audit and Scrutiny Committee 23 September 2019

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Internal Audit intaudit@scotborders.gov.uk

APPENDIX 1

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Subject: Attendance Management</p> <p>No: 013/005</p> <p>Date issued: 06 August 2019 Draft; 07 October 2019 Final</p> <p>Level of Assurance:</p> <ul style="list-style-type: none"> Policy and Procedures – substantial (subject to minor policy amendments) Processes (monitoring, reporting and action planning) and Line Managers training - limited 	<p>The purpose of this assurance audit was to ensure there are adequate controls in place to manage short and long term absences to minimise the impact on service delivery.</p> <p>The policies and procedures for attendance management are readily available on the intranet and were last updated in February 2018, though they require further update. Managing attendance is a Line Management responsibility which includes the recording, reporting and monitoring of absence. Whereas previously anyone with intranet access could report sickness absence via the online forms, with the introduction of absence recording in Business World system (BW) this has resulted in only line managers now being able to record absence. The online form remains available until external access is rolled out to all line managers. This culture shift is proving to be challenging for some service areas which have large staff numbers. Automated monitoring and reporting of sickness absences has not been carried out since the implementation BW in April 2017, though HR still provided absence information on request. System generated trigger reports from BW were introduced on 1 July 2019. Our review showed that less than 5% of current (525) Line Managers have completed any kind of attendance management training during the last 3 years.</p> <p>Internal Audit are able to provide substantial assurance for Policy and Procedures and limited assurance for Processes (monitoring, reporting & action planning) and Managers training.</p> <p>The following Internal Audit recommendations were made:</p> <ul style="list-style-type: none"> The Attendance Management policy should be updated to reflect the current systems and practices in place. (Medium) Line Managers should undertake training, or a refresher regarding Attendance Management policy and processes. Further guidance and/or training in Business World processes regarding absence monitoring, reporting and action planning should be provided for line managers. (Medium) 	0	2	0	<p>HR Management have confirmed the factual accuracy and accepted the findings of this report, and have agreed actions for implementation on which they will lead though Line Managers will be responsible for familiarising themselves with the Attendance Management policy and guidance and undertaking training.</p> <p>Internal Audit as part of the planned assurance work on Business World key controls (Payroll) will carry out further testing of sickness absence reporting by Line Managers.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Legislative and Other Compliance</p> <p>Subject: Jedburgh Conservation Area Regeneration Scheme (CARS)</p> <p>No: 154/022</p> <p>Date issued: 12 November 2019 Draft; 15 November 2019 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to examine and evaluate compliance with the scheme rules and contract specifically: Historic Environment Scotland Clause 5 (Auditing Procedures) of the contract signed 5 April 2017.</p> <p>Jedburgh Conservation Area Regeneration (CARs) Partnership Project between Historic Environment Scotland and SBC started in 2017/18 and is now in its third year. Its purpose, to undertake heritage and conservation based regeneration activities within Jedburgh town centre over a five-year period from 2017 to 2022. This is being achieved through the award of grants to property owners for external fabric building repairs and complementary initiatives relating to upgrading the public realm, education and training opportunities.</p> <p>The revenue project budget is £1,016.5k jointly funded by HES (£866.5k) and SBC (£150k). In addition, £50k has been allocated from SBC's capital budget.</p> <p>Internal Audit are able to provide assurance of substantial compliance with the scheme rules and the HES contract. We found that the Jedburgh CAR Scheme has been managed well and run substantially in accordance with the requirements of the contract, and appropriate controls exist around segregation of duties and authorisations were in operation.</p> <p>No Internal Audit recommendations were made.</p>	0	0	0	<p>Management have confirmed the factual accuracy and accepted the findings of the audit report.</p> <p>The submission to Historic Environment Scotland will include the findings from this Internal Audit report, an Accountant's Report and Audited Annual Accounts.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Legislative and Other Compliance</p> <p>Subject: EU Funded Programmes (LEADER and EMFF)</p> <p>No: 154/023</p> <p>Date issued: 28 October 2019 Draft; 15 November 2019 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to perform annual audits of EU grant-funded programmes for 2014-2020, Liaison Entre Actions de Développement de l'Économie Rurale (LEADER) and the European Maritime Fisheries Fund (EMFF), under the terms of Service Level Agreements (SLAs) to assess compliance with the requirements of the SLAs and the relevant EC Regulations.</p> <p>Internal Audit tested all claims made during the period 16 October 2018 and 15 October 2019: fourteen LEADER claims of project costs totalling £737k; four LEADER claims for the reimbursement of staff costs totalling £178k; and four EMFF claims for staff and admin costs totalling £28k.</p> <p>Internal Audit are able to provide Substantial Assurance that SBC has complied with the LEADER SLA and the EMFF Framework Agreement.</p> <p>The previous Internal Audit recommendation for LEADER Programme was implemented to ensure that staffing levels were sufficient to clear a backlog of claims and has been sustained to bring claims and data held in LARCs up-to-date.</p> <p>The audit work undertaken allows Internal Audit to confirm that SBC, as Accountable Body, has complied substantially with the requirements of the LEADER SLA. This is an area of ongoing high risk owing to the potential for disallowance of costs and significant fines levied by either the EU Auditors (as a result of their conformity audits) and / or Audit Scotland (in their capacity as certifiers of the EC accounts). Internal Audit cannot provide assurance that this level of compliance with the LEADER SLA will be enough to reduce the risk of disallowance and financial penalty. The risk of disallowance is contained in the Economic Development Risk Register and is reviewed regularly.</p>	0	0	0	<p>Management have confirmed factual accuracy and accepted the findings of the audit report.</p> <p>The annual submission to the Scottish Government will include the findings from this Internal Audit report.</p>

ANNUAL ASSURANCE STATEMENT 2018/19 TO THE SCOTTISH HOUSING REGULATOR

Report by Service Director Customer and Communities

AUDIT AND SCRUTINY COMMITTEE

25 November 2019

1 PURPOSE AND SUMMARY

- 1.1 This report proposes that the Audit and Scrutiny Committee considers and approves an Annual Assurance Statement 2018/19 in respect of landlord services provided by the Council for submission to the Scottish Housing Regulator.**
- 1.2 In 2019, the Scottish Housing Regulator (“the Regulator”) revised its Regulatory Framework. This placed a new requirement on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year.
- 1.3 Part of the Audit and Scrutiny Committee’s remit (Audit function) is to assess the effectiveness of internal controls, risk management, and governance arrangements in place at the Council to achieve its objectives.
- 1.4 The Annual Assurance Statement 2018/19, at Appendix 1, is designed to meet this new requirement of the Regulator. The Annual Assurance Statement is informed by a Summary Statement of Self-Assessment of Compliance against Regulatory Framework, at Appendix 2.
- 1.5 It is the opinion of the Service Director Customer and Communities that, although there are a few areas of work to be completed for full compliance with the revised Regulatory Framework, the overall arrangements in respect of landlord services provided by the Council are operating satisfactorily.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
 - a) Considers the details of the Annual Assurance Statement 2018/19 in respect of landlord services provided by the Council (Appendix 1), and acknowledges the actions identified by Management to improve arrangements; and**
 - b) Approves that it be submitted to the Scottish Housing Regulator.**

3 BACKGROUND

- 3.1 In 2019, the Scottish Housing Regulator (“the Regulator”) revised its Regulatory Framework. This placed a new requirement on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. This statement must either confirm that the Governing Body or appropriate Committee is assured that the landlord is complying with all relevant regulatory requirements and standards, or highlight any material areas of non-compliance and how the landlord will address these.
- 3.2 There is no prescribed format, wording or length for the Statement, which allows some flexibility in its preparation, and materiality of any perceived non-compliance identified in this process should form the basis of an internal action plan for improvement.
- 3.3 The Scottish Borders Council Annual Governance Statement 2018/19 (previously scrutinised by the Audit and Scrutiny Committee prior to its inclusion in the Statement of Accounts 2018/19) was submitted to the Regulator for this purpose. The Regulator has provided feedback that the above does not meet its new requirements in the revised Regulatory Framework. A specific assurance statement in respect of landlord services provided by the Council is required.
- 3.4 As Scottish Borders Council is a housing stock transfer local authority, it is subject to submitting a Statement that is considerably less involved than an asset-owning authority. However, the Council is responsible for Homelessness Services provision in the Scottish Borders and must give assurance in this area.
- 3.5 Part of the Audit and Scrutiny Committee’s remit (Audit function) is to assess the effectiveness of internal controls, risk management, and governance arrangements in place. This includes to ‘Be satisfied that the authority’s assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority’s objectives’¹.

4 ANNUAL ASSURANCE STATEMENT 2018/19 IN RESPECT OF LANDLORD SERVICES PROVIDED BY THE COUNCIL

- 4.1 The format of the Annual Assurance Statement 2018/19, at Appendix 1, confirms the Council’s level of compliance with all of the relevant requirements set out at Chapter 3 of the Regulatory Framework, to include:
 - all relevant standards and outcomes in the Scottish Social Housing Charter in respect of any tenants, homeless persons, and other person who are in receipt of housing services; and
 - legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.
- 4.2 The Annual Assurance Statement 2018/19 is informed by the self-assessment of compliance against the Regulatory Framework by the Homelessness and Financial Support Manager, and the work of Internal Audit, External Audit and Inspection agencies.
- 4.3 It is the opinion of the Service Director Customer and Communities that, although there are a few areas of work to be completed for full compliance with the revised Regulatory Framework, the overall arrangements in respect of landlord services provided by the Council are operating satisfactorily.

¹ CIPFA guidance note for local authorities ‘Audit Committee (2018)
Audit and Scrutiny Committee 25 November 2019

- 4.4 For 2019/20 onwards the intention is to integrate the assurance statement required by the Scottish Housing Regulator's revised Regulatory Framework within the annual assurance statement on internal controls and governance provided by the Service Director Customer and Communities to the Chief Executive to inform the Annual Governance Statement.

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications arising from this report.

5.2 Risk and Mitigations

The Annual Assurance Statement 2018/19 in respect of landlord services provided by the Council details areas where additional work would further enhance the arrangements to meet the Regulatory Framework.

5.3 Equalities

The Regulator has stated that it is not going to assess compliance against Equality and Human Rights legislation until 2021 but it would be prudent to confirm compliance with relevant requirements now.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report.

5.5 Carbon Management

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

5.6 Rural Proofing

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

5.7 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

- 6.1 The Chief Financial Officer, Monitoring Officer, Chief Legal Officer, Service Director HR, Clerk to the Council and Communications team have been consulted on this report and any comments received will be incorporated.

Approved by

Service Director Customer and Communities, Jenni Craig

Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036
David Kemp	Homelessness Services Manager Tel: 01896 661387

Background Papers: Scottish Housing Regulator's Regulatory Framework

Previous Minute Reference: Audit and Scrutiny Committee 13 May 2019

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at dkemp@scotborders.gov.uk

This page is intentionally left blank

2018/19

**SERVICE DIRECTOR CUSTOMER & COMMUNITIES
ASSURANCE STATEMENT ON COMPLIANCE WITH REGULATORY FRAMEWORK**

To: Scottish Housing Regulator

- 1 This assurance statement is in addition to the annual statement I have provided to the Chief Executive on the effectiveness of existing internal control and corporate governance arrangements in place in my service directorate to inform the Annual Governance Statement that is published in the Council's Statement of Accounts.
- 2 This assurance statement is designed to comply with the regulatory requirements as laid out in Chapter 3 of the Scottish Housing Regulator's Regulatory Framework, to include:
 - all relevant standards and outcomes in the Scottish Social Housing Charter in respect of any tenants, homeless persons, and other person who are in receipt of housing services; and
 - legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.
- 3 I can confirm on-going competency of those Officers concerned with provision of advice and support on homelessness and other housing services relevant to the Council as a housing stock transfer authority, the adequacy of homelessness practices across the Council to ensure compliance with the Regulatory Framework, and the implementation of further improvement actions as follows:
 - Minimum Site Standards for Gypsy / Traveller Sites – We continue to progress towards meeting the Scottish Government's Minimum Site Standards for Gypsy / Traveller Sites. Scottish Borders is one of a number of local authority areas that did not meet the Standards by the deadline of June 2018, however, we have a Remedial Plan in place for meeting the Standards in full and are liaising with the Scottish Housing Regulator with regard to progress on this. It should be noted that the nature of the site arrangement in Scottish Borders presents unique challenges as the site (Tweedside Caravan Park in Innerleithen) is managed by an independent private business who lease the site from the Council and run the site as a commercial enterprise.
 - Tenant and Other Service User Involvement – Work remains to be done to involve tenants and other service users in the preparation and scrutiny of performance information, and to agree the format of performance reporting with tenants and other service users, ensuring that it is accessible for them, and to give them a way to feed back their views on the style and form of the reporting.

As part of the Council's 'Internal Audit Annual Plan 2019/2020' which was agreed at the Council's Audit and Scrutiny Committee on 11 March 2019 there will be a "Review of controls in place to ensure the achievement of statutory obligations for the Homelessness service, including a focus on prevention and support."

A Summary Statement of Self-Assessment of Compliance against Regulatory Framework is attached.

Although there are a few areas of work to be completed for full compliance with the revised Regulatory Framework, the overall arrangements in respect of landlord services provided by the Council are operating satisfactorily.

- 4 I confirm that I have seen and considered sufficient evidence to give me this assurance.

Signed

Name Jenni Craig, Service Director Customer & Communities

Date

Annual Assurance Statement 2018/2019
Summary Statement of Self-Assessment of Compliance against Regulatory Framework

<u>Annual Assurance Statement Statutory Guidance Requirement</u>	<u>Self-Assessment of Compliance</u>
Assurance & Notification	
Prepare an Annual Assurance Statement in accordance with SHR published guidance, submit it to SHR between April and the end of October each year, and make it available to tenants and other service users.	The Scottish Borders Council Annual Governance Statement (AGS), forms a section of the SBC Annual Report and Statement of Accounts which was endorsed by the Council's Audit and Scrutiny Committee on 23 September 2019 (https://scottishborders.moderngov.co.uk/ieListDocuments.aspx?CId=343&MId=4561) and submitted to SHR on 31 October 2019. The SHR provided feedback that this did not meet its new requirements in the revised Regulatory Framework and that a specific assurance statement in respect of landlord services provided by the Council is required. This Summary Statement of Self-Assessment of Compliance against Regulatory Framework informs the Annual Assurance Statement 2018/2019.
Notify the SHR during the year of any material changes to the assurance in our Annual Assurance Statement.	SBC will notify the SHR during the year of any material changes as soon as possible.
Each landlord must have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.	<p>The Council is responsible for homelessness services provision in the Scottish Borders. As at 31 March 2019, this included the ownership and management of 18 properties, and the management of 86 properties leased from RSLs, for use as temporary accommodation for homeless people. In addition, the Council works together with an independent private business, Tweedside Caravan Park, to provide 10 pitches and related amenities for use by Gypsy/Travellers at Tweedside Caravan Park in Innerleithen.</p> <p>The overall arrangements in respect of the Council's legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety, appear to be operating</p>

	<p>satisfactorily although there are a few areas of work to be completed for full compliance with the revised Regulatory Framework:</p> <ul style="list-style-type: none"> • The Council continues to progress towards meeting the Scottish Government’s Minimum Site Standards for Gypsy / Traveller Sites. Scottish Borders is one of a number of local authority areas that did not meet the Standards by the deadline of June 2018, however, we have a Remedial Plan in place for meeting the Standards in full and are liaising with the Scottish Housing Regulator with regard to progress on this. It should be noted that the nature of the site arrangement in Scottish Borders presents unique challenges as the site (Tweedside Caravan Park in Innerleithen) is managed by an independent private business who lease the site from the Council and run the site as a commercial enterprise. • Work remains to be done to involve tenants and other service users in the preparation and scrutiny of performance information, and to agree the format of performance reporting with tenants and other service users, ensuring that it is accessible for them, and to give them a way to feed back their views on the style and form of the reporting. <p>As part of the Council’s ‘Internal Audit Annual Plan 2019/2020’ which was agreed at the Council’s Audit and Scrutiny Committee on 11 March 2019 there will be “Review of controls in place to ensure the achievement of statutory obligations for the Homelessness service, including a focus on prevention and support.”</p>
<p>Notify the SHR of any tenant and resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.</p>	<p>The fire safety space standards requirements for Gypsy/Travellers sites have been incorporated into the draft occupancy agreement which is currently being negotiated with Tweedside Caravan Park via their agent.</p> <p>There are no other tenant or resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.</p>
<p>Make our Engagement Plan easily available and accessible to its tenants and service users, including online.</p>	<p>The SHR’s Engagement Plan with SBC is located on the Council’s website at https://www.scotborders.gov.uk/info/20048/homeless/933/scottish_social_housing_charter and https://www.scotborders.gov.uk/info/20015/your_council/884/gypsy_travellers_-_rights_and_responsibilities/2</p>

Scottish Social Housing Charter Performance	
Submit an Annual Return on the Charter (ARC) to the SHR each year in accordance with the SHR's published guidance.	The Council submitted its ARC to the SHR on 29 May 2019.
<p>Involve tenants, and where relevant other service users, in the preparation and scrutiny of performance information. It must:</p> <ul style="list-style-type: none"> • Agree its approach with tenants. • Ensure it is effective and meaningful – that the chosen approach gives tenants a real and demonstrable say in the assessment of performance • Publicises the approach to tenants • Ensure that it can be verified and be able to show that the agreed approach to involving tenants has happened • Involve other service users in an appropriate way, having asked and had regard to their needs and wishes. 	Work remains to be done to involve tenants and other service users in the preparation and scrutiny of performance information, and to agree the format of performance reporting with tenants and other service users, ensuring that it is accessible for them, and to give them a way to feed back their views on the style and form of the reporting.
Report its performance in achieving or progressing towards the Charter outcomes and standards to its tenants and other service users (no later than October each	Reports on the Council's performance in achieving or progressing towards the Charter outcomes and standards can be found on the Council's website at https://www.scotborders.gov.uk/info/20048/homeless/933/scottish_social_housing_charter

<p>year). It must agree the format of performance reporting with tenants, ensuring that it is accessible for tenants and other service users, with plain and jargon-free language.</p> <p>When reporting its performance to tenants and other service users it must:</p> <ul style="list-style-type: none"> • Provide them with an assessment of performance in delivering each of the Charter outcomes and standards which are relevant to the landlord. • Include relevant comparisons – these should include comparisons with previous years, with other landlords and with national performance. • Set out how and when the landlord intends to address areas for improvement. • Give tenants and other service users a way to feed back their views on the style and form of the reporting. 	<p>and https://www.scotborders.gov.uk/info/20015/your_council/884/gypsy_travellers - rights and responsibilities/2</p> <p>A report on the Council’s performance in achieving or progressing towards the Charter outcomes and standards in relation to temporary accommodation for homeless people was sent to all current occupants of homelessness temporary accommodation on 30 October 2019.</p> <p>Work remains to be done to involve tenants and other service users in the preparation and scrutiny of performance information, and to agree the format of performance reporting with tenants and other service users, ensuring that it is accessible for them, and to give them a way to feed back their views on the style and form of the reporting.</p>
<p>Make the SHR’s report on the landlord’s performance easily available to its tenants, including online.</p>	<p>The SHR’s information about SBC, including information about performance, can be found at https://directory.scottishhousingregulator.gov.uk/Pages/LandlordSummary.aspx?LatoZNameQS=7B5BBF88-CFA9-E311-93F1-005056B555E6 and https://directory.scottishhousingregulator.gov.uk/Pages/Datasets-and-Reports.aspx</p>

Tenants and Service Users Redress	
Make information on reporting significant performance failures, including the SHR's leaflet, available to its tenants.	The SHR's leaflet is available on the Council's website at: https://www.scotborders.gov.uk/info/20048/homeless/229/how_to_appeal_or_complain
Provide tenants and other service users with the information they need to exercise their right to complain and seek redress, and respond to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO). Ensure it has effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO guidance.	Information on how to make a complaint, in accordance with SPSO guidance, and complaints performance reports are available on SBC's website at: https://www.scotborders.gov.uk/info/20016/have_your_say/155/make_a_complaint Supporting procedures are on SBC's intranet at: http://intranet.scotborders.gov.uk/yourjob/Pages/complaints-procedure.aspx
Whistleblowing	
Have effective arrangements and a policy for whistleblowing by staff and governing body/elected members which it makes easily available and which it promotes.	The Council's 'Procedure on the Disclosure of Unlawful or Improper Actions – otherwise known as "Whistle Blowing"' is Appendix 2 in the Council's 'Code of Conduct for Employees of Scottish Borders Council' which is located at http://intranet.scotborders.gov.uk/yourjob/Pages/human-resources/policy-procedures-guidelines.aspx
Equality and Human Rights	
Have assurance and evidence that it considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and	The Council's Integrated Impact Assessment (IIA) Process enables the development or review of projects, policies, strategies, functions & services that meet the demands of Equality legislation and do not discriminate. The Integrated Impact Assessment (IIA) Process and Supporting Guidance is located at http://intranet.scotborders.gov.uk/yourjob/Pages/equality-impact-assessments.aspx

<p>external policies, and in its day-to-day service delivery.</p>	
<p>To comply with these duties, landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users.</p>	<p>Relevant data on protected characteristics is collected on homelessness applications in accordance with the Scottish Government’s HL1, HL3 and Prevent1 case management database frameworks.</p> <p>Provision for the collection of relevant data on protected characteristics for service users who use the Gypsy/Traveller site at Tweedside Caravan Park is made within the draft Management Agreement which is currently being negotiated with Tweedside Caravan Park via their agent.</p>



SB CARES LLP AND SB SUPPORTS LLP ANNUAL ACCOUNTS 2018/19

Report by Chief Operating Officer, SB Cares

Audit and Scrutiny Committee

25 November 2019

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the SB Cares LLP and SB Supports LLP audited Annual Accounts for 2018/19.**
- 1.2 The audit appointment of KPMG for SB Cares accounts includes the requirement to provide an Auditor's report attached.
- 1.3 This report is tabled separately for discussion and as the final signed accounts for SB Cares for 2018/19 as the accounts were draft when submitted to Council on 26 September 2019.
- 1.4 These accounts represent the fourth year of KPMG undertaking the External Audit of the SB Cares LLP's Annual Accounts with the process now completed. KPMG has prepared the Annual Audit Report as attached on this agenda and has provided an unqualified independent audit opinion.
- 1.5 The Annual Audit Report summarises KPMG's conclusions, including:
 - give a true and fair view, of the state of affairs of the LLP as at 31 March 2019 and of its loss for the year then ended;
 - have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
 - have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.
- 1.5 KPMG identified five recommendations requiring action and these have been accepted by management. These will be dealt with as a result of the transfer to SBC.

- 1.6 As reported to Scottish Borders Council on 26 September 2019 the SB Cares accounts were unsigned at that point due to KPMG identifying a consistency issue with actuarial valuation of the pension fund liabilities for SB Cares late in the audit process. A further actuarial report was requested from Hymans Robertson and the accounts were subsequently signed on 30 October 2019. There is no adjustment to the consolidated Council accounts as reported.

2 RECOMMENDATIONS

2.1 It is recommended that Audit & Scrutiny Committee discuss and note the following signed accounts:

- (a) the SB Cares LLP audited Annual Accounts for the year to 31 March 2019;**
- (b) the SB Supports LLP audited Annual Accounts for the year to 31 March 2019.**

3 BACKGROUND

- 3.1 The unaudited accounts for 2018/19 were submitted to KPMG, the LLP's External Auditors, by June 2019. Detailed audit work commenced in July 2019 and this was completed by the beginning of October 2019.
- 3.2 Prior to final sign off on 30 October 2019 the External Auditors were notified of a forthcoming report to Council on the future of SB Cares. KPMG also identified a consistency issue with the actuarial valuation submitted to SB Cares by Hymans Robertson of the pension fund liabilities for SB Cares late in the audit process. A further actuarial report was therefore requested from Hymans Robertson and the accounts have subsequently been signed on 30 October 2019.
- 3.3 The annual reports narratives have been updated to reflect the decision of Scottish Borders Council on 26 September 2019 to reintegrate SB Cares back into Scottish Borders Council. To that end, in line with accountancy standards, the accounts are now prepared on a not going concern basis in light of the decision that SB Cares will cease and not operate for another 12 months from the date of signing the accounts.

4. EXTERNAL AUDITOR'S ANNUAL REPORT 2018/19

- 4.1 KPMG has completed their audits and have concluded the accounts provide a true and fair view.
- 4.2 KPMG has approved that the Members have not prepared the financial statements on a going concern basis for the reasons set out in the Members report. The report detailed a full report was submitted by Council Officers and approved by Members at the Scottish Borders Council meeting to reintegrate both of the LLPs back into Scottish Borders Council on 1 December 2019. There was no impact on the financial statements as a result of this reporting change. Members have agreed to voluntarily terminate SB Cares and SB Supports LLPs on 1 December 2019 and begin the process of reintegrating the services delivered, as well as the assets and liabilities held, by the LLPs into the Council from that date.
- 4.3 The SB Cares LLP's Audit Report highlighted five recommendations. The areas in question are shown in Appendix 2 "Control Improvement Points" of the External Auditor's Audit Highlight Memorandum Report. The areas identified are:
 - 4.3.1 It is recommended that a review control incorporating segregation of duties is implemented in the journals authorisation process.
We note that this functionality will be included in the new finance system expected to be implemented during financial year 2019-20.
 - 4.3.2 It is recommended that a fixed asset register is created and maintained, and that assets are tagged and their location recorded when placed into domestic homes or care homes for use.
We note management has undertaken a project to implement a fixed asset registration and tagging control during financial year 2019-20.

4.3.3 It is recommended that balance sheet reconciliations are completed on a timely basis each month, reviewed by a more experienced staff member and signed (either physically or electronically) to evidence this review.

We note that following changes to the finance team in financial year 2018-19, this was identified and management have undertaken urgent steps to reconcile the balance sheet, making clean up adjustments as appropriate for the 31 March 2019 financial statements. Additionally, balance sheet reconciliations have been completed monthly since May 2019.

4.3.4 We recommend that a process is implemented to evidence and record management review of the payroll reconciliations, either through printing and physically signing the payroll reconciliation (or summary sheet for all reconciliations), or another method which would evidence this electronically.

4.3.5 We recommend that on an annual basis when the actuarial valuation is completed and the actuary's report received, that management undertake a formal review of the report to ensure they are satisfied with the accuracy and appropriateness of the membership data, return on investment and cash flow data in the actuary's valuation report.

Recommendation 3 was implemented prior to the audit report as identified by management and Recommendation 2 was a project identified and raised with auditors. Recommendation 1, 4 and 5 will be implemented as result of movement onto Business World and transfer back to SBC.

5 IMPLICATIONS

5.1 Financial

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

5.2 Risk and Mitigations

The External audit report has highlighted areas of risk that the Management Team now seek to mitigate as described in Section 4.3.

SB Cares follows the Council's Corporate Risk Management Framework and holds a Risk Register, reviewed quarterly and was regularly presented to the SB Cares Board. The Management Team will continue to work with the Corporate Risk Officer to ensure that further risks are identified and so mitigated during the transition back into the Council.

5.3 Equalities

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

5.4 Acting Sustainably

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

5.5 Carbon Management

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

5.6 Rural Proofing

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

5.7 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR, the Clerk to the Council, Corporate Communications and members of CMT have been consulted and any comments received will be incorporated into the final report.

Approved by

Name: Jen Holland **Signature**
Title: Chief Operating Officer

Author(s)

Name	Designation and Contact Number
Jen Holland	Chief Operating Officer, 01835 826700 ext 5218

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

Contact us at Jen Holland, Chief Operating Officer, SB Cares , Bristol Building, Council Headquarters, Newtown St Boswells, TD6 0SA , t: 01835 826700 Ext 5218 e: jen.holland@sbcare.co.uk

This page is intentionally left blank

Scottish Borders Cares LLP

Registered number SO305156

Members' Annual Report and Financial Statements

For the year ended 31 March 2019



SBCARES
in safe hands

day services home care care homes independent living

Contents

	Page
Members' Annual Report	4
Statement of Members' Responsibilities for Members Report and Financial Statements	17
Financial Statements	
Profit and Loss Account	18
Balance Sheet	19
Statement Of Changes in Net Assets Attributable to Members	20
Accounting Policies	21
Notes to the Accounts	25
Independent Auditor's Report to the Members of Scottish Borders Cares LLP	35
Reference and Administrative Information	38

Members' Annual Report

The Members present their Annual Report and Financial Statements for the year ended 31 March 2019.

Principal Activity

During the year ended 31 March 2019, the LLP's principal activity was the provision of Adult Social Care services. However, on 26th September 2019 the members took the decision to reintegrate Scottish Borders Cares LLP and Scottish Borders Supports LLP back into Scottish Borders Council on 1st December 2019. A full report was submitted by council officers and approved by members at the Scottish Borders Council board meeting to reintegrate both of the LLPs back into Scottish Borders Council on 1st December 2019. Members have agreed to voluntarily terminate the LLPs on 1st December 2019 and begin the process of reintegrating the services delivered, as well as the assets and liabilities held, by the LLPs into the Council from that date. Accordingly, the members have not prepared the financial statements on a going concern basis. The effect of this is explained in note (iii).

The report covers a full review of the outcomes of SB Cares against the original business case covering all aspects of the delivery against the original defined benefits and concludes that while the LLP has delivered financial and service benefits since inception, it has struggled to realise the full potential of the model originally envisaged. After careful consideration it is the view of the Council management team that the benefits of the Arm's Length External Organisation ("ALEO") structure for SB Cares no longer outweigh the challenges and risks now facing the business. These risks, which are likely to increase in future, make it appropriate for the Council to now reintegrate SB Cares LLP and SB Supports LLP into the Council.

The full paper can be found here:

<https://scottishborders.moderngov.co.uk/documents/s39008/Item%20No.%2011%20-%20SB%20Cares%20report.pdf>

The Partnership employs **876** staff (**570** full time equivalents) with a number of staff having more than one role.

These financial statements represent the results of the year from 1 April 2018 until 31 March 2019.

Members' Annual Report *(continued)*

Designated Members

The Members who held office during the year and to the date of these financial statements were as follows:

Scottish Borders Council

SBC Nominees Limited.

The members who held office at the date of approval of this Members' report confirm that, so far as they are aware, there is no relevant audit information of which the Partnership's Auditor is unaware; and each Member has taken all the steps that they ought to have taken as a Member to make themselves aware of any relevant audit information and to establish that the Partnership's Auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

SB Cares Trading Name

Scottish Borders Cares LLP and Scottish Borders Supports LLP ("SB Supports") are both Limited Liability Partnerships working with Scottish Borders Council to provide Adult Social Care Services and collectively trade under the name of SB Cares.

Scottish Borders Cares LLP provides adult care services to Scottish Borders Supports LLP.

Members' Annual Report *(continued)*

Governance

The two Limited Liability Partnerships (LLPs) that trade as SB Cares are managed by a single Board of Management which is subject to the provision of the individual Members Agreement for each of the LLPs. Neither Scottish Borders Cares LLP nor the Board of Management shall make decisions in respect of the reserved matters set out in this agreement.

The Board of Management is employed by Scottish Borders Supports LLP and consists of:

- a) The Managing Director
- b) Chief Operating Officer
- c) The Operations Director
- d) The Chair

In addition, up to five additional independent persons can be assumed to the Board of Management, where the persons have skills, knowledge or experience deemed to be useful to the Board of Management in fulfilling its obligations and functions to the SB Cares and its Members. There are currently two independent persons on the Board of Management.

The meetings of the Board of Management are held on a monthly basis.

SB Cares' Officers meet with Scottish Borders Council quarterly at the Council's Major Contracts' Governance Group Committee which replaced its Limited Liability Partnership - Strategic Governance Group during 2017. This Group enables the Council to subject SB Cares to appropriate review and scrutiny. The public minutes and papers from this Committee can be found on the Scottish Borders Council website (www.scotborders.gov.uk).

In addition the Chief Executive of Scottish Borders Council (the Council) may at any time invite the SB Cares' Officers to attend a meeting of the Council's Corporate Management Team to discuss such matters related to the Members Agreement and the Services of the Business.

Transactions with Members

No remuneration of Members occurred during the year. The Members' share in the profit or loss for the year is accounted for as an allocation of profits with unallocated profits and losses included within 'other reserves'.

Scottish Borders Cares LLP transacts with Scottish Borders Supports LLP not with Members. These transactions are covered by a five year Service Provision Agreement between the two LLPs which commenced on 1 April 2015.

Members' Annual Report *(continued)*

2018/19 Financial Review – Scottish Borders Cares LLP

Overall the two LLP's were able to provide Scottish Borders Council an efficiency contribution rebate of **£206k** on the contract to provide adult social care services for the year ending 31 March 2019. Additional Funding notified for the Community Equipment Store (£250k) was not received in full and has not been resolved for the 2018-19 close, £125k was not received. Had the funding been received in full for the Community Equipment Store a contribution rate of £331k would have been returned prior to any pension adjustments.

These financial statements represent the results of the year of trading from 1 April 2018 until 31 March 2019. As shown in the table below in the year ended 31 March 2019, Scottish Borders Cares LLP generated an operating surplus on a management accountancy basis of £380k. Taking into account adjustment in the annual leave accrual (which resulted in a positive adjustment to the annual accounts) of £77k and pensions adjustments of £3,050k the overall position is a deficit of £2,593k in 2018-19. No liability for pensions was transferred at inception to SB Cares LLP and a guarantee relating to the pension liability is in place from the Council to the LLP which has the effect of ultimately transferring the risk of underfunding of pension liabilities to Scottish Borders Council.

	Year Ending 31 March	
	2018 £000	2019 £000
Total Comprehensive Income/(Loss) for the year	(735)	(2,593)
<i>Remove Accounting Standard Adjustments:</i>		
Retirement Benefits Adjustments	723	3,050
Annual Leave	-	(77)
Income/(Loss) for the year on a Management Accounts Basis	(12)	380

The major movement in the Financial Statements is the net increase of £3,050k (£723k in 2017/18) in the actuarial valuation of the LLPs Pension Liability Obligation. The actuarial valuation undertaken specifically for the annual accounts, is calculated in accordance with accounting standards, specifically International Accounting Standard (IAS19) and uses a number of high level assumptions including inflation, asset growth, salary/pension increases and discount rate. These assumptions are reviewed and updated on an annual basis and are only used for IAS19 purposes and are not relevant to calculations undertaken for funding purposes. In accordance with the agreement between Scottish Borders Council and Scottish Borders Cares LLP, no liability was transferred from the Council to the LLP at the date of its

Members' Annual Report *(continued)*

incorporation and a guarantee relating to the pension liability is in place from the Council to the LLP which has the effect of ultimately transferring the risk of underfunding of pension liabilities to Scottish Borders Council.

The LLP is an admitted body within the Scottish Borders Pension Fund (the Fund), which is a Local Government Pension Scheme and, under the management arrangements of this scheme, the funding valuations are undertaken every three years (the Triennial Valuation). The most recent Triennial Valuation was undertaken during 2016/17 and this resulted in a full revaluation of the funding position for the LLP's pension obligations and including an assessment of employer contribution rates for the future 3 years. This recent valuation determined that the pension obligations of the LLP are more than covered by the assets under management by the Fund as at the valuation date.

The final result of the Triennial Valuation was that the Fund's actuary estimates that the LLP's pension assets are equivalent to 113% of the projected liabilities. This is a positive result for the LLP and has also meant that the employer contribution rate will not be required to change in the next 2 years from the current levels.

Overall the LLP performed as expected for the year of trading delivering services through its contract with Scottish Borders Supports LLP.

Business Review – SB Cares

As stated previously Scottish Borders Supports LLP is one of the two LLPs which combine to trade as SB Cares. As the Board of Management sets the strategic objectives and oversees the performance and management of the two LLPs as a combined whole, the Business Review is being presented as a joint review of both Scottish Borders Cares LLP and Scottish Borders Supports LLP.

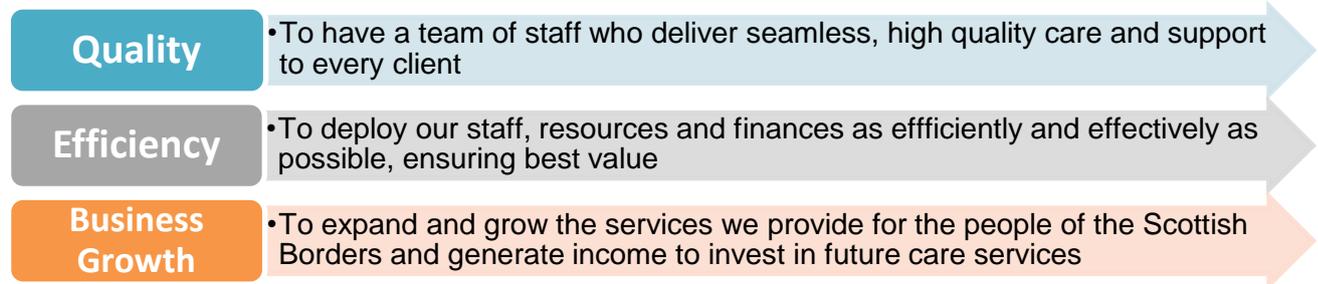
Strategic Context

SB Cares' Vision is to:

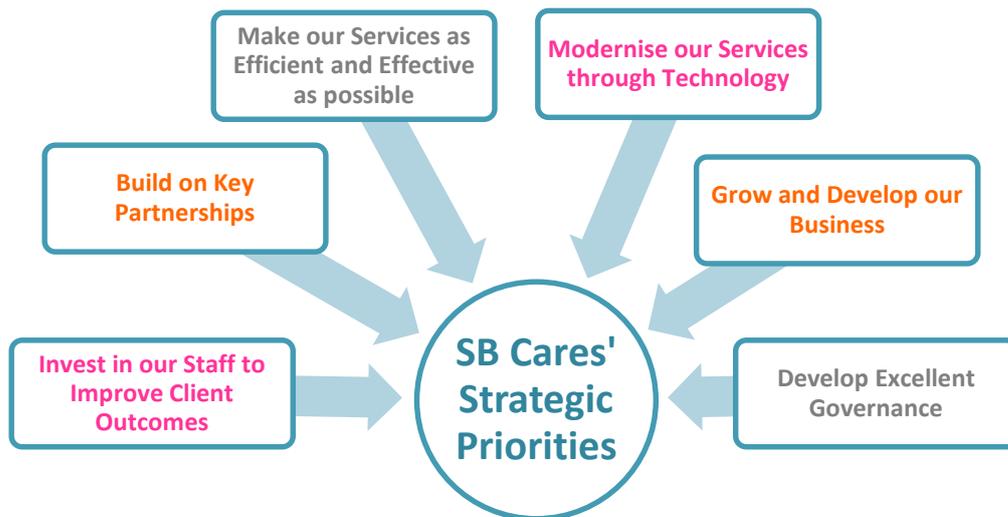


Members' Annual Report *(continued)*

SB Cares will focus on three **Strategic Aims** in order to support the delivery of this Vision and these are:



These Strategic Aims underpin all of our priorities and actions, with Quality being the key aim of all that we do. The Board of Management has agreed six priorities on which the Board and the Senior Management Team have developed action plans for delivering, developing and improving the services to our clients. **Our Priorities** are as follows:



2018/19– Summary of Our Activities

2018/19 has been another busy and successful year for SB Cares and this report, at the end of our fourth year of trading, provides an overview of the activities throughout the year.

Key Facts and Figures for 2018/19

SB Cares supported over 12,000 clients, families and carers through the provision of its adult social cares services throughout the Scottish Borders by:

- Delivering over **15,000 visits per week** to enable more than **900 people** to remain in their own homes.

Members' Annual Report *(continued)*

- Delivering **11,840 pieces** of additional ability equipment to support 2,336 new clients to live more independently, with a total of **9,818 clients** using equipment on loan from the Community Equipment Service at the end of the financial year.
- Supporting **1,545** clients and another **291 individual homes** in supported housing schemes to maintain independence with 24 hour monitored personal alarms.
- Providing 24 hour support through **127 long stay / respite beds** in a care home environment for those people with higher level needs.
- Providing 24 hour support through **39 Transitional and Discharge to Assess beds** to deliver improved patient care journeys.
- Supporting **181** clients through our older people and learning disability day services enabling people to remain at home and providing respite to families and carers.

Delivering Our Strategic Priorities during 2018/19

✓ **Invest in our Staff to Improve Client Outcomes**

SB Cares has:

- a. implemented a robust classroom and work shadowing induction programme including familiarisation visits in order to continue to improve quality of care to clients; and
- b. developed support and monitoring frameworks for new and acting managers to provide tools and knowledge; and
- c. rolled out a management training programme for service line managers; and
- d. implemented new staffing models within Care at Home to support improving quality of care, and effectiveness of scheduling visits; and
- e. agreed and implemented the new rota system with Care at Home to provide consistency of care across a 24/7 service improving staff work life balance and quality of outcomes for clients.

✓ **Build on Key Partnerships**

SB Cares has:

- a. successfully implemented a collaborative approach to delivery of the Alarms Monitoring Service in conjunction with East Lothian Council through a successful tri-party agreement; and
- b. worked collaboratively with Scottish Borders Council to provide an outcome focused older people day service in pilot areas. This has been done under the Integrated Joint Board for Health and Social Care in partnership with NHS Borders; and
- c. worked with Borders College to secure delivery of SVQ social care courses.

Members' Annual Report *(continued)*

✓ **Make our Services as Efficient and Effective as possible**

SB Cares has:

- a. successfully continued to implement further roll out of a dedicated vehicle fleet including electric vehicles for the home care teams which supports improved continuity of care provision to clients during adverse winter weather, and opens up employment opportunities to individuals with limited personal vehicle access;
- b. fully implemented the new rota across Homecare which provides a consistent, more responsive and flexible 7 day service;
- c. transitioned the alarm monitoring and out of hours' telephony services of Border Care to East Lothian Council's centre of excellence in order to secure the benefits of new technology for call handling, enabling the provision of cost effective services in 2018-19, the delivery of increased service resilience and improved overall caller experience; and
- d. worked collaboratively with Human Resources, Scottish Borders Council to implement a project with regards to sickness absence delivering a reduction in the level of absence.

✓ **Modernise our Services through Technology**

SB Cares has:

- a. developed and implemented a programme of technology training sessions predominantly aimed at Scottish Borders Council Social Work Services resulting in an increase in technology referrals; and
- b. commenced a pilot within Homecare to trial "Armed" a technology system solution focussed on falls prevention.

✓ **Grow and Develop our Business**

SB Cares has:

- a. earned our first grade 6 awarded from the Care Inspectorate within St Ronans Care Homes and subsequently nominated for a National Care Award; and
- b. engaged with Meridian a consultancy firm specialising in health care productivity through the Integrated Joint Board to look at opportunities within services to develop productivity outcomes.

✓ **Develop Excellent Governance**

SB Cares has:

- a. engaged effectively with the IJB, Scottish Borders Council Major Contracts Governance Group, Audit and Scrutiny Committee and Corporate Management Team. Delivered against key priorities of the Health and Social Care Partnership's strategic agenda.

Members' Annual Report *(continued)*

Quality of Our Care

day services home care care homes independent living

Our registered care services continue to be regulated by the Care Inspectorate based on the National Care Standards, and on relevant regulations. The new quality framework distilled these standards into quality statements which fell into four categories, Quality of Care, Quality of Environment, Quality of Staff and Quality of Management. Each quality statement inspected is graded as follows:

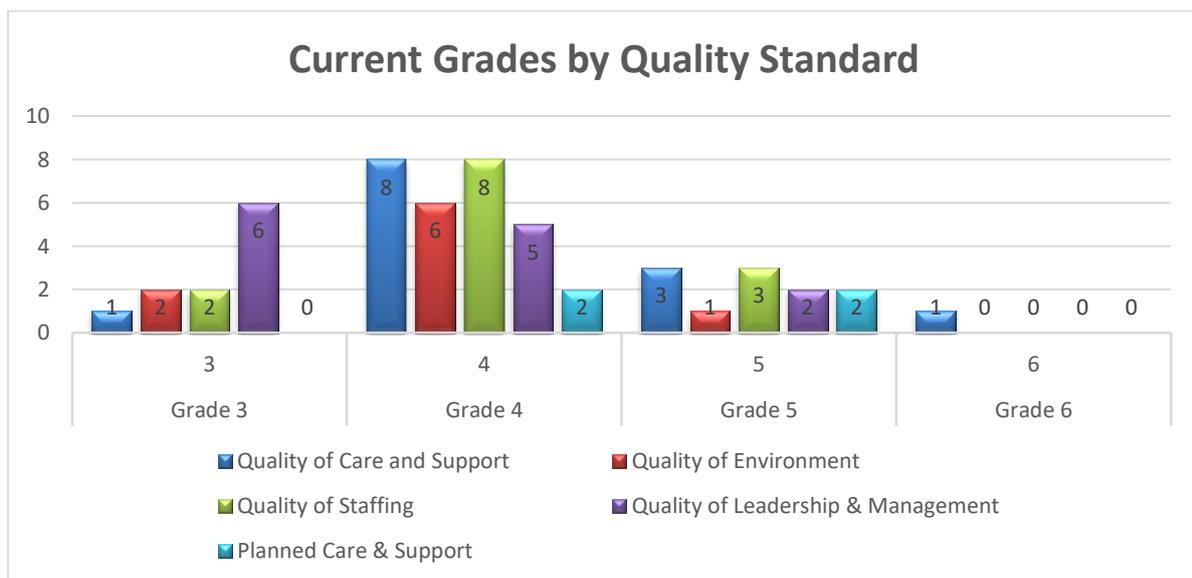
- Grade 6 – Excellent
- Grade 5 – Very good
- Grade 4 – Good
- Grade 3 – Adequate
- Grade 2 – Weak
- Grade 1 – Unsatisfactory

The grades are then aggregated for each of the four categories, so that published inspection reports give four grades for the service.

Due to the new quality standards and grading a direct comparison to prior gradings is not practical. Graph 1 below highlights current grades by themes and previous overall grades.

SB cares was also awarded its first **grade 6** in 2018-19.

GRAPH 1



Members' Annual Report *(continued)*

Previously Care Inspectorate grading was not themed and one grade was received at each inspection report for each registration. This cannot be compared directly with the themed approach to grading and the following table details the grades received previously for reference purposes.

Grade	%
Grade 3	45%
Grade 4	44%
Grade 5	11%

Members' Annual Report *(continued)*

Risk Management

Corporate Risk Management

SB Cares recognises the importance of the management of corporate risk and applies appropriate corporate governance to ensure it is successfully monitored and managed.

SB Cares has adopted the Council's corporate risk policy to embed risk management into its business practices. SB Cares has continued to monitor, manage and mitigate risk through the proactive management of its risk register and associated actions.

The register is regularly reviewed to ensure that it reflects risks and mitigations associated with the delivery of its current Business Plan. The regular review is undertaken by the Senior Management Team and Board of Management as part of its performance monitoring processes.

The Council's Audit & Risk function, as part of the Service Level Agreement, carries out regular audits of business functions and areas of risk whose findings are reported to the Board of Management. The Council's Head of Audit and Risk and Risk Manager attend the Board of Management meetings on a quarterly basis.

Public Sector Financial Pressures

The overall pressure on public finances continues to be the dominant risk to SB Cares. Budget pressures and service reduction within the Council has an effect on SB Cares as it provides key services to this main client. SB Cares continues to monitor the change in business operation and address the mitigation of risk proactively. This is accomplished through working closely with its key partners and our clients as well as reviewing its business model to secure continuous improvement.

Financial Management

Cash flow management procedures are in place to ensure that resources are managed effectively.

The Board of Management receive a monthly update on the financial position for SB Cares and this includes narrative commentary on movements and updating of the forecast out-turn for the organisation.

Members' Annual Report *(continued)*

Combined Financial Position –SB Cares – 2018/19

SB Cares as a trading entity reports to the Board of Management on a monthly basis, presenting the financial position on a management accounting basis (i.e. excluding the impact of the accounting for retirement benefits). This allows informed monitoring and evaluation of the trading financial position.

Overall across the two companies Supports and Cares, the LLP was able to provide Scottish Borders Council an efficiency contribution rebate of **£206k** on the contract to provide adult social care services for the year ending 31 March 2019. If approved funding was received in full for the Community Equipment Store a contribution rate of £330k would have been returned prior to any pension adjustments.

The total amount of the cumulative contribution returned since inception totals **£3.656m** a **7%** return rate on council contribution.

The table below shows the combined position for the 2 LLPs, showing the Comprehensive Income and Expenditure reported position per the 2018/19 Annual Accounts and the trading position as presented on a management accounts basis for 2018/19.

	Year Ending 31 March 2019		
	SB Supports LLP	SB Cares LLP	Total SB Cares
	£000	£000	£000
Total Comprehensive Income/(Loss) for the year	(251)	(2,593)	(2,844)
<i>International Accounting Standard Adjustments:</i>			
IAS 19 Retirement Benefits Adjustments	-	3,050	3,050
SBC Service Efficiency Contract Rebate including holiday accrual	-	(206)	(206)
Income/(Loss) for the year on a Management Accounts Basis	(251)	251	-

An overall assessment of the combined results of the Scottish Borders Supports and Scottish Borders Cares LLPs has resulted in the generation of an efficiency contribution on the annual contract fee for services of **£206k** on top of previously achieved reductions in the contract.

The table below identifies what SB Cares has been able to contribute through contractual rebates as part of its trading arrangements with the Council:

Members' Annual Report *(continued)*

	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Recurring Savings returned to SBC:				
2015/16	480	480	480	480
2017/18	-	-	465	465
2018/19				206
Total Recurring Savings	480	480	945	1,151
One-Off Savings returned to SBC - 2016/17	-	600	-	-
Annual Savings	480	1,080	945	1,151
% of Contractual Management Fee	3%	7%	6%	7%
Cumulative Savings	480	1,560	2,505	3,656

This year's contribution has been achieved by a three distinct efficiency projects undertaken during the year including:

- ✓ Contract out of delivery of Alarms systems monitoring with East Lothian Council
- ✓ Continuation of fleet optimisation activity especially in Home Care
- ✓ Reduction in absence

In conclusion the Members Report and Financial Statements for the year ended 31 March 2019, demonstrate that SB Cares continues to improve and drive forward with its service and financial priorities.

The Members' Annual Report was signed on behalf of Members by

Jen Holland

**For and on behalf of
 Scottish Borders Council**

Designated member

30th October 2019

Statement of Members' Responsibilities in respect of the Members' Report and the Financial Statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so. As explained in note (iii), the members do not believe that it is appropriate to prepare these financial statements on a going concern basis.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Profit and Loss Account

for the year ended 31 March 2019

2018		2019	Notes to Accounts Ref
£000		£000	
14,890	Turnover	15,489	1
(17,227)	Cost of Sales	(17,236)	2, 6
(2,337)	Gross Loss	(1,747)	
-	Administrative Expenses	(1)	
(2,337)	Loss on Ordinary Activities after Taxation	(1,748)	
(2,337)	Profit/(Loss) for the Financial Year Available for Discretionary Division Among Members	(1,748)	
	Other Comprehensive Income/(Loss):		
1,602	Actuarial (Loss)/Gain from Pension Obligations	(845)	6
(735)	Total Comprehensive Loss for the year	(2,593)	

SB Cares LLP's turnover and expenses all relate to continuing operations.

Balance Sheet

at 31 March 2019

2018		2019	Notes to Accounts Ref
£000		£000	
	Current Assets		
408	Debtors	1,021	4
6	Cash at Bank and in Hand	9	
414		1,030	
	Creditors		
(772)	Amounts falling due within 1 year	(931)	5
(358)	Net Current Assets/(Liabilities)	99	
(4,347)	Provisions for Liabilities – Pension and Similar Obligations	(7,397)	6
(4,705)	Net Liabilities attributable to Members	(7,298)	
	Represented by:		
	Members' Other Interests:		
-	Members Capital Account	-	
(4,347)	Pensions Reserve	(7,397)	
(358)	Profit and Loss Reserve	99	
(4,705)	Total Members' Interests	(7,298)	

The Accounting Policies on pages 21 to 24 and the Notes to the Accounts on pages 25 to 34 form part of these Financial Statements. These financial statements were approved by the Members and authorised for issue on 30th October 2019 and were signed on its behalf by:

Jen Holland
For and on behalf of
Scottish Borders Council
Designated member
Company registered number: **SO305156**
30th October 2019

Statement of Changes in Net Assets Attributable to Members

For the year ended 31 March 2019

	Members Capital Account £000	Pension Reserve £000	Profit & Loss Reserve £000	Total Members Interests £000
Balance at 1 April 2017	-	(3,624)	(346)	(3,970)
Loss for the Financial Year Available for Discretionary Division Among Members	-	-	(2,337)	(2,337)
Actuarial Gain from Pension Obligations	-	1,602	-	1,602
Transfer to/From Pension Reserve	-	(2,325)	2,325	-
Balance at 31 March 2018	-	(4,347)	(358)	(4,705)
Balance at 1 April 2018	-	(4,347)	(358)	(4,705)
Surplus / Loss for the Financial Year Available for Discretionary Division Among Members	-	-	(1,748)	(1,748)
Actuarial (Loss) from Pension Obligations	-	(845)	-	(845)
Transfer to/From Pension Reserve	-	(2,205)	2,205	-
Balance at 31 March 2019	-	(7,397)	99	(7,298)

Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

(i) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

The financial statements have been prepared in accordance with FRS101. In preparing these financial statements, the LLP applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions have been taken.

In these financial statements, the LLP is considered a qualifying entity under FRS 101 and has applied the exemptions available under FRS101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations of share capital;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the LLP is a wholly owned subsidiary of Scottish Borders Council, the LLP has taken advantage of the exemption contained in International Accounting Standard 24 'related parties' ("IAS24") and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

(ii) Changes in accounting policies in 2019

The LLP has applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" with effect from 1 April 2018. Due to the transition methods chosen by the LLP in applying the two standards, comparative information throughout these financial statements has not been restated.

The impact of applying applied IFRS 15 "Revenue from Contracts with Customers" is set out in the income recognition accounting policy note *(viii)* and the impact of applying IFRS 9 "Financial Instruments" is set out in the financial assets accounting policy note *(x)*.

IFRS 15 introduces a 5 step process for recognising revenue based on the transfer of control rather than the previous transfer of risk and reward.

IFRS 9 includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, and a forward looking expected credit loss model for impairment rather than the previous incurred loss model.

Accounting policies *(continued)*

Both of these changes have been considered as part of the preparation of the LLP's accounts for 2019 and neither are considered to have had a material impact on the financial statements.

(iii) Going Concern

In previous years, the financial statements have been prepared on a going concern basis. However, on 26th September 2019 the members took the decision to reintegrate Scottish Borders Cares LLP and Scottish Borders Supports LLP back into Scottish Borders Council on 1st December 2019. As detailed further in the Members' Annual Report on page 4, a full report was submitted by council officers and approved by members at the Scottish Borders Council board meeting to reintegrate both of the LLPs back into Scottish Borders Council on 1st December 2019. Members have agreed to voluntarily terminate the LLPs on 1st December 2019 and begin the process of reintegrating the services delivered, as well as the assets and liabilities held, by the LLPs into the Council from that date. Accordingly, the members have not prepared the financial statements on a going concern basis. There was no impact on the financial statements as a result of this reporting change.

(iv) Members' Remuneration and Allocation of Profits

Members are not remunerated by the LLP. A Member's share in the profit or loss for the accounting period is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

(v) Members' Capital

The capital requirements of the LLP are determined from time to time by the Members. No interest is paid on capital.

(vi) Value Added Tax (VAT)

The LLP is registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

(vii) Taxation

Taxation on all partnership profits is solely the liability of individual members. Consequently neither taxation nor related deferred taxation arising in the LLP are accounted for in these financial statements.

(viii) Income Recognition

The LLP has adopted IFRS 15 "Revenue from Contracts with Customers" in the 2018 financial statements and the IFRS has been applied prospectively from 1 April 2018. The change in accounting policy caused by the application of IFRS 15 has not had a material impact on the timing of revenue recognition or any material impact on the LLP's financial accounting. No adjustments were made on transition at 1 April 2018

Accounting policies *(continued)*

IFRS 15 requires the LLP to apportion revenues from customer contracts to separate performance obligations and recognise revenues as each performance obligation is satisfied, based on the transfer of control. Accordingly, the LLP continues to recognise income in the accounting period to which it relates. Income from grants, contracts and other services rendered is included to the extent that identified performance obligations are satisfied with respect to the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

(viii) Trade and Other Debtors

Trade and other debtors are treated in line with IFRS 9 "*Financial Instruments*" for the 2019 financial statements. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses – refer to note (x) *Financial Assets*.

(ix) Trade and Other Creditors

Trade and other creditors are treated in line with IFRS 9 "*Financial Instruments*" and are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(x) Financial Assets

The LLP has adopted IFRS 9 "*Financial Instruments*" for the 2019 financial statements, and the IFRS has been applied prospectively from 1 April 2018. The change in accounting policy caused by the application of IFRS 9 has not had a material impact on the LLP's operating profit or balance sheet. No adjustments were made on the transition at 1 April 2018.

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is measured at an amount equal to lifetime expected credit losses (ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the LLP considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the LLP's historical experience and informed credit assessment and including forward-looking information.

Accounting policies *(continued)*

(x) Financial Assets (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the LLP expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

(xii) Retirement Benefits

All existing and new Members of staff have the option of joining the SB Cares Pension Fund ("the Fund"). The Fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Fund are held separately from those of the LLP. Fund assets are measured using market values. For quoted securities the current bid price is taken as market value. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes to Annual Accounts

(forming part of the financial statements)

1 Turnover

Turnover is reported in line with IFRS 15 'Revenue from Contracts with Customers' which requires the LLP to apportion revenues from customer contracts to separate performance obligations and recognise revenues as each performance obligation is satisfied, based on the transfer of control. Accordingly, the LLP continues to recognise income in the accounting period to which it relates. Income from grants, contracts and other services rendered is included to the extent that identified performance obligations are satisfied with respect to the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

2 Staff Numbers and Costs

The average Full Time Equivalent (FTE) number of persons employed by the LLP during the year, analysed by category, was as follows:

	2017/18	2018/19
Number of Employees - Front Line Services Staff (FTE)*	550	570

** a number of employees have part-time contracts*

Staff costs for the above persons were:	£000	£000
Wages and salaries	11,860	11,970
Social security costs	788	818
Pension costs	4,100	4,083
Total Staff Costs	16,748	16,871

3 Particulars of Members

The number of Members of the Limited Liability Partnership for the year was two. No remuneration was paid to either Member.

Notes to Annual Accounts *(continued)*

4 Debtors

	As at 31 March	
	2018 £000	2019 £000
Trade Debtors	2	11
Amounts Owed by Group Members	334	957
Prepayments and Accrued Income	4	15
Value Added Tax	25	24
Other Debtors	43	14
Total Debtors	408	1,021

5 Creditors: Amounts falling due within One Year

	As at 31 March	
	2018 £000	2019 £000
Other taxation and social security	(363)	(338)
Accruals and deferred income	(408)	(593)
Other creditors	(1)	-
Total Creditors: Amounts falling due within One Year	(772)	(931)

6 Employee Benefits

The information disclosed below is in respect of the LLP's share of assets and liabilities within the Scottish Borders Council Pension Fund, in which it is a participating employer. The latest full actuarial valuation was carried out as at 31 March 2017 and reported a 113% funding level.

The Scottish Borders Council Pension Fund is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

In accordance with the agreement between Scottish Borders Council and Scottish Borders Cares LLP, no liability was transferred from the Council to the LLP at the date of its incorporation and a guarantee relating to the pension liability is in place from the Council to the LLP which has the effect of ultimately transferring the risk of underfunding of pension liabilities to Scottish Borders Council.

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

Governance

The administering authority for the Fund is Scottish Borders Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers. The LLP has the opportunity to participate in the Pension Fund through Employers' meetings and the Pension Board/Committee should a vacancy arise.

As administering authority to the Fund, Scottish Borders Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Risk exposure

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

Investment risk	The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
Interest rate risk	The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
Inflation risk	All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
Longevity risk	In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Scottish Borders Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

All of the above risks identified above could result in the Fund being insufficient to meet the full benefit liabilities due to the LLP's employees when they retire. The legal agreements in place around the incorporation of the LLP and the guarantee for the pension liability from Scottish Borders Council means that in the event that there is a funding gap, and the LLP has insufficient funds to meet these, the Council will be required to cover these.

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

Amendments, curtailments and settlements

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a Member such as added years by a Member would be considered a past service cost.

We are not aware of any additional benefits which were granted over the year ending 31 March 2019.

Curtailments

The cost of curtailments arising as a result of the payment of unreduced pensions on early retirement are calculated at the point of exit, with interest applied to the accounting date accounted for separately. We are not aware of this arising in 2019.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

The assets and defined benefit obligations prior to 1 April 2015 will be accounted and disclosed for within Scottish Borders Council for service prior to the transfer date.

	2018 £000	2019 £000
Present Value of Funded Defined Benefit Obligations	(13,285)	(19,266)
Fair Value of Plan Assets	8,938	11,869
Net Pension Liability	(4,347)	(7,397)

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

<i>Movements in Present Value of Defined Benefit Obligation:</i>	Year to 31 March	
	2018 £000	2019 £000
Opening Defined Benefit Obligation	8,864	13,285
Current Service Cost	4,052	3,935
Past Service Costs	5	-
Interest Cost	255	392
Actuarial Losses/(Gains)	(343)	1,424
Contributions by Members	569	547
Estimated Benefits Paid Net of Transfers in	(117)	(317)
Closing Defined Benefit Obligation	13,285	19,266

<i>Movements in Fair Value of Plan Assets:</i>	Year to 31 March	
	2018 £000	2019 £000
Opening Fair Value of Plan Assets	5,240	8,938
Expected Return on Plan Assets	1,435	833
Contributions by Employer	1,811	1,868
Contributions by Members	569	547
Estimated Benefits Paid plus Unfunded Net Of Transfers In	(117)	(317)
Closing Fair Value of Plan Assets	8,938	11,869

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

	Year to 31 March	
	2018 £000	2019 £000
<i>Recognised in the Profit and Loss Account</i>		
Service Cost	4,057	3,935
Interest on Defined Benefit Pension Plan Obligation	77	138
Administration Expenses	2	-
Recognised Pensions Service Costs	4,136	4,073
<i>Re-measurements in Other Comprehensive Income:</i>		
Return on Fund Assets in Excess of Interest	144	579
Other Actuarial Gains/(Losses) on Assets	1,115	-
Change in Financial Assumptions	742	(1,424)
Change in Demographic Assumptions	341	-
Experience Gain/(Loss) on Defined Pension Obligation	(740)	-
Re-measurements of Net Assets / (Defined Liability)	1,602	(845)

	2018 *		2019	
	£0	%	£0	%
Equities	5,899	66	6,647	56
Bonds	1,788	20	3,205	27
Property	1,251	14	1,780	15
Cash	-	-	237	2
Total Estimated Fair Value of Plan Assets	8,938	100%	11,869	100%

* 2018 fair value of the Plan assets are restated in line with 2019 methodology following a change in actuaries and basis of asset classification.

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

In valuing the assets and liabilities of the Pension Fund for the Financial Statements at 31 March 2018, assumptions have been made as indicated below.

Asset Valuation Actuarial Assumptions:

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2018 *	2019
	%	%
Discount Rate	2.6	2.4
Future Salary Increases	3.3	3.5
Pension Increase Rate	2.3	2.5

* **The 2018 actuarial assumptions are not restated for 2018.**

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

Demographic Assumptions:

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity

The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Life Expectancy from age 65 as at 31 March (in years)			
	2018		2019	
	Males	Females	Males	Females
Employee retiring today	21.6	24.2	21.6	24.2
Employee retiring in 20 years	23.3	26.0	23.3	26.0

Financial Assumptions

The financial assumptions were set with reference to market conditions at 31 March 2019 and include:

	Financial Assumptions (%)	
	2018	2019
Discount Rate	2.60	2.40
Pension Increases	2.30	2.50
Salary Increases	3.30	3.50

The LLP expects to contribute approximately £1.86 million to its defined benefit plan in the next financial period.

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

Sensitivity Analysis

The following sensitivity analysis relating to the adjustment of various assumptions has been undertaken by the actuary.

Change in assumption as at 31 March 2019	
Adjustment to discount rate	-0.50%
Approximate increase in employer liability	12%
Approximate monetary amount	2,238
Increase in salary increase rate	0.50%
Approximate increase in employer liability	0
Approximate monetary amount	409
Increase in pension increase rate	0.50%
Approximate increase in employer liability	0
Approximate monetary amount	1,785

7 Financial Instruments

The financial instruments held are trade receivables, cash and cash equivalents, trade creditors and other creditors. All are held at amortised cost which, given their short term nature is estimated to equate to fair value.

The partnership's exposure to credit risk is considered to be minimal given its principal trade debtor is Scottish Borders Council. Similarly given the nature of its business it is considered to have limited liquidity risk.

8. Post Balance Sheet Events

On 26th September 2019 the members took the decision to reintegrate Scottish Borders Cares LLP and Scottish Borders Supports LLP back into Scottish Borders Council on 1st December 2019. As detailed further in the Members' Annual Report on page 4, a full report was submitted by council officers and approved by members at the Scottish Borders Council board meeting to reintegrate both of the LLPs back into Scottish Borders Council on 1st December 2019. Members have agreed to voluntarily terminate the LLPs on 1st December 2019 and begin the process of reintegrating the services delivered, as well as the assets and liabilities held, by the LLPs into the Council from that date. Accordingly, the members have not prepared the financial statements on a going concern basis. There was no impact on the financial statements as a result of this reporting change.

Notes to Annual Accounts *(continued)*

9 Ultimate Parent Organisation

The LLP's ultimate parent undertaking is Scottish Borders Council, one of its designated members, as this is the largest group into which the results of the LLP are consolidated. The consolidated group financial statements of Scottish Borders Council may be obtained from its registered office at Scottish Borders Council offices, Newtown St Boswells, TD6 0SA.

10 Related Parties

Scottish Borders Council made a contribution in line with the Partnership Agreement of £20M. Additional funding was also received for Scottish Borders Council for additional contracted works of £774k.

Facilities were leased to the LLP for a peppercorn rent. Scottish Borders Council also provided various support functions including Legal, HR, Payroll and IT which the company received free of charge.

11 New Standards

The LLP has applied the following new amended or improved standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time in the 2019 financial statements. Due to the transition methods chosen by the LLP in applying the two standards, comparative information throughout these financial statements has not been restated.

Both of these changes have been considered as part of the preparation of the LLP's accounts for 2019 and neither are considered to have had a material impact on the financial statements.

12. Standards issued but not yet effective

IFRS 16 – leases for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the LLP has not early adopted the new or amended standards in preparing these consolidated financial statements.

IFRS 16 is expected to have a material impact on the LLP's financial statements in the period of initial application based on early testing. The LLP plans to apply IFRS 16 initially on in the year end accounts for 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 31st March 2019, with no restatement of comparative information.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Independent Auditor's Report to the Members of Scottish Borders Cares LLP

Opinion

We have audited the financial statements of Scottish Borders Cares LLP ("the LLP") for the year ended 31 March 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement Of Changes in Net Assets Attributable to Members and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the LLP's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the LLP's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a LLP and this is particularly the case in relation to Brexit.

Independent Auditor's Report to the Members of Scottish Borders Cares LLP (continued)

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note (iii) to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 17, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Scottish Borders Cares LLP (continued)

Auditor's responsibilities

Our 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Harvie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30th October 2019

Reference and Administration Information

Company Name Scottish Borders Cares LLP

Company Registration Number SO305156

Registered Office Council Headquarters
Newtown St Boswells
MELROSE
Scottish Borders
TD6 0SA

Statutory Auditor KPMG LLP
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Bankers Bank of Scotland
Level 6
110 St Vincent Street
GLASGOW
G2 5ER

Actuary Hymans Robertson LLP
1 Semple Street
EDINBURGH
EH3 8BL

Contact Information

For further information on Scottish Borders Cares LLP, please contact

Jen Holland
Chief Operating Officer
SB Cares
Bristol Building
Newtown St Boswells
MELROSE
TD6 0SA

Telephone: 01835 826700
Email: info@sbcare.co.uk
Website: sbcare.co.uk

day services home care care homes independent living

SB CARES Bristol Building Newtown St Boswells Melrose TD6 0SA
T 01835 826700 sbcares.co.uk

SB CARES is the trading name of Scottish Borders Cares LLP (SO305156) and Scottish Borders Supports LLP (SO 305176).
Both bodies are Limited Liability Partnerships working with Scottish Borders Council to provide Adult Social Care Services.



This page is intentionally left blank

Scottish Borders Supports LLP

Registered number SO305176

Members' Annual Report and Financial Statements

For the year ended 31 March 2019



SBCARES

in safe hands

day services home care care homes independent living

Contents

	Page
Members' Annual Report	4
Statement of Members' Responsibilities for Members Report and Financial Statements	17
Financial Statements	
Profit and Loss Account	18
Balance Sheet	19
Statement Of Changes in Net Assets Attributable to Members	20
Accounting Policies	21
Notes to the Accounts	25
Independent Auditor's Report to the Members of Scottish Borders Supports LLP	30
Reference and Administrative Information	33

Members' Annual Report

The Members present their Annual Report and Financial Statements for the year ended 31 March 2019.

Principal Activity

During the year ended 31 March 2019, the LLP's principal activity was the provision of Adult Social Care services. However, on 26th September 2019 the members took the decision to reintegrate Scottish Borders Cares LLP and Scottish Borders Supports LLP back into Scottish Borders Council on 1st December 2019. A full report was submitted by council officers and approved by members at the Scottish Borders Council board meeting to reintegrate both of the LLPs back into Scottish Borders Council on 1st December 2019. Members have agreed to voluntarily terminate the LLPs on 1st December 2019 and begin the process of reintegrating the services delivered, as well as the assets and liabilities held, by the LLPs into the Council from that date. Accordingly, the members have not prepared the financial statements on a going concern basis. The effect of this is explained in note (iii).

The report covers a full review of the outcomes of SB Cares against the original business case covering all aspects of the delivery against the original defined benefits and concludes that while the LLP has delivered financial and service benefits since inception, it has struggled to realise the full potential of the model originally envisaged. After careful consideration it is the view of the Council management team that the benefits of the Arm's Length External Organisation ("ALEO") structure for SB Cares no longer outweigh the challenges and risks now facing the business. These risks, which are likely to increase in future, make it appropriate for the Council to now reintegrate SB Cares LLP and SB Supports LLP into the Council.

The full paper can be found here:

<https://scottishborders.moderngov.co.uk/documents/s39008/Item%20No.%2011%20-%20SB%20Cares%20report.pdf>

Scottish Borders Supports employs **12** staff (**11** full time equivalents) in **12** positions.

Members' Annual Report *(continued)*

Designated Members

The Members who held office during the year and to the date of these financial statements were as follows:

Scottish Borders Council

SBC Nominees Limited.

The Members who held office at the date of approval of this Members' report confirm that, so far as they are aware, there is no relevant audit information of which the Partnership's Auditor is unaware; and each Member has taken all the steps that they ought to have taken as a Member to make themselves aware of any relevant audit information and to establish that the Partnership's Auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

SB Cares Trading Name

Scottish Borders Supports LLP and Scottish Borders Cares LLP ("SB Cares") are both Limited Liability Partnerships working with Scottish Borders Council to provide Adult Social Care Services and collectively trade under the name of SB Cares.

Scottish Borders Supports LLP receives adult care services from Scottish Borders Cares LLP.

Members' Annual Report *(continued)*

Governance

The two Limited Liability Partnerships (LLPs) that trade as SB Cares are managed by a single Board of Management which is subject to the provision of the individual Members Agreement for each of the LLPs. Neither Scottish Borders Supports LLP nor the Board of Management shall make decisions in respect of the reserved matters set out in this agreement.

The Board of Management is employed by Scottish Borders Supports LLP and consists of:

- a) The Managing Director
- b) Chief Operating Officer
- c) The Operations Director
- d) The Chair

In addition up to five additional independent persons can be assumed to the Board of Management, where the persons have skills, knowledge or experience deemed to be useful to the Board of Management in fulfilling its obligations and functions to the SB Cares and its Members. There are currently two independent members on the Board of Management.

The meetings of the Board of Management are held on a monthly basis.

SB Cares' Officers meet with Scottish Borders Council quarterly at the Council's Major Contracts' Governance Group Committee which replaced its Limited Liability Partnership - Strategic Governance Group during 2017. This Group enables the Council to subject SB Cares to appropriate review and scrutiny. The public minutes and papers from this Committee can be found on the Scottish Borders Council website (www.scotborders.gov.uk).

In addition the Chief Executive of Scottish Borders Council (the Council) may at any time invite the SB Cares' Officers to attend a meeting of the Council's Corporate Management Team to discuss such matters related to the Members Agreement and the Services of the Business.

Transactions with Members

No remuneration of Members occurred during the year. The Members' share in the profit or loss for the year is accounted for as an allocation of profits with unallocated profits and losses included within 'other reserves'.

Scottish Borders Supports LLP transacts with one of its members, Scottish Borders Council to provide adult social care services. These transactions are covered by a Service Provision Agreements between the two organisations which commenced on 1 April 2015.

Members' Annual Report *(continued)*

2018/19 Financial Review – Scottish Borders Supports LLP

Overall the two LLP's were able to provide Scottish Borders Council an efficiency contribution rebate of **£206k** on the contract to provide adult social care services for the year ending 31 March 2019. Additional Funding notified for the Community Equipment Store totalling £250k was not received in full and has not been resolved for the 2018-19 close, £125k was not received. Had the funding been received in full for the Community Equipment Store a contribution rate of £331k would have been returned prior to any pension adjustments.

The total amount of the cumulative contribution returned since inception totals **£3.656m** a **7%** return rate on grant funding.

In accordance with the agreement between Scottish Borders Council and Scottish Borders Cares LLP, no liability was transferred from the Council to the LLP at the date of its incorporation and a guarantee relating to the pension liability is in place from the Council to the LLP which has the effect of ultimately transferring the risk of underfunding of pension liabilities to Scottish Borders Council.

These financial statements represent the results of the year of trading from 1 April 2018 until 31 March 2019. In the year ended 31 March 2019, Scottish Borders Supports LLP generated a deficit of £251k on a management accounts basis.

	Year Ending 31 March	
	2018 £000	2019 £000
Total Comprehensive Income/(Loss) for the year	44	(251)
<i>Remove Accounting Standard Adjustments:</i>		
Movement in Annual Leave Accrual	1	4
Income/(Loss) for the year on a Management Accounts Basis	45	(247)

The LLP was able to provide Scottish Borders Council an efficiency contribution rebate of £206k on the contract to provide adult social care services for the year ending 31 March 2019. It is presented as a rebate as the delivery of the efficiency savings enables a reduction in the contract price.

The Balance Sheet of the LLP has a net liability position of £227k at the end of the financial year.

Scottish Borders Supports LLP's financial statements have been prepared on a going concern basis.

Members' Annual Report *(continued)*

Business Review – SB Cares

As stated previously Scottish Borders Supports LLP is one of the two LLP's which combine to trade as SB Cares. As the Board of Management sets the strategic objectives and oversees the performance and management of the two LLPs as a combined whole, the Business Review is being presented as a joint review of both Scottish Borders Cares LLP and Scottish Borders Supports LLP.

Strategic Context

SB Cares' Vision is to:

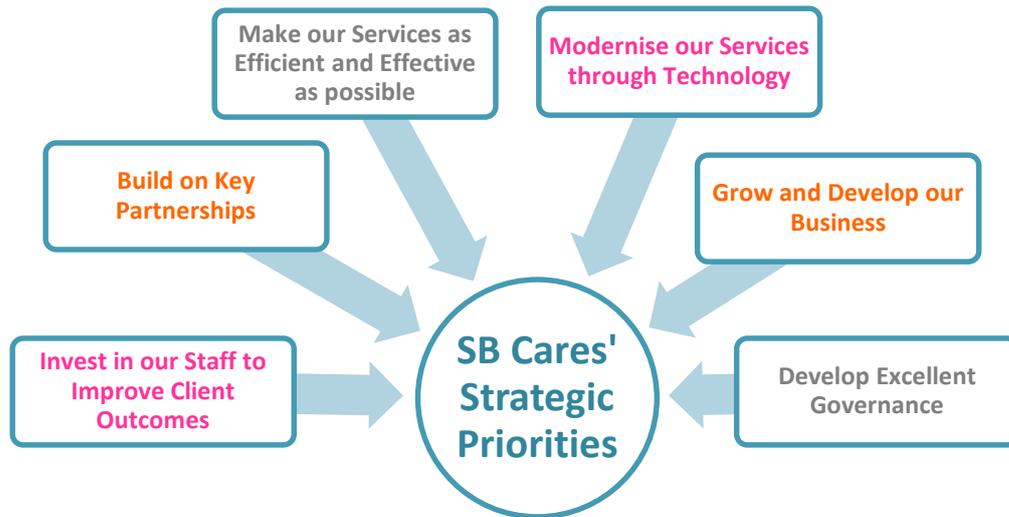


SB Cares will focus on three **Strategic Aims** in order to support the delivery of this Vision and these are:

- Quality** • To have a team of staff who deliver seamless, high quality care and support to every client
- Efficiency** • To deploy our staff, resources and finances as efficiently and effectively as possible, ensuring best value
- Business Growth** • To expand and grow the services we provide for the people of the Scottish Borders and generate income to invest in future care services

These Strategic Aims underpin all of our priorities and actions, with Quality being the key aim of all that we do. The Board of Management has agreed six priorities on which the Board and the Senior Management Team have developed action plans for delivering, developing and improving the services to our clients. **Our Priorities** are as follows:

Members' Annual Report *(continued)*



2018/19 – Summary of Our Activities

2018/19 has been a very busy and successful year for SB Cares and this report, at the end of our third year of trading, provides an overview of the activities throughout the year.

Key Facts and Figures for 2018/19

SB Cares supported over 12,000 clients, families and carers through the provision of its adult social cares services throughout the Scottish Borders by:

- Delivering over **15,000 visits per week** to enable more than **900 people** to remain in their own homes.
- Delivering **12,226 pieces** of additional ability equipment to support **2,399 new clients** to live more independently, with a total of **9,516 clients** using equipment on loan from the Community Equipment Service at the end of the financial year.
- Supporting **1,876 clients** to maintain independence with 24 hour monitored personal alarms.
- Providing 24 hour support through **127 long stay / respite beds** in a care home environment for those people with higher level needs.
- Providing 24 hour support through **39 Transitional and Discharge to Assess beds** to deliver improved patient care journeys.
- Supporting **181** clients through our older people and learning disability day services enabling people to remain at home and providing respite to families and carers.

Members' Annual Report *(continued)*

Delivering Our Strategic Priorities during 2018/19

✓ **Invest in our Staff to Improve Client Outcomes**

SB Cares has:

- a. implemented a robust classroom and work shadowing induction programme including familiarisation visits in order to continue to improve quality of care to clients; and
- b. developed support and monitoring frameworks for new and acting managers to provide tools and knowledge; and
- c. rolled out a management training programme for service line managers; and
- d. implemented new staffing models within Care at Home to support improving quality of care, and effectiveness of scheduling visits; and
- e. agreed and implemented the new rota system with Care at Home to provide consistency of care across a 24/7 service improving staff work life balance and quality of outcomes for clients.

✓ **Build on Key Partnerships**

SB Cares has:

- a. successfully implemented a collaborative approach to delivery of the Alarms Monitoring Service in conjunction with East Lothian Council through a successful tri-party agreement; and
- b. worked collaboratively with Scottish Borders Council to provide an outcome focused older people day service in pilot areas, this has been done under the Integrated Joint Board for Health and Social Care in partnership with NHS Borders; and
- c. worked with Borders College to secure delivery of SVQ social care courses.

✓ **Make our Services as Efficient and Effective as possible**

SB Cares has:

- a. successfully continued to implement further roll out of a dedicated vehicle fleet including electric vehicles for the home care teams which supports improved continuity of care provision to clients during adverse winter weather, and opens up employment opportunities to individuals with limited personal vehicle access;
- b. fully implemented the new rota across Homecare which provides a consistent, more responsive and flexible 7 day service;
- c. transitioned the alarm monitoring and out of hours' telephony services of Border Care to East Lothian Council's centre of excellence in order to secure the benefits of new technology for call handling, enabling the provision of cost effective services in 2018-19, the delivery of increased service resilience and improved overall caller experience; and
- d. worked collaboratively with Human Resources within Scottish Borders Council to implement a project with regard to sickness absence delivering a reduction in the level of absence.

Members' Annual Report *(continued)*

✓ **Modernise our Services through Technology**

SB Cares has:

- a. developed and implemented a programme of technology training sessions predominantly aimed at Scottish Borders Council Social Work Services resulting in an increase in technology referrals; and
- b. commenced a pilot within Homecare to trial "Armed" a technology system based solution focussed on falls prevention.

✓ **Grow and Develop our Business**

SB Cares has:

- a. earned our first grade 6 awarded from the Care Inspectorate within St Ronan's Care Homes and subsequently nominated for a National Care Award; and
- b. engaged with Meridian, a consultancy firm specialising in health care productivity, through the Integrated Joint Board to look at opportunities within services to develop productivity outcomes.

✓ **Develop Excellent Governance**

SB Cares has:

- a. engaged effectively with the IJB, Council's Major Contracts Governance Group, Audit and Scrutiny Committee and Corporate Management Team and delivered significant elements of the Health and Social Care Partnership's strategic agenda

Members' Annual Report *(continued)*

Quality of Our Care

day services home care care homes independent living

Our registered care services continue to be regulated by the Care Inspectorate based on the National Care Standards, and on relevant regulations. The new quality framework distilled these standards into quality statements which fell into four categories, Quality of Care, Quality of Environment, Quality of Staff and Quality of Management. Each quality statement inspected is graded as follows:

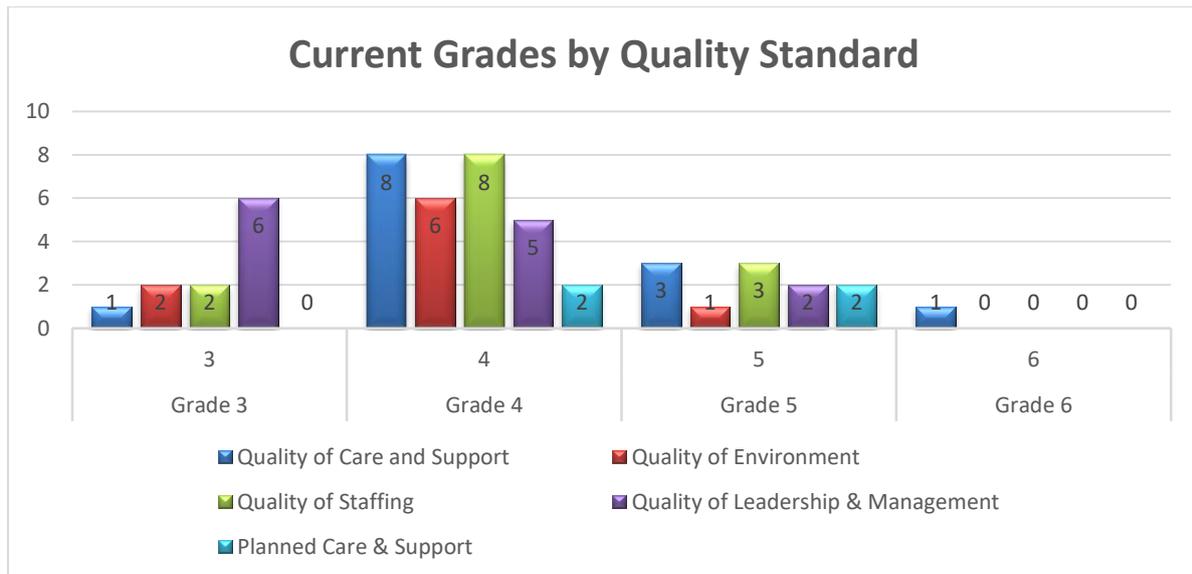
- Grade 6 – Excellent
- Grade 5 – Very good
- Grade 4 – Good
- Grade 3 – Adequate
- Grade 2 – Weak
- Grade 1 – Unsatisfactory

The grades are then aggregated for each of the four categories, so that published inspection reports give four grades for the service.

Due to the new quality standards and grading a direct comparison to prior gradings is not practical. Graph 1 below highlights current grades by themes.

SB cares was also awarded its first **grade 6** in 2018-19.

GRAPH 1



Members' Annual Report *(continued)*

Previously Care Inspectorate grading was not themed and one grade was received at each inspection report for each registration. This cannot be compared directly with the themed approach to grading and the following table details the grades received previously for reference purposes.

Grade	%
Grade 3	45%
Grade 4	44%
Grade 5	11%

Members' Annual Report *(continued)*

Risk Management

Corporate Risk Management

SB Cares recognises the importance of the management of corporate risk and applies appropriate corporate governance to ensure it is successfully monitored and managed.

SB Cares has adopted the Council's corporate risk policy to embed risk management into its business practices. SB Cares has continued to monitor, manage and mitigate risk through the proactive management of its risk register and associated actions.

The register is regularly reviewed to ensure that it reflects risks and mitigations associated with the delivery of its current Business Plan. The regular review is undertaken by the Senior Management Team and Board of Management as part of its performance monitoring processes.

The Council's Audit & Risk function, as part of the Service Level Agreement, carries out regular audits of business functions and areas of risk whose findings are reported to the Board of Management. The Council's Head of Audit and Risk and Risk Manager attend the Board of Management meetings on a quarterly basis.

Public Sector Financial Pressures

The overall pressure on public finances continues to be the dominant risk to SB Cares. Budget pressures and service reduction within the Council has an effect on SB Cares as it provides key services to this main client. SB Cares continues to monitor the change in business operation and address the mitigation of risk proactively. This is accomplished through working closely with its key partners and clients as well as reviewing its business model to secure continuous improvement.

Financial Management

Cash flow management procedures are in place to ensure that resources are managed effectively.

The Board of Management receive a monthly update on the financial position for SB Cares and this includes narrative commentary on movements and updating of the forecast out-turn for the organisation.

Members' Annual Report *(continued)*

Combined Financial Position –SB Cares – 2018/19

SB Cares as a trading entity reports to the Board of Management on a monthly basis, presenting the financial position on a management accounting basis (i.e. excluding the impact of the accounting for retirement benefits). This allows informed monitoring and evaluation of the trading financial position. The table below shows the combined position for the 2 LLPs, showing the Comprehensive Income and Expenditure reported position per the 2018/19 Annual Accounts and the trading position as presented on a management accounts basis for 2018/19.

	Year Ending 31 March 2019		
	SB Supports LLP	SB Cares LLP	Total SB Cares
	£000	£000	£000
Total Comprehensive Income/(Loss) for the year	(251)	(2,593)	(2,844)
<i>International Accounting Standard Adjustments:</i>			
IAS 19 Retirement Benefits Adjustments	-	3,050	3,050
SBC Service Efficiency Contract Rebate	-	(206)	(206)
Income/(Loss) for the year on a Management Accounts Basis	(251)	251	-

An overall assessment of the combined results of the Scottish Borders Supports and Scottish Borders Cares LLPs has resulted in the generation of an efficiency contribution on the annual contract fee for services of **£206k** on top of previously achieved reductions in the contract.

The table overleaf identifies what SB Cares has been able to contribute through contractual rebates as part of its trading arrangements with the Council:

Members' Annual Report *(continued)*

	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Recurring Savings returned to SBC:				
2015/16	480	480	480	480
2017/18	-	-	465	465
2018/19	-	-	-	206
Total Recurring Savings	480	480	945	1,151
One-Off Savings returned to SBC - 2016/17	-	600	-	-
Annual Savings	480	1,080	945	1,151
% of Contractual Management Fee	3%	7%	6%	7%
Cumulative Savings	480	1,560	2,505	3,656

This year's contribution has been achieved by a three distinct efficiency projects undertaken during the year including:

- ✓ Contract out of delivery of Alarms systems monitoring with East Lothian Council
- ✓ Continuation of fleet optimisation activity especially in Home Care
- ✓ Reduction in absence

In conclusion the Members Report and Financial Statements for the year ended 31 March 2019, demonstrate that SB Cares continues to improve and drive forward with its service and financial priorities.

The Members' Annual Report was signed on behalf of Members by

Jen Holland

**For and on behalf of
 Scottish Borders Council**

Designated member

30th October 2019

Statement of Members' Responsibilities in respect of the Members' Report and the Financial Statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so. As explained in note (iii), the members do not believe that it is appropriate to prepare these financial statements on a going concern basis.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Profit and Loss Account

for the year ended 31 March 2019

2018		2019	Notes to Accounts Ref
£000		£000	
18,272	Turnover	18,590	1
(17,221)	Cost of Sales	(18,321)	3
1,051	Gross Profit	269	
(1,012)	Administrative Expenses	(526)	4
39	Profit / (Loss) on Ordinary Activities after Taxation	(257)	
5	Interest Receivable and Similar Income	6	5
44	Profit/(Loss) for the Financial Year Available for Discretionary Division Among Members	(251)	
-	Other Comprehensive Income	-	
44	Total Comprehensive Income/(Loss) for the year	(251)	

Scottish Borders Supports LLP's turnover and expenses all relate to continuing operations.

Balance Sheet

at 31 March 2019

2018		2019	Notes to Accounts Ref.
£000		£000	
849	Fixed Assets	825	7
	Current Assets		
87	Stock	149	8
669	Debtors	1,370	9
2,038	Cash at Bank and in Hand	1,356	
2,794		2,875	
	Creditors		
(3,619)	Amounts falling due within 1 year	(3,927)	10
(825)	Net Current Liabilities	(1,052)	
24	Net Assets / (Liabilities) attributable to Members	(227)	
	Represented by:		
	Members' Other Interests:		
-	Members Capital Account	-	
24	Profit and Loss Reserve	(227)	
24	Total Members' Interests	(227)	

The Accounting Policies on pages 21 to 24 and the Notes to the Accounts on pages 25 to 29 form an integral part of these Financial Statements. These financial statements were approved by the Members and authorised for issue on 30th October 2019 and were signed on its behalf by:

Jen Holland

For and on behalf of

Scottish Borders Council

Designated member

30th October 2019

Company registered number: **SO305176**

Statement of Changes in Net Assets Attributable to Members

For the year ended 31 March 2019

	Members Capital Account £000	Profit & Loss Reserve £000	Total Members Interests £000
Balance at 1 April 2017	-	(20)	(20)
Profit/(Loss) for the Financial Year Available for Discretionary Division Among Members	-	44	44
Balance at 31 March 2018	-	24	24
Balance at 1 April 2018	-	24	24
Profit/(Loss) for the Financial Year Available for Discretionary Division Among Members	-	(251)	(251)
Balance at 31 March 2019	-	(227)	(227)

Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

(i) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

The financial statements have been prepared in accordance with FRS101. In preparing these financial statements, the Company applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions have been taken.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations of share capital;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the LLP is a wholly owned subsidiary of Scottish Borders Council, the LLP has taken advantage of the exemption contained in International Accounting Standard 24 'related parties' ("IAS24") and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

(ii) Changes in accounting policies in 2019

The LLP has applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" with effect from 1 April 2018. Due to the transition methods chosen by the LLP in applying the two standards, comparative information throughout these financial statements has not been restated.

The impact of applying applied IFRS 15 "Revenue from Contracts with Customers" is set out in the income recognition accounting policy note (ix) and the impact of applying IFRS 9 "Financial Instruments" is set out in the financial assets accounting policy note (xii)

IFRS 15 introduces a 5 step process for recognising revenue based on the transfer of control rather than the previous transfer of risk and reward.

IFRS 9 includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, and a forward looking expected credit loss model for impairment rather than the previous incurred loss model.

Accounting policies *(continued)*

Both of these changes have been considered as part of the preparation of the LLP's accounts for 2019 and neither are considered to have had a material impact on the financial statements.

(iii) Going concern

In previous years, the financial statements have been prepared on a going concern basis. However, on 26th September 2019 the members took the decision to reintegrate Scottish Borders Cares LLP and Scottish Borders Supports LLP back into Scottish Borders Council on 1st December 2019. As detailed further in the Members' Annual Report on page 4, a full report was submitted by council officers and approved by members at the Scottish Borders Council board meeting to reintegrate both of the LLPs back into Scottish Borders Council on 1st December 2019. Members have agreed to voluntarily terminate the LLPs on 1st December 2019 and begin the process of reintegrating the services delivered, as well as the assets and liabilities held, by the LLPs into the Council from that date. Accordingly, the members have not prepared the financial statements on a going concern basis. There was no impact on the financial statements as a result of this reporting change.

(iv) Members' Remuneration and Allocation of Profits

Members are not remunerated by the LLP. A Member's share in the profit or loss for the accounting period is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

(v) Members' Capital

The capital requirements of the LLP are determined from time to time by the Members. No interest is paid on capital.

(vi) Value Added Tax

The LLP is registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

(vii) Taxation

Taxation on all partnership profits is solely the liability of individual members. Consequently, neither taxation nor related deferred taxation arising in the LLP are accounted for in these financial statements.

Accounting policies *(continued)*

(viii) Fixed Assets

Assets purchased in excess of the de minimis level of £1,000 for individual assets or £5,000 for grouped assets are included in the balance sheet as fixed assets. Depreciation is applied in the period from 1 April in the financial year following their acquisition.

Depreciation is charged on a straight line basis and the useful life of an asset is deemed to be:

I.T. Systems	3 years
Plant and Equipment	5 years
Rehabilitation Equipment	5-10 years

Assets disposed of, or taken out of use will be fully written off in period of disposal or removal from use.

(ix) Income Recognition

The LLP has adopted IFRS 15 "Revenue from Contracts with Customers" in the 2019 financial statements and the IFRS has been applied prospectively from 1 April 2018. The change in accounting policy caused by the application of IFRS 15 has not had a material impact on the timing of revenue recognition or any material impact on the LLP's financial accounting. No adjustments were made on transition at 1 April 2018.

IFRS 15 requires the LLP to apportion revenues from customer contracts to separate performance obligations and recognise revenues as each performance obligation is satisfied, based on the transfer of control. Accordingly, the LLP continues to recognise income in the accounting period to which it relates. Income from grants, contracts and other services rendered is included to the extent that identified performance obligations are satisfied with respect to the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

(x) Trade and Other Debtors

Trade and other debtors are treated in line with IFRS 9 "*Financial Instruments*" for the 2019 financial statements. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses – refer to note (xii) *Financial Assets*.

(xi) Trade and Other Creditors

Trade and other creditors are treated in line with IFRS 9 "*Financial Instruments*" and are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Accounting policies *(continued)*

(xii) Financial Assets (including Trade and Other Debtors)

The LLP has adopted IFRS 9 "*Financial Instruments*" for the 2019 financial statements, and the IFRS has been applied prospectively from 1 April 2018. The change in accounting policy caused by the application of IFRS 9 has not had a material impact on the LLP's operating profit or balance sheet. No adjustments were made on the transition at 1 April 2018.

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is measured at an amount equal to lifetime expected credit losses (ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the LLP considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the LLP's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the LLP expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

(xiii) Stock

Stock is valued at the lower of cost and net realisable value.

Notes to Annual Accounts

(forming part of the financial statements)

1 Turnover

Turnover is reported in line with IFRS 15 'Revenue from Contracts with Customers' which requires the LLP to apportion revenues from customer contracts to separate performance obligations and recognise revenues as each performance obligation is satisfied, based on the transfer of control. Accordingly, the LLP continues to recognise income in the accounting period to which it relates. Income from grants, contracts and other services rendered is included to the extent that identified performance obligations are satisfied with respect to the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

2 Staff Numbers and Costs

The average Full Time Equivalent (FTE) number of persons employed by the LLP during the year, analysed by category, was as follows:

	Number of employees (FTE)	
	2017/18	2018/19
Administration	11	11
Staff costs for the above persons were:		
	£000	£000
Wages and salaries	485	450
Social security costs	45	43
Pension costs	71	65
Total Staff Costs	601	558

Notes to Annual Accounts *(continued)*

3 Cost of Sales

Included in the Profit and (Loss) statement for the year are the following amounts:

	Year to 31 March	
	2018 £000	2019 £000
Cost of Services from Scottish Borders Cares LLP	14,869	15,450
Property and Energy Costs	426	365
Transport and Travel Costs	476	423
Furniture, Fixtures and Equipment Costs	508	515
Other Cost of Sales	942	1,568
Total Cost of Sales	17,221	18,321

4 Administration Expenses

Included in the Profit and (Loss) statement for the year are the following amounts:

	Year to 31 March	
	2018 £000	2019 £000
Administration Staff and Agency Costs	601	290
Depreciation (See Note 7)	100	121
Auditor's Remuneration *	22	29
Other Administration Expenses	289	86
	1,012	526

*This represents the cost of the audit of these financial statements

5 Other Interest Receivable and Similar Items

Included in the Profit and (Loss) statement for the year are the following amounts:

	Year to 31 March	
	2018 £000	2019 £000
Other Interest Receivable	5	6
	5	6

Notes to Annual Accounts *(continued)*

6 Particulars of Members

The number of Members of the Limited Liability Partnership for the year was two. No remuneration was paid to either member.

7 Fixed Assets

	IT Systems & Equipment	Furniture, Fixtures & Fittings	Plant & Equipment	Rehabilitation Equipment	Total
	£000	£000	£000	£000	£000
Book Value as at 31 March 2018	20	-	113	850	983
Reclassification During Year	-	26	(26)	-	-
Additions During Year	-	11	11	75	97
Book Value as at 31 March 2019	20	37	98	925	1,080
Accumulated Depreciation to 31 March 2018	(12)	-	(15)	(107)	(134)
Depreciation Charge for year	(6)	(5)	(17)	(93)	(121)
Accumulated Depreciation to 31 March 2019	(18)	(5)	(32)	(200)	(255)
Net Book Value as at 31 March 2018	8	-	98	743	849
Change in Net Book Value during Year	(6)	32	(32)	(18)	(24)
Net Book Value as at 31 March 2019	2	32	66	725	825

Notes to Annual Accounts *(continued)*

	IT Systems & Equipment	Plant & Equipment	Rehabilitation equipment	Total
	£000	£000	£000	£000
Book Value as at 31 Mar 2017	20	64	628	712
Additions During Year	-	49	222	271
Book Value as at 31 Mar 2018	20	113	850	983
Accumulated Depreciation to 31 Mar 2017	(5)	(2)	(27)	(34)
Depreciation Charge for year	(7)	(13)	(80)	(100)
Accumulated Depreciation to 31 Mar 2018	(12)	(15)	(107)	(134)
Net Book Value as at 31 Mar 2017	15	62	601	678
Change in Net Book Value during Year	(7)	36	142	171
Net Book Value as at 31 Mar 2018	8	98	743	849

8 Stock

	As at 31 March	
	2018 £000	2019 £000
Raw Materials and Consumables	87	149
Total Stock	87	149

9 Debtors

	As at 31 March	
	2018 £000	2019 £000
Trade debtors	59	9
Amounts owed by Members	335	274
Prepayments and Accrued Income	275	1,057
Other Debtors	-	30
Total Debtors	669	1,370

Notes to Annual Accounts *(continued)*

10 Creditors: Amounts falling due within One Year

	As at 31 March	
	2018 £000	2019 £000
Trade Creditors	47	83
Amounts owed to Members	372	1,009
Value Added Tax	523	842
Accruals and Deferred Income	2,618	1,924
Other Creditors	59	69
Total Creditors: Amounts falling due within One Year	3,619	3,927

11 Financial Instruments

The financial instruments held are trade receivables, cash and cash equivalents, trade creditors and other creditors. All are held at amortised cost which, given their short term nature is estimated to equate to fair value.

The partnership's exposure to credit risk is considered to be minimal given its principal trade debtor is Scottish Borders Council. Similarly given the nature of its business it is considered to have limited liquidity risk.

12 Post Balance Sheet Events

On 26th September 2019 the members took the decision to reintegrate Scottish Borders Cares LLP and Scottish Borders Supports LLP back into Scottish Borders Council on 1st December 2019. As detailed further in the Members' Annual Report on page 4, a full report was submitted by council officers and approved by members at the Scottish Borders Council board meeting to reintegrate both of the LLPs back into Scottish Borders Council on 1st December 2019. Members have agreed to voluntarily terminate the LLPs on 1st December 2019 and begin the process of reintegrating the services delivered, as well as the assets and liabilities held, by the LLPs into the Council from that date. Accordingly, the members have not prepared the financial statements on a going concern basis. There was no impact on the financial statements as a result of this reporting change.

13 Ultimate Parent Organisation

The LLP's ultimate parent undertaking is Scottish Borders Council, one of its designated members, as this is the largest group into which the results of the LLP are consolidated. The consolidated group financial statements of Scottish Borders Council may be obtained from its registered office at Scottish Borders Council offices, Newtown St Boswells, TD6 0SA.

Independent Auditor's Report to the Members of Scottish Borders Supports LLP

Opinion

We have audited the financial statements of Scottish Borders Supports LLP ("the LLP") for the year ended 31 March 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement Of Changes in Net Assets Attributable to Members and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the LLP's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the LLP's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a LLP and this is particularly the case in relation to Brexit.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note (iii) to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Members of Scottish Borders Supports LLP (continued)

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 17, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent Auditor's Report to the Members of Scottish Borders Supports LLP (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30th October 2019

Reference and Administration Information

Company Name Scottish Borders Supports LLP

Company Registration Number SO305176

Registered Office Council Headquarters
Newtown St Boswells
MELROSE
Scottish Borders
TD6 0SA

Statutory Auditor KPMG LLP
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Bankers Bank of Scotland
Level 6
110 St Vincent Street
GLASGOW
G2 5ER

Contact Information

For further information on Scottish Borders Supports LLP, please contact

Jen Holland
Chief Operating Officer
SB Cares
Bristol Building
Newtown St Boswells
MELROSE
TD6 0SA

Telephone: 01835 826700
Email: info@sbcare.co.uk
Website: sbcare.co.uk

day services home care care homes independent living

SB CARES Bristol Building Newtown St Boswells Melrose TD6 0SA
T 01835 826700 sbcares.co.uk

SB CARES is the trading name of Scottish Borders Cares LLP (SO305156) and Scottish Borders Supports LLP (SO 305176).
Both bodies are Limited Liability Partnerships working with Scottish Borders Council to provide Adult Social Care Services.

