

Public Document Pack



AUDIT AND SCRUTINY COMMITTEE THURSDAY, 22 OCTOBER 2020

A MEETING of the AUDIT AND SCRUTINY COMMITTEE will be held on THURSDAY, 22 OCTOBER 2020 at 10.00 am. The meeting will be conducted by Microsoft Teams live event. Arrangements are in place to stream the meeting for public viewing. Further information and a link is provided on the Council's website

J. J. WILKINSON,
Clerk to the Council,

15 October 2020

BUSINESS		
1.	Apologies for Absence.	
2.	Order of Business.	
3.	Declarations of Interest.	
4.	Minute. (Pages 5 - 12) Minute of Meeting of the Audit and Scrutiny Committee held on 28 September 2020 to be approved and signed by the Chairman. (Copy attached.)	5 mins
AUDIT BUSINESS		
5.	Action Tracker. (Pages 13 - 14) To note progress made on the Action Tracker. (Copy attached).	5 mins
6.	External Audit Annual Report 2019/20 for Scottish Borders Council Pension Fund. (Pages 15 - 54) Consider the Annual Audit Report 2019/20 and ISA580 from the External Auditors on Scottish Borders Council Pension Fund reviewed by Pension Fund Joint Committee and Board prior to Council approval. (Copy attached)	10 mins
7.	Audited Report and Accounts 2019/20 for Scottish Borders Council Pension Fund. (Pages 55 - 144) Consider the audited annual report and accounts 2019/20 of the Pension Fund reviewed by Pension Fund Joint Committee and Board prior to Council approval. (Copy attached)	5 mins
8.	External Auditors' Annual Audit Reports 2019/20.	30 mins

	Consider the Annual Audit Reports from the External Auditor on various entities for review and scrutiny prior to Council approval. (Copies attached).	
	(a) ISA260 SBC (Pages 145 - 154)	
	(b) ISA260 Trusts (Pages 155 - 178)	
	(c) Annual Audit report (Pages 179 - 214)	
9.	Audited Annual Reports and Accounts 2019/20. (Pages 215 - 220) Consider report by the Executive Director Finance & Regulatory on various entities' audited Annual Reports and Accounts for the year ended 31 March 2020 for review and scrutiny prior to Council approval. (Copies attached).	15 mins
	(a) Scottish Borders Council (Pages 221 - 348)	
	(b) SBC Common Good Funds (Pages 349 - 374)	
	(c) SBC Charitable Trusts (Pages 375 - 464) (i) SBC Welfare Trust (ii) SBC Education Trust (iii) SBC Community Enhancement Trust (iv) Ormiston Institution (v) SBC Charity Funds	
	(d) Bridge Homes LLP (Pages 465 - 484)	
	(e) Lowood Tweedbank Ltd (Pages 485 - 494)	
10.	Annual Assurance Statement 2019/20 to Scottish Housing Regulator. (Pages 495 - 502) Consider report by Service Director Customer and Communities on annual assurance statement 2019/20 in respect of landlord services provided by the Council for submission to the Scottish Housing Regulator. (Copy attached)	10 mins
11.	Internal Audit Work to September 2020. (Pages 503 - 514) 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 2020/21. (Copy attached)	15 mins
12.	Audit and Scrutiny Committee Annual Report 2019/20 and Annual Self-Evaluation. (Pages 515 - 532) Consider the Audit and Scrutiny Committee Annual Report 2019/20 on their work for the year in fulfilling their Audit remit based on their annual self-evaluation. (Copies attached).	10 mins
13.	Any Other Audit Items Previously Circulated.	
14.	Any Other Audit Items which the Chairman Decides are Urgent.	
	SCRUTINY BUSINESS	

15.	Scottish Welfare Fund and Discretionary Housing Payments (Pages 533 - 542) Consider report by Service Director Customer & Communities providing an overview of the performance of both the Scottish Welfare Fund and Discretionary Housing Payments in the Scottish Borders from 1 April 2019 to 31 August 2020 (copy attached).	15 mins
16.	Any Other Scrutiny Items Previously Circulated.	
17.	Any Other Scrutiny 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, J. A. Fullarton, J. Greenwell, N. Richards, E. Robson, H. Scott, E. Thornton-Nicol, S. Scott, Mr M Middlemiss and Ms H Barnett

Please direct any enquiries to Judith Turnbull, Democratic Services Officer
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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTES of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held via Microsoft
Teams on Monday, 28 September 2020 at
10.15 am

Present:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, J. Greenwell,
N. Richards, H. Scott, S. Scott, E. Thornton-Nicol; Ms H. Barnett and
Mr M. Middlemiss.

Apology:- Councillor E. Robson.

In Attendance:- Chief Financial Officer, Chief Officer Audit and Risk, Clerk to the Council,
Democratic Services Officer (F. Henderson); Mr A. Haseeb and Mr G.
Samson – Audit Scotland

CHAIRMAN

The Chairman opened the meeting and welcomed Members of the Audit and Scrutiny Committee and members of the public to the Scottish Borders Council's open on-line meeting. The meeting was being held remotely in order to adhere to guidance on public meetings and social distancing currently in place, due to the COVID-19 pandemic.

1. **WELCOME AND INTRODUCTIONS**

The Chairman welcomed Councillor Greenwell to his first meeting since being appointed to the Committee.

2. **ORDER OF BUSINESS**

The Chairman varied the order of business as shown on the agenda and the Minute reflects the order in which the items were considered at the meeting.

3. **MINUTE.**

There had been circulated copies of the Minute of 23 June 2020.

DECISION

APPROVED for signature by the Chairman.

4. **ACTION TRACKER**

There had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee. The Chief Officer, Audit & Risk, advised that there were a number of completed Actions which were due to be removed from the tracker. There would be a presentation later in the Agenda on the Best Value Action Plan with further updates on progress made at the November meeting. Ms Stacey further advised that following today's meeting the action tracker would be updated.

DECISION

NOTED the Action Tracker.

AUDIT BUSINESS

5. **RISK MANAGEMENT IN SERVICES**

5.1 The Service Director, Customer and Communities, Mrs Jenni Craig, joined the meeting and gave a presentation to the Committee on the strategic risks facing the various services within Customer and Communities and also the corporate risks she managed on

behalf of the Council's Corporate Management Team. These corporate risks included short-term savings, the Community Planning Partnership, and Stakeholder Engagement, and Mrs Craig explained the internal controls and governance in place to manage and mitigate those risks. Details were then given of the Risk registers for each service within Customer & Communities, which were developed and were owned by Service Managers, within each service, with a note of their last review (backlog due to Covid-19 impact). Risks were regularly reviewed by the Services Management Team and when necessary, were escalated to Corporate Management Team (CMT).

- 5.2 Members then asked a number of questions with regard to risks and their mitigations. Business continuity plans were in place for all key services and some of these would be about disaster recovery around IT systems, with either alternative systems in place or manual, paper systems. These plans were regularly refreshed and were due for a further refresh around Covid. Reference was made to the Audit Scotland report on the Overview of Local Government in Scotland 2020, which was due to be considered later at the meeting, and the increasing role of planners who should be taking a more pro-active role in community planning for place-centred design. Mrs Craig undertook to bring that aspect for consideration as part of the FF24 review of the Community Engagement Team, Community Learning & Development, and community capacity development. With regard to resources, Mrs Craig explained that there had been concerns around the capacity of one of the teams but this was being addressed through development of staff and recruitment. When a risk was identified in one area, resource could be moved from another area, which was all part of corporate working. It was necessary to keep an eye on corporate skills or knowledge skills to ensure there was sufficient resource. In terms of succession planning, a great deal of work had gone into people planning over the last few years and that continued. The people plan aligned with the financial plan and the business plan, and managers worked on these alongside the HR and Finance Business Partners to identify trends e.g. aging workforce, change of skills, level of customer expectation, etc. and try to adapt and pre-empt where possible.
- 5.3 In response to a question about Citizen Space, Mrs Craig explained that Citizen Space was a digital tool used for consultation and feedback. It had been used following the fire in Peebles and also to get feedback from customers, parents, users of services, and users of Covid services. It was user friendly and could be used in a wide context. While there was capacity for wider use, care had to be taken around scheduling, as analysis of responses took some time. In terms of service management at the moment during Covid, Mrs Craig advised that the Council had stood up a Response & Recovery Board which met twice per week. Assessments had been made of every Council service including a RAG status update for emerging risks and these were considered regularly by the Board. In response to questions about how the Council was engaging with the 25-35% of people not connecting digitally, Mrs Craig explained that this was one area that needed further consideration as services changed and the digital offering also changed. There was a need to look at the future model and how to deliver to those people who could not or chose not to engage digitally. National work was also underway on that and the Council was supporting some people who did not have access to digital services. Mrs Stacey confirmed that an officer was currently reviewing corporate risks and these would be prioritised. Information was being captured throughout the Covid-19 emergency for future use and the Corporate Risk Officer post was also out for recruitment so it was hoped to have enhanced resources soon.

DECISION

NOTED the presentation on Customer & Communities risk management and that further information on Citizen Space would be issued to Elected Members.

6. BEST VALUE AUDIT ACTION PLAN

- 6.1 With reference to paragraph 2.2(b) of the Minute of 9 March 2020, Jason McDonald (Senior Manager - Business Strategy and Resources), joined the meeting to give a presentation to the Committee on progress with the Best Value (BV) Audit Action Plan.

Mr McDonald explained the approach and steps that had been taken since the BV Implementation Plan had been agreed by Council on 19 December 2019. Mr McDonald went on to advise that there were 40 actions, with 9 actions already complete (23%); while many of the action had been delayed due to Covid19, 7 of them had been unable to progress as a direct impact of SBC's response to Covid-19. Details were then given of all 40 actions in terms of timescales, lead officer, % completion and update notes.

- 6.2 The Chairman commented that the detail of progress had been reassuring but it would be helpful to have such information in advance of the meeting to give Members the opportunity to understand and consider what questions they may wish to ask. It had been useful to see the total of actions but for the quarterly reviews going forward, the focus would be on exceptions rather than all actions. In response to a number of questions, the Executive Director, Finance & Regulatory, explained that the plan for Corporate Management Team (CMT) to move round the Borders meeting various staff groups had been agreed prior to Covid19 and that was being revised. It would not be practicable for the Chief Executive to meet every Councillor individually on a regular basis but meetings could always be put in the diary as necessary and meetings with political groups would continue. While there had been a previous suggestion to explore further closer working between IJB, SBC and NHS Borders, that had not met with universal approval. However, management teams did meet on a regular basis to consider areas where organisations could work together. CMT continued to look at challenges and opportunities for participatory budgeting and empowering communities. Self-evaluation was a useful tool to allow the organisation to understand its strengths and weaknesses and the Council was involved in a range of benchmarking opportunities, including making extensive use of the information in the Local Government Benchmarking Framework.

DECISION

NOTED the update on progress with actions on the Best Value Audit Plan.

7.0 ANNUAL TREASURY MANAGEMENT REPORT 2019/20

- 7.1 With reference to paragraph 3 of the Minute of 23 September 2019, there had been circulated copies of a report by the Executive Director, Finance & Regulatory, presenting the Annual Report of treasury management activities undertaken during the 2019/2020 financial year. The report was presented to Audit and Scrutiny Committee for review as part of their scrutiny role in relation to treasury management activities in the Council. The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) required an annual report on treasury management to be submitted to Council following the end of each financial year. The report highlighted the Council's treasury activity in the year ended 31 March 2020 and the performance of the Treasury function. Appendix 1 to the report comprised the Annual Report of treasury management activities for 2019/2020 and contained an analysis of performance against targets set in relation to Prudential and Treasury Management Indicators. All of the performance comparisons reported upon were based on the revised indicators agreed as part of the mid-year report approved on 25 November 2019.

- 7.2 The Appendix to the report also showed the Council's borrowing requirement to fund the capital investment undertaken during 2019/20; how much the Council actually borrowed against the sums budgeted; and the level of external debt carried on the Council's balance sheet within approved limits. The Council had, whenever possible, deferred borrowing and used surplus cash rather than undertaking new borrowing. However, the Council had undertaken long-term borrowing of £7.5m during the year, due to the cashflow of the capital programme. Treasury management activity had been undertaken in compliance with approved policy and the Code and the Council remained under-borrowed against its Capital Financing Requirement (CFR) as at 31 March 2020. The report was fully discussed and in response to questions, the Pensions and Investments Manager, Mrs Robb, confirmed that the Debt Management Office, which was part of HM Treasury, had recently introduced negative interest rates for short-term deposits and the Council was continuing to monitor the situation. A report would be brought to the next

Audit & Scrutiny Committee with an interim update on treasury management activities in the first 6 months of the current financial year.

DECISION

NOTED that treasury management activity in the year to 31 March 2020 had been carried out in compliance with the approved Treasury Management Strategy and Policy as detailed in the report and in Appendix 1 to the report.

8. **EXTERNAL AUDIT ANNUAL REPORT 2019/20 FOR SCOTTISH BORDERS COUNCIL PENSION FUND**

The report in respect of this item was deferred until the next meeting.

DECISION

NOTED.

9. **EXTERNAL AUDIT ANNUAL REPORT 2019/20 AND THE AUDITED REPORT AND ACCOUNTS 2019/20 FOR SCOTTISH BORDERS COUNCIL PENSION FUND**

The report in respect of this item was deferred until the next meeting.

DECISION

NOTED.

10. **INTERNAL AUDIT WORK TO AUGUST 2020**

With reference to paragraph 2 of the Minute of 23 June 2020, there had been circulated copies of a report by the Chief Officer Audit and Risk which provided 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. The work Internal Audit had carried out during the period 1 April to 31 August 2020 associated with the delivery of the approved Internal Audit Annual Plan 2020/21 was detailed in the report. Two final Internal Audit reports had been issued, with 0 recommendations made associated with either of these reports. 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, was included in Appendix 1 to the report. Ms Stacey summarised the findings in the report relating to the two final reports. The Internal Audit Assurance work in progress to complete the delivery of the Internal Audit Annual Plan 2020/21 was highlighted and included additional work in respect of Business Support Grants and planned work on Benefits Assessment – Scottish Welfare Fund. Mrs Stacey referred to Appendix 2 to the report, that outlined the work of the Chief Auditors' national forum SLACIAG and, in response, the Committee agreed to a further recommendation to acknowledge the benefits.

DECISION:

(a) NOTED:-

- (i) the final assurance reports issued in the period from 1 April to 31 August 2020 associated with the delivery of the approved Internal Audit Annual Plan 2020/21; and**
- (ii) the Internal Audit Assurance Work in Progress and Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter.**

(b) ACKNOWLEDGED:-

- (i) **the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and**
- (ii) **the benefits to the Scottish Borders Council Internal Audit function arising from its participation in the Chief Auditors' national forum (SLACIAG).**

11. **LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2020**

There had been circulated copies of the Local Government in Scotland Overview 2020 prepared by Audit Scotland. The Chief Officer Audit & Risk presented the report which had been prepared prior to Covid19. There was a supplement to the report on Audit Scotland's website that contained a checklist for Councillors to use. The report detailed the challenging and complex landscape in which local government and its partners were operating and the need to plan for and implement changes to allow them to meet the needs and improve the outcomes of communities in an increasingly challenging context. The Chairman commented on the Council's relationships with its Community Planning Partners and whether the structure in the Borders compared to those in other local authority areas was the best one to have, including the nature of participation. Mrs Craig confirmed that a number of reviews were underway around the support resources in Community Planning and the Communities & Participation Manager met with other local authority Community Planning lead officers and would be looking to see what worked elsewhere and if that could be replicated in the Borders. Mr Robertson confirmed that the report would be brought to the attention of CMT to consider key messages and actions.

**DECISION
NOTED.**

12. **AUDIT SCOTLAND COUNTER FRAUD REPORTS**

There had been circulated copies of a report by the Chief Officer Audit and Risk which was presented to make the Committee aware of recently published Counter Fraud reports by Audit Scotland and Management Actions required in response for improvement and assurance purposes. The report explained that having robust fraud prevention and investigation arrangements in place contributed to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse. A focus on prevention and detection and promotion of anti-fraud culture across the Council, taking account of reducing resources, was associated with the Counter Fraud Strategy endorsed by the Committee and approved by the Council in 2018. The Corporate Fraud Steering Group (Integrity Group) was a forum which had representatives from across the Council's Services to support Management to fulfil their responsibilities in tackling fraud. Its purpose was to improve the Council's resilience to fraud, corruption, theft and crime. One way it could achieve that was by assessing the Council's arrangements against best practice and agreeing any appropriate actions to continuously improve the arrangements in place. Part of the Audit and Scrutiny Committee's role was to oversee the framework of internal financial control including the assessment of fraud risks and to monitor counter fraud strategy, actions and resources. In response to a question about the influx of counterfeit goods, Ms Stacey explained that Trading Standards was represented on the Organised Crime Group. In response to a question about timescales, Ms Stacey advised that the Integrity Group was due to meet on 20 October 2020 when actions would be assigned to individual members of the Group, and a provisional report could come back either in November or by February 2021 at the latest.

**DECISION
AGREED to:-**

- (a) **acknowledge the Audit Scotland counter fraud reports published in recent months;**

- (b) request that the Corporate Fraud Steering Group (Integrity Group) of officers consider all three reports as part of their counter fraud role and responsibilities; and
- (c) request that the Corporate Fraud Steering Group (Integrity Group) carry out an assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks and report back to the Committee on findings and necessary actions at the earliest opportunity.

SCRUTINY BUSINESS

13. **SCRUTINY WORK PROGRAMME**

With reference to paragraph 10 of the Minute of 23 June 2020, there had been circulated copies of the items on the Scrutiny Work Programme. The Committee considered the list of reviews and confirmed that a Scrutiny hearing on the Welfare Fund would be held at their October 2020 meeting. The Chairman proposed that Child Poverty; Balance between 20mph speed limits and street architecture; and Grass Cutting Regime & the Effectiveness of Biodiversity plans be taken forward at early meetings. The Committee was content with the Chairman's suggestion and Councillor H. Scott requested that the Common Ridings and Festivals In-kind support information briefing be scheduled into the programme prior to April 2021. Councillor Anderson requested that the Child Poverty hearing be scheduled in November 2020. The Clerk to the Council agreed to check Officer availability and report back to the next meeting.

DECISION

AGREED that the Clerk to the Council would report back to the next meeting with dates for Scrutiny hearings.

14. **COUNCIL FUNDED POLICE COMMUNITY ACTION TEAM**

- 14.1 There had been circulated copies of a report by the Chief Social Work and Public Protection Officer which provided an overview and summary of activity undertaken by the Police Scotland Community Action Team (CAT) since its formation in 2018/19. Chief Inspector Stuart Reid of Police Scotland joined the meeting. The report explained that in the financial year 2018/19 a sergeant and six constables came together to form the initial CAT. These officers funded by SBC were in addition to the Scottish Borders authorised policing establishment. For the purposes of oversight and scrutiny, a Member/Officer Oversight Group was established; this was cross party and representative of localities. Meetings were held monthly, CAT activity in the previous month was scrutinised and tasks for the upcoming month were agreed. In 2019/20 a second CAT was established taking the complement to two sergeants and twelve constables. This increase in police officers was incremental over several months. The initial commitment with Police Scotland for both teams was for three years up to the end of 2020/21.
- 14.2 Mr Jones, Safer Communities & Community Justice Manager, explained that the CAT was now part way through the third year of the 3yr funded programme. Each month the Oversight Group considered information which had been put forward by the partnership analyst, Elected Members, and Police Scotland that constituted identified or emerging problems/risks in the Scottish Borders and specifically those that could benefit from focused Police attention to address the issues raised. Following detailed consideration of each proposal, if deemed appropriate, it became a specific tasking activity for the CAT with any proposals not accepted directed towards an alternative policing or Council response. To ensure the CAT activity was effectively monitored there were a number of mechanisms in place to ensure the work of the CAT was visible not only to Elected Members and Council officers but also to the wider community within Scottish Borders. All tasking proposed for the CAT, regardless of the source of the report, was logged and any action agreed to address the proposed problem was documented. Not all tasks were

appropriate for the CAT so where tasking was directed away from the CAT a record was maintained. The logging of all proposed tasking and clarity where the responsibility lay for addressing issues allowed for effective tracking of the CAT and other disposal options when dealing with community issues. The report detailed the background to the formation of the CAT, the key successes in terms of drug searches and seizures, youth issue resolution, parking tickets and initiatives.

- 14.3 Councillor Harry Scott thanked Mr Jones for his presentation and suggested it would be helpful for the CAT quarterly reports to coincide with meetings of the Police, Fire & Rescue and Safer Communities Board. Councillor Scott then raised concerns that Police Officers no longer attended Community Council meetings and requested that CAT Officers attend in order to strengthen their links within communities. In response, Chief Inspector Reid advised that he was happy for CAT officers to attend but Police Scotland was unable to use Zoom for remote meetings due to security issues, although officers could use Microsoft Teams. Mr Robertson added that the Council was looking at how to allow access to Zoom for Elected Members to attend remote Community Council meetings. Councillor Anderson referred to very good results on youth resolution and also whether the figures on drug seizures related purely to work by the CATs or included wider Police Scotland activity. Chief Inspector Reid confirmed that the figures in the report related to the work of the CATs. Since the inception of the CAT, drug recovery was touching on almost £2m.
- 14.4 Councillor Harry Scott went onto to request that the Member/Officer CAT Oversight Group be included in the Scheme of Administration as a formal committee of Council, as in his opinion there was no adequate means of scrutinising the work undertaken and openness and accountability was required and that terms of reference be drawn up for the CAT. Ms Wilkinson, the Clerk to the Council, explained the implications of adding the Oversight Group to the Scheme of Administration in terms of public reporting and confidentiality and discussions with Police Scotland were required. Members of the Committee discussed the merits and issues of bringing the Oversight Group into the Scheme of Administration and requested further details from the Clerk to the Council for the next meeting before reaching a decision.

DECISION

AGREED to receive a report from the Clerk to the Council at the next meeting on the options and implications of including the Member/Officer Strategic Oversight Group into the Scheme of Administration to allow for discussions with Police Scotland.

15. DIGITAL TRANSFORMATION SAVINGS

With reference to paragraph 5 of the Minute of 18 April 2019, there had been circulated copies of a report by the Executive Director, Finance & Regulatory, which updated the Committee on the delivery of planned digital transformation savings included within the Council's Financial Plan from 2016/17. The key message on 18 April 2019 was that savings of £1.514m had been delivered between 2016/17 and 2018/19 against a target of £3.304m. Projected digital transformation savings in 2019/20 were highlighted as a further contribution towards the target with the commitment that savings would be delivered in full but over a longer time-frame. Following finalisation of the 2019/20 outturn position and the first quarter's monitoring position for 2020/21, it was reported that savings of £3.313m were forecast to be delivered against the targeted savings of £3.304m by the end of 2020/21.

DECISION

NOTED:-

- (a) the digital transformation savings delivered from 2016/17 to date; and**

- (b) the Corporate Management Team's (CMT) intention to deliver further financial plan savings through the Fit for 2024 programme, enabled by digital transformation.

The meeting concluded at 12.45 p.m.

SCOTTISH BORDERS COUNCIL

ACTION SHEET MASTER COPY

AUDIT & SCRUTINY COMMITTEE 2020/21

Notes:-

1. Paragraphs Marked with a * require full Council approval before action can be taken
2. Items for which no actions are required are not included

TITLE	DECISION REQUIRING ACTION	DIRECTORATE/ SECTION	RESPONSIBLE OFFICER	STATUS
23 June 2020				
Minute	With regard to the Internal Audit Strategy and Annual Plan 2020/21, summarised in paragraph 7 of the Minute, the Chief Officer advised that, due to the effects of the current pandemic, the Plan had been re-assessed in terms of potential changes i.e. add audits to cover new risks, defer low risk cyclical audits to a future year, and re-schedule medium risk audits to later in the year. This had been carried out in consultation with the Corporate Management Team and any significant changes would be submitted to the Committee for approval.	Audit & Risk	Jill Stacey	Scheduled for presentation in November 2020 within the Internal Audit Mid-Term Performance Report 2020/21 which includes an update on plan delivery.
Counter Fraud Annual Report 2019/20	Request that officers note the importance placed by the Committee on the availability of Fraud Awareness Training for all staff.	Audit & Risk	Jill Stacey	Planned for 2020/21 in collaboration with the Corporate Fraud Steering Group (Integrity Group).
28 September 2020				
Best Value Action Plan	The Chairman commented that the detail of progress had been reassuring but it would be helpful to have such information in advance of the meeting to give Members the opportunity to understand and consider what questions they may wish to ask. It had been useful to see the total of actions but for the quarterly reviews going forward, the focus would be on exceptions rather than all actions.	Transformation & Performance	Jason McDonald	Next quarterly update of BV Action Plan scheduled for presentation on 23 November 2020.
Audit Scotland Counter Fraud Reports	Request that the Corporate Fraud Steering Group (Integrity Group) of officers consider all three reports as part of their counter fraud role and responsibilities, and carry out an assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks and report back to the Committee on findings and necessary actions at the earliest opportunity.	Audit & Risk	Jill Stacey	Included in the Agenda for the Meeting of the Corporate Fraud Steering Group (Integrity Group) scheduled on 20 October 2020.

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Pension Fund Committee

24 September 2020

Dear Pension Fund Committee Members

Scottish Borders Council Pension Fund Audit of 2019/20 annual accounts

Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 5 November 2020.
2. We have included an 'Emphasis of Matter' paragraph in the audit report. This draws attention to the reference in Note 5 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the financial statements which describes the effects of uncertainties caused by Covid-19 on property investment portfolio valuations. The audit opinion is not modified in respect of this matter.
3. The proposed report is attached at [Appendix A](#).

Annual audit report

4. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Pension Fund Committee's consideration our draft annual report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
5. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
6. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

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

8. We identified one unadjusted error during the audit relating to late valuations for level 3 investment assets. If corrected, this would have decreased investment asset values by £0.94 million.

Fraud, subsequent events and compliance with laws and regulations

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

Representations from Executive Director Finance and Regulatory

10. As part of the completion of our audit, we are seeking written representations from the Executive Director Finance and Regulatory on aspects of the annual accounts, including the judgements and estimates made.
11. A letter of representation template is attached at [Appendix B](#). This should be signed and returned to us by the Executive Director Finance and Regulatory with the signed annual accounts prior to the independent auditor's report being certified.

Yours faithfully,

Gillian Woolman MA FCA CPFA

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Scottish Borders Council as administering authority for Scottish Borders Council Pension Fund and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Scottish Borders Council Pension Fund (the fund) for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the financial transactions of the fund during the year ended 31 March 2020 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)) as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Property Investment Portfolio Valuations

I draw attention to Note 5 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes the effects of a material uncertainty caused by Covid-19 on property investment portfolio valuations. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director Finance and Regulatory has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Executive Director Finance and Regulatory and Scottish Borders Council Pension Fund Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director Finance and Regulatory is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director Finance and Regulatory determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance and Regulatory is responsible for assessing the fund'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 deemed inappropriate.

The Scottish Borders Council Pension Fund Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the annual report

The Executive Director Finance and Regulatory is responsible for the other information in the annual report. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has

been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

APPENDIX B: Letter of Representation (ISA 580)

Gillian Woolman, Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Dear Gillian

Scottish Borders Council Pension Fund Annual Accounts 2019/20

1. This representation letter is provided about your audit of the annual accounts of Scottish Borders Council Pension Fund for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Scottish Borders Council Pension Fund's annual accounts for the year ended 31 March 2020.

General

3. Scottish Borders Council Pension Fund and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Scottish Borders Council Pension Fund have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Scottish Borders Council Pension Fund at 31 March 2020 and the transactions for 2019/20.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Scottish Borders Council Pension Fund circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

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

Assets

10. For the year ended 31 March 2020, the amounts included in the Net Assets Statement reflects investments managed/held both internally and externally by appointed fund managers and the global custodian on behalf of the funds. Amounts have been calculated in accordance with approved bases of valuation and fairly represent the values at 31 March 2020. In making these assertions I am reliant on the opinions of the appointed fund managers. I am satisfied that the carrying amount of assets included in the financial statements at 31 March 2020 continues to represent the best available information while recognising the additional uncertainty created by the impact of the Covid-19 pandemic. As far as we can reasonably ascertain, all assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Banking and Cash Flow Arrangements

11. Scottish Borders Council Pension Fund maintains separate bank accounts and while these accounts form part of Scottish Borders Council's treasury management arrangements, the pension fund can demonstrate that there is no borrowing from the administering authority. Amounts due to the administering authority to cover daily cash flows such as payments through the council's systems are reimbursed on a regular basis.

Other Current Assets

12. On realisation in the ordinary course of the Funds' business, the other current assets in the Net Assets Statement are expected, in my opinion, to produce at least the amounts at which they are stated. In particular, adequate provision has been made against all amounts owing which are known or may be expected to be irrecoverable.

Liabilities

13. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
14. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Management commentary

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

Corporate Governance

16. I acknowledge, as officer with the responsibility for the proper administration of the funds' financial affairs under section 95 of the Local Government (Scotland) Act 1973, my responsibility for the corporate governance arrangements and internal controls. The fund has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
17. I confirm that the Annual Governance Statement and the disclosures I have made comply with the guidance from the Scottish Ministers and in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. Also, I have reviewed the Governance Compliance Statement and the disclosures I have made comply with the guidance from the Scottish Ministers. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

Related Party Transactions

18. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the fund's related parties and all the related party relationships and transactions of which I am aware.

Fraud

19. I have provided you with all information in relation to:
 - my assessment of the risk that the financial statements may be materially misstated because of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.
20. There have been no irregularities involving management or employees who have a significant role in internal controls that could have a material effect on the financial statements.

Laws and Regulations

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

Events Subsequent to the Date of the Net Assets Statements

22. There have been no material events since the date of the Net Assets Statements which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
23. Since the date of the Net Assets Statements no events or transactions have occurred, which though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Yours sincerely

Executive Director Finance and Regulatory

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Scottish Borders Council Pension Fund

2019/20 Annual Audit Report



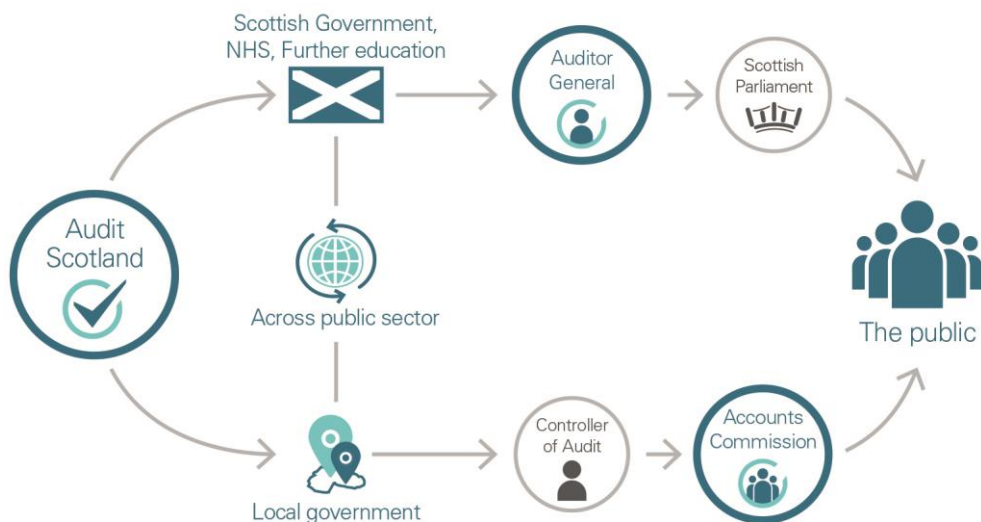
 AUDIT SCOTLAND

Prepared for Scottish Borders Council as administering authority for Scottish Borders Council Pension Fund and the
Controller of Audit
September 2020

Who we are

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

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



About us

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

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

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

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Key messages

2019/20 annual accounts

- 1 Scottish Borders Council Pension Fund's (the Fund) financial statements give a true and fair view and were properly prepared.
- 2 An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the impact of Covid-19 on property investment valuations. The audit opinion is not modified in respect of this.

Financial management

- 3 There are effective arrangements in place for financial management.
- 4 The Fund had a negative performance of 1.7% during 2019/20, against a benchmark of negative 1.9%. On a rolling three year basis, performance is 3.8% which is above the benchmark of 3%. The Fund is continuing to make progress with its asset strategy, reducing exposure to equity investment from 48% to 44% of the total fund.

Financial sustainability

- 5 There are appropriate and effective financial planning arrangements in place.
- 6 The 2017 triennial valuation showed a funding level of 114%, the highest in Scotland, and an increase from 101% in 2014. This allowed the main pool of employing bodies to maintain their employer contribution rate at 18%. Work on the next triennial valuation as at 31 March 2020 is currently underway with an anticipated completion date of March 2021.

Governance and transparency

- 7 There are effective governance arrangements in place.
- 8 Papers and minutes of meetings are available on the Council's website. There is also a dedicated website for the Fund, making available a wide range of important information relevant to members
- 9 On 26 March 2020 Scottish Borders Council held a virtual meeting to agree temporary decision-making arrangements to minimise social contact. All routine Council and Committee meetings were cancelled and additional powers were delegated to the Chief Executive. From May 2020, Council Committee meetings restarted and meetings were held on a virtual basis. The Pension Fund Committee and Pension Board held their first virtual meeting on the 22nd June 2020. We consider these changes to be appropriate.
- 10 The Fund demonstrates commitment to Environmental, Social and Corporate Governance (ESG) issues through the approval of the Statement of Responsible Investment Policy, by actively engaging with investment managers to ensure they are incorporating ESG considerations into their investment decisions and by becoming a signatory to Climate Action 100+.

Value for money

- 11** There are good arrangements in place for monitoring investment performance and scrutinising investment management expenses.
- 12** Investment performance is subject to regular review and scrutiny by the Fund's Investment Sub-Committee.

Introduction

1. This report is a summary of our findings arising from the 2019/20 audit of Scottish Borders Council Pension Fund (the Fund).

2. The scope of our audit was set out in our Annual Audit Plan presented to the February 2020 meeting of the Audit and Scrutiny Committee. This report comprises:

- an audit of the Fund's annual report and accounts
- consideration of the wider dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2019/20 have been:

- an audit of the Fund's 2019/20 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of the Fund's main financial systems
- consideration of the four audit dimensions.

Added Value

4. We add value to the Fund through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations

- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. Taking this together, we aim to help the Fund promote improved standards of governance, better management and decision making, and more effective use of resources.

Responsibilities and reporting

6. Scottish Borders Council (the 'Council') is the administering authority for the Scottish Borders Council Pension Fund. The Council delegates this responsibility to the Pension Fund Committee (the 'committee'). The Pension Fund Board (the 'Board') is responsible for establishing arrangements to ensure the proper conduct of the affairs of the Fund in accordance with the law and the requirements of the Pensions Regulator.

7. The Committee and Board are responsible for establishing effective governance arrangements and ensuring that financial management is effective. In the case of Scottish Borders Council Pension Fund, the arrangement is for the Council's Audit and Scrutiny Committee to review the effectiveness of internal control arrangements and to recommend the annual report and accounts for approval by the Council.

8. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice 2016](#), and supplementary guidance, and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual accounts. Additionally, we also conclude on:

- the effectiveness of the Fund's performance management arrangements,
- suitability and effectiveness of corporate governance arrangements, and financial position and,
- arrangements for securing financial sustainability.

10. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

11. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

14. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £21,040 as set out in our Annual Audit Plan remains unchanged.

15. This report is addressed to both the members of the Scottish Borders Council as administering authority for the Scottish Borders Council Pension Fund and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

16. We would like to thank management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Scottish Borders Council Pension Fund's (the Fund) financial statements give a true and fair view and were properly prepared.

An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the impact of Covid-19 on property investment valuations. The audit opinion is not modified in respect of this.

The annual accounts are the principal means of accounting for the stewardship of resources and performance

Our audit opinion on the annual accounts is unmodified

17. The annual accounts for the year ended 31 March 2020 were approved by Scottish Borders Council on 5 November 2020. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared in accordance with the guidance.

18. All working papers were provided electronically and the audit team were able to complete the audit remotely. The working papers provided with the unaudited financial statements from the finance team were of a good standard and finance staff provided support to the audit team which helped ensure the audit process ran smoothly.

19. The working papers provided by the Human Resources Shared Services (HRSS) team were of an adequate standard and HRSS staff provided reasonable support to the audit team, however we did experience some instances where there was a slow turnaround in receiving documents from this team.

Objections

20. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The notice for Scottish Borders Council Pension Fund was published on the website of the administering authority (Scottish Borders Council) and complies with the regulations. No objections were received to the Scottish Borders Council Pension Fund accounts.

Submission of annual accounts for audit

The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 sufficient to allow each

local authority to determine its own revised timetable for the Annual Accounts. The unaudited Annual Report and Accounts were received in line with our agreed audit timetable on 29 June 2020.

Consideration of materiality

21. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

22. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

23. In addition to planning materiality we set lower, specific materiality levels for certain classes of transaction, account balances or disclosures where lesser amounts could influence the decisions of the users of the accounts.

24. We recognise that transactions with members and payments to pensioners are areas of importance to the users of the accounts and we set specific materiality levels as shown in [Exhibit 2](#).

25. On receipt of the unaudited annual report and accounts we reviewed our materiality and revised the figures as set out in Exhibit 2 below. The method used to calculate materiality is consistent with the planned approach.

Exhibit 2 Materiality values

Materiality level	Planning Amounts (based on 2018/19 accounts)	Revised Amounts (based on 2019/20 accounts)
Overall materiality	£7.33 million	£7.13 million
Performance materiality	£4.40 million	£4.28 million
Reporting threshold	£220,000	£214,000
Specific materiality for certain classes of transactions	£2.28 million	£2.36 million
Specific performance materiality for certain classes of transactions	£1.37 million	£1.42 million

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

26. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual report and accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance in relation to these risks.

Significant findings from the audit in accordance with ISA 260

27. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings from our audit are summarised in [Exhibit 3](#)

Exhibit 3

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Material uncertainty in the valuation of property investments</p> <p>Property investments for Blackrock and UBS portfolio valuations both include a "material valuation uncertainty clause". The investment valuations affected amount to £98m, which is 13.7% of total investment asset value. Covid-19 meant the property sector were faced with an unprecedented set of circumstances on which to base a judgement.</p> <p>As at the valuation date, fund managers considered that less weight could be given to previous market evidence for comparison purposes to inform opinions of value. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.</p>	<p>Scottish Borders Council Pension Fund updated their accounting policies in the Annual Report and Accounts to disclose this material valuation uncertainty.</p> <p>We have included an 'Emphasis of Matter' paragraph in our independent auditor's report to highlight this matter. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw users' attention to matters which are fundamental to the understanding of the accounts. The audit opinion is not modified in respect of this matter.</p> <p>No further action required.</p>

Identified misstatements of £0.94 million were not adjusted in the accounts. These were less than our performance materiality

28. We identified misstatements totalling £0.94 million, which would have decreased investment asset values by £0.94 million. These consist of late valuations received for Level 3 assets. The valuations for these assets are included in the accounts with a lagged valuation date of 31 December 2019. The valuations were not available when the unaudited accounts were issued. The final valuations were received during our audit. After discussions with management, we concluded that adjustments for these final valuations were not required as the total adjustment required of £0.94 million is below our performance materiality level. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety, and do not indicate any systemic error.

Follow up of prior year recommendations

29. Management has made adequate progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).

Part 2

Financial management



Main judgements

There are effective arrangements in place for financial management.

The Fund had a negative performance of 1.7% during 2019/20, against a benchmark of negative 1.9%. On a rolling three year basis, performance is 3.8% which is above the benchmark of 3%. The Fund is continuing to make progress with its asset strategy, reducing exposure to equity investment from 48% to 44% of the total fund.

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

Financial Performance in 2019/20

30. Pension fund finances are independently assessed every three years by an actuary. This assessment determines the employer contribution rates and deficit funding payments for the upcoming three-year period and takes account of the strength of employer covenants and the Fund's investment strategy.

31. The Fund's performance in 2019/20 is summarised in [Exhibit 4](#)

Exhibit 4

Assets, funding level and investment performance

Decrease in net assets



£713 million

Closing net assets as at
31 March 2020

(-2.72%)

£733 million

Opening assets at 1 April 2019

Funding level



114%

2017 Funding Valuation

101%

2014 Funding Valuation

Investment performance



6.3%

Average annual return on
investments over 5 years

-1.7%

Return on investments 2019/20

Source: 2019/20 Scottish Borders Council Pension Fund unaudited annual report and financial statements

32. The promised retirement benefits at 31 March 2020 have been projected by the actuary using a roll forward approximation from the latest formal funding valuation as at 31 March 2017. These have been estimated at £887 million (2018/19 – £941 million), showing a 5.7% decrease. This estimate uses assumptions in line with Internal Accounting Standards (IAS) 19 requirements, for the purposes of the Fund's financial statements. It is not directly comparable to the liability measures on a funding basis.

33. The information contained in [Exhibit 3](#) demonstrates that the Fund has performed relatively well in 2019/20. The Fund has seen a negative performance of 1.7%, against a benchmark of negative 1.9%. The rebalancing of the asset portfolio has meant that the Fund has not been subjected to the full effect of market volatility due to Covid-19.

34. Although the Fund continues to perform well, management are aware that a number of challenges face the Fund and the wider environment in which it operates. A number of issues may increase pressure on the future funding position, including economic growth and the impact of EU withdrawal. Pension specific issues such as the scheme cost cap mechanism, guaranteed minimum pension (GMP) equalisation and the McCloud ruling on age discrimination within pension schemes, are also likely to impact on the funding position in the coming years.

35. The Fund has considered these challenges and continues to monitor risks through the corporate risk register. The funding strategy statement and investment strategy are reviewed and revised following actuarial valuations to ensure that the Fund is well placed to continue to meet its liabilities.

36. The 2019/20 – 2021/22 business plan identifies a number of key priorities for the years ahead.

Financial management arrangements

37. The Executive Director Finance and Regulatory for Scottish Borders Council is the Proper Officer responsible for Scottish Borders Council Pension Fund. The financial regulations of Scottish Borders Council, as administering authority, apply to the Fund. We consider these to be comprehensive, current, and promote good financial management.

38. Investment performance reports are submitted to the Pension Fund Committee on a quarterly basis, with administration performance reports submitted annually. Reports are comprehensive and well presented with enough narrative to describe issues to Councillors and other committee members. Through our attendance at the Pensions Committee we have observed adequate level of review and scrutiny by members. The Council has delivered training to members of the committee during the year including training on Financial markets and Investment Products, Investment Concepts and Terminology, the role of the Fund Custodian, LGPS Benefits Structure and Regulatory Environment. It is important that Committee members undertake all given training to ensure knowledge and skills are kept current.

39. Overall, the Fund has appropriate and effective financial management arrangements in place. This includes comprehensive reporting of investment performance.

Systems of internal control

40. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that Scottish Borders Council Pension Fund has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements. The Pension Fund uses the administering authority's key financial systems, in particular the general ledger, payroll and accounts payable systems. We have concluded that overall

systems of internal control are operating effectively we did identify issues relating to the validation of pensioners. These are detailed in [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation.

Standards of conduct and arrangements for prevention and detection of fraud and error

41. Scottish Borders Council Pension Fund is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct.

42. We assessed the Fund's arrangements for the prevention and detection of fraud. The Fund relies on the Scottish Borders Council's arrangements for the prevention and detection of fraud and corruption. The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers

43. We have concluded that appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

Part 3

Financial sustainability



Main judgement

There are appropriate and effective financial planning arrangements in place.

The 2017 triennial valuation showed a funding level of 114%, the highest in Scotland, and an increase from 101% in 2014. This allowed the main pool of employing bodies to maintain their employer contribution rate at 18%. Work on the next triennial valuation as at 31 March 2020 is currently underway with an anticipated completion date of March 2021.

Financial sustainability looks forward to the medium and longer term to consider whether the Fund maintains the capacity to meet the current and future needs of its members.

Financial planning arrangements

44. The March 2017 triennial valuation for the Fund (issued in December 2017) reported that fund assets were sufficient to meet 114% of its liabilities. The primary employer contribution rate was increased to 20.6%, however, on the actuary's advice, the Fund has utilised the over-funding to set the secondary rate at a level to maintain employer contributions at 18%.

45. The March 2020 triennial valuation for the Fund is currently underway with a completion date anticipated of March 2021. This will be the first triennial valuation completed by the newly appointed actuary of the Fund, Hymans Robertson, who replaced Barnett Waddingham as the Fund's actuary in 2019.

46. Following each triennial valuation, the Fund reviews and revises the funding strategy statement. The next full review is due to be completed by 31 March 2021.

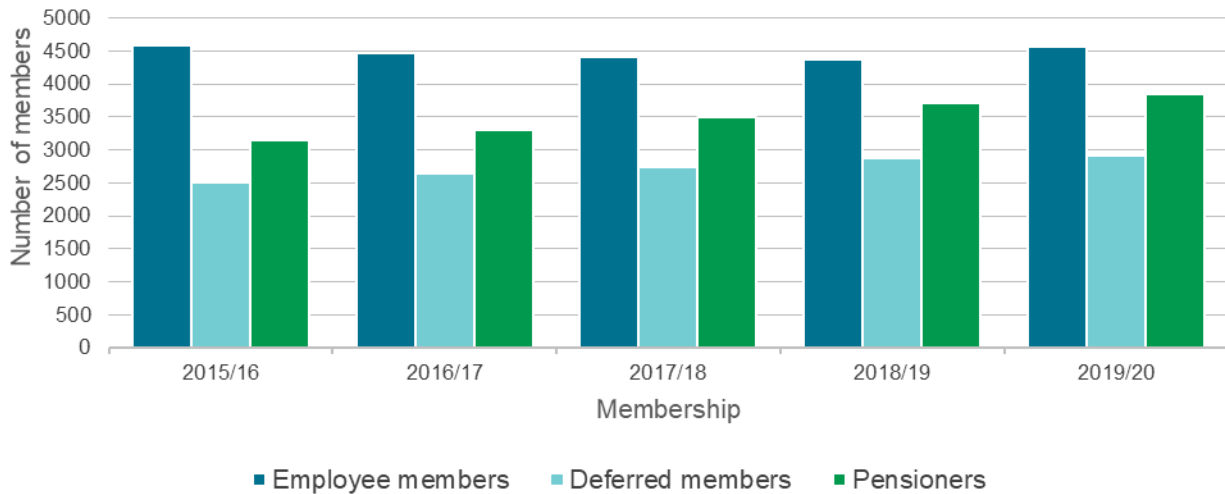
47. The funding strategy statement is a summary of the Fund's approach to funding liabilities. The investment strategy is set for the long-term but is monitored continually and reviewed every 3 years using asset-liability modelling to ensure that it remains appropriate to the profile of the Fund's liabilities. The investment strategy is outlined in the Fund's statement of investment principles.

48. We concluded that the Fund has an appropriate framework in place through which it demonstrates effective financial planning.

Membership levels

49. The Fund is a multi-employer fund with one Local Authority, and 16 other employers. The current membership profile is shown at [Exhibit 5](#). The number of active members continues to outweigh the number of pensioners.

Exhibit 5 Scottish Borders Council Pension Fund membership



Source: Scottish Borders Council Pension Fund 2019/20 unaudited financial statements

50. Membership increased from 10,961 to 11,338 members at 31 March 2020; a total increase in membership of 3.4%. After decreasing in recent years, employee members grew over the last year by 4.5%. These contributing employee members assist with the cash flow of the fund. Deferred non-contributing members increased by 1% and pensioners increased by 4%.

51. The Fund gives its members a guarantee that in exchange for contributions during their employment, it will pay a pension until the end of each member's life. It is important that the Fund maintains the capacity to meet the current and future pension entitlements of its members.

52. In 2019/20 the number of pensioners receiving a pension increased from 3,707 to 3,856, an increase of 4.0%. The number of pensioner members continues to increase steadily each year, as can be seen from the exhibit above, and is a key contributor to the ongoing deficit.

53. Future membership numbers are difficult to predict with any certainty as they are dependent on a number of factors including employer budgets, recruitment decisions, and promotion of the pension scheme.

54. With most employers still open to new membership and with continuing support from auto enrolment, the recent trend of growth in membership seems likely to continue for the foreseeable future.

Contributions

55. Following the latest triennial valuation in 2017, the Actuary agreed employer contribution rates with individual employers for 2018/19 onwards. For the majority of employers, the current funding surplus is being used to subsidise and stabilise contribution rates. The approximate split of all contributions received in year is set out at [Exhibit 6](#).

Exhibit 6

Contributions in 2019/20

	Administering authority £m	Other scheduled bodies £m	Admitted bodies £m	Total £m
Total Contributions	15.5	0.9	3.4	19.8

Source: Scottish Borders Council Pension Fund 2019/20 unaudited financial statements

56. The Fund reported a deficit of £5.3m in 2019/20. This means that pension payments out exceeded member contributions in, and investment income was used to ensure pensions were paid.

57. The continued growth in pensioner numbers makes funding pension payments increasingly challenging. The Fund has considered this as part of its investment strategy and is further diversifying its investment structure to increase investment in income generating assets.

58. As mentioned earlier in the report, the 2020 triennial valuation is currently underway with results anticipated in March 2021. The outcome of this valuation may lead to future revisions to the investment strategy and asset allocation based on the advice of the newly appointed actuary, Hymans Robertson. The outcome of this valuation and revisions to investment strategy may also result in changes to contribution rates going forward.

Part 4

Governance and transparency



Main judgements

There are effective governance arrangements in place.

Papers and minutes of meetings are available on the Council's website. There is also a dedicated website for the Fund, making available a wide range of important information relevant to members.

On 26 March 2020 Scottish Borders Council held a virtual meeting to agree temporary decision-making arrangements to minimise social contact. All routine Council and Committee meetings were cancelled and additional powers were delegated to the Chief Executive. From May 2020, Council Committee meetings restarted and meetings were held on a virtual basis. The Pension Fund Committee and Pension Board held their first virtual meeting on the 22nd June 2020. We consider these changes to be appropriate.

The Fund demonstrates commitment to Environmental, Social and Corporate Governance (ESG) issues through the approval of the Statement of Responsible Investment Policy, by actively engaging with investment managers to ensure they are incorporating ESG considerations into their investment decisions and by becoming a signatory to Climate Action 100+.

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

Governance arrangements

59. Scottish Borders Council is the administering body for Scottish Borders Council Pension Fund. The Council has delegated responsibility for governance to the Pension Fund Committee. This committee, supported by the Board (made up of four scheme employer representatives and four trade union representatives), is responsible for establishing arrangements that ensure the proper conduct of the affairs of the Fund. It is also responsible for ensuring that decisions are made within the terms of the Local Government Pension Scheme.

60. There has been a change to the Scheme of Administration with regards to the delegation of decision making for the annual report and accounts sign off. From 2019/20 the Pension Fund Committee will review the annual report and accounts and recommend the accounts approval to the Council. The annual report and accounts will also be submitted to the Audit and Scrutiny Committee for noting. We consider this to demonstrate good governance arrangements. Pension Fund committee members receive pension fund specific training, which equips them to effectively scrutinise the annual report and accounts.

The Covid-19 pandemic has affected governance and working arrangements

61. The impact of Covid-19 has been set out in the Annual Governance Statement in the annual report and accounts. We note that the following changes were made in response to the outbreak.

62. On 26 March 2020 Scottish Borders Council held a virtual meeting to agree temporary decision making arrangements to minimise social contact during the pandemic. It was agreed all formal Council and Committee meetings be cancelled unless required for statutory reasons and additional powers delegated to the Chief Executive in consultation with Officers and Members. From May 2020, Council Committee meetings restarted and meetings were held on a virtual basis. The Pension Fund Committee and Pension Board held their first virtual meeting on the 22nd June 2020.

63. Business continuity plans were implemented with staff mainly working at home with full access to systems and files. During the pandemic services have been maintained and payments made in a timely manner.

64. The arrangements detailed above are appropriate and adequate and support good governance and accountability.

Openness and transparency

65. Openness and transparency means that the public, in particular, members of the pension fund have access to understandable, relevant and timely information about how the Fund is taking decisions and how it is using resources.

66. The Pension Fund Committee and Board meetings are held in public with commercially sensitive information dealt with in private sessions. Minutes of the public meetings are available on the Scottish Borders Council website.

67. Overall, we conclude that the Fund conducts its business in an open and transparent manner.

Appropriate arrangements are in place to comply with the Pensions Regulator Public Service Code

68. There were no breaches of the Code that required to be reported to the Pensions Regulator in 2019/20.

The Fund is actively considering the future structure of Local Government Pension Scheme in Scotland

69. The Scottish Scheme Advisory Board is undertaking a review of the future structure of the Local Government Pension Scheme in Scotland. Four options have been identified by the board:

- Retain the current structure of eleven funds
- Promote cooperation in investment and administration between the eleven funds
- Pool investments between the funds
- Merge the funds into one or more funds.

70. Stakeholder views were sought through a consultation process and the Fund submitted a response in December 2018. Following the consultation process, a draft report incorporating stakeholder views was considered at the Scottish Scheme Advisory Board meeting on 24 April 2019. The outcome of this meeting is still awaited.

The Fund is actively considering Environmental, Social and Corporate Governance factors

71. The Fund believes that a positive approach to Environmental, Social and Corporate Governance issues can have a positive impact on the financial performance of investments.

72. The Fund approved a Statement of Responsible Investment Policy on the 30 November 2018 which details the Fund's approach to responsible investment and arrangements to monitor manager performance against the principles in this policy. The overwhelming majority of fund managers engaged with Scottish Borders Council Pension Fund (99.8%) are signatories to the United Nations Principles for Responsible Investment. The Fund became a signatory to Climate Action 100+ in March 2020. As a signatory the Fund supports Climate Action 100+ in its engagement with the boards and senior management of companies around the world to implement a strong governance framework, take actions to reduce greenhouse gas emissions and provide enhanced corporate disclosures.

Part 5

Value for money



Main judgements

There are good arrangements in place for monitoring investment performance and scrutinising investment management expenses.

Investment performance is subject to regular review and scrutiny by the Fund's Investment Sub-Committee.

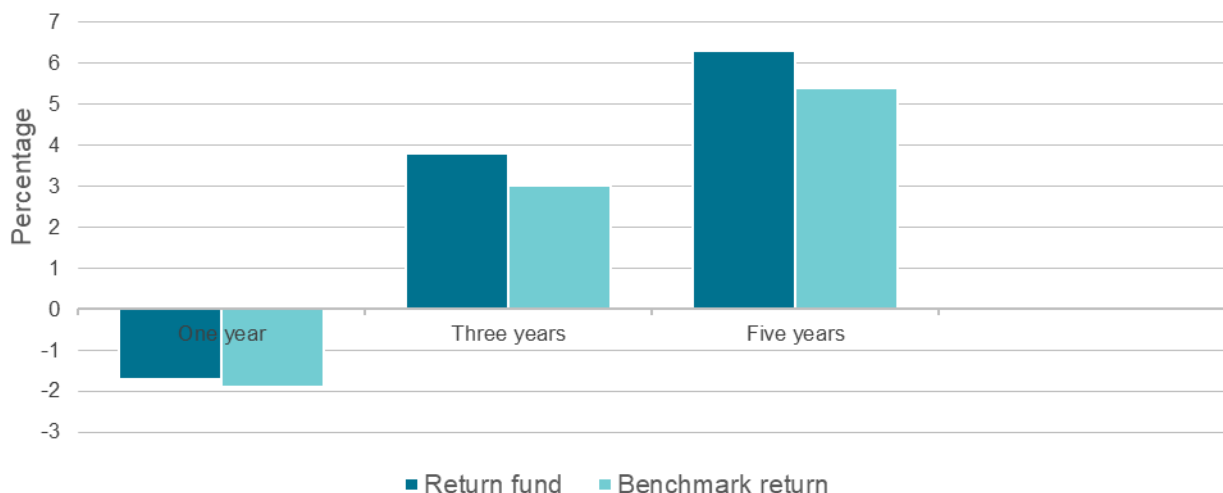
Value for money is concerned with using resources effectively and continually improving services.

Investment performance

73. The Pension Fund Investment and Performance Sub-Committee meets twice a year. A review of fund managers' performance is a standing item on the agenda. At each meeting, members receive a report outlining overall fund performance including an analysis of risks and returns.

74. [Exhibit 7](#) shows the Fund's performance against benchmark over one, three and five years.

Exhibit 7 Fund investment performance



Source: Scottish Borders Council Pension Fund 2019/20 unaudited financial statements

75. Over the medium to longer term the Fund has outperformed its benchmark over three and five years. Benchmarks are set by the Pension Fund in consultation with their investment consultant, Isio.

76. The Fund appoints several external fund managers. Individual investment manager performance is reported on a quarterly basis to the Pension Fund

Committee by the investment consultant, Isio. In addition, all investment managers are subject to review at least annually by the Investment and Performance Sub-Committee, and again by management to discuss operational issues. Fund managers are required to complete annual compliance checklists which are reviewed by management for instances of non-compliance with laws and professional standards

77. The investment strategy of the Fund is included in the Statement of Investment Principles which was last updated in September 2018. The Fund has adopted a risk/return asset framework as the basis for modelling and agreeing the investment strategy. The Fund is made up of 44% equities, a 4% decrease from 2018/19. The Fund continues to invest in other assets classes such as long-lease property, private credit and infrastructure, by partnering with Lothian Pension Fund.

78. The investment strategy focuses on increasing the diversification of the portfolio, including increasing allocations in income generating assets and assets which offer a greater level of protection from inflation. The strategy also takes the unpredictability of future economic conditions into consideration and continues to diversify in order to be more resilient to future challenges.

79. Investment return and risk are inextricably linked, and it is not possible for us to comment on the relative performance of the Fund's investments given the risk exposure of the asset allocation and investments made. Although asset allocation is largely in line with the Fund's investment strategy, the Fund retains overweight positions in equity as the implementation of the current investment strategy continues. Management are working with the Investment Consultant to identify appropriate opportunities to invest, in line with the agreed strategy.

80. The Covid-19 outbreak dominated markets over Q1 2020, with the social and economic impacts of the virus resulted in heightened volatility and negative performance across the majority of asset classes. The rebalancing and diversification work of the fund, which has been ongoing for the past 5 years, has meant the full effect of the market crash has not been felt by the Fund.

Management Expenses

81. There are three main categories of management expense, with the largest being investment management costs. Other expenses are the cost of the administration services provided by the Council and oversight and governance costs.

82. External investment manager fees are agreed in the respective mandates governing their appointments. The fees are relative to the risk and complexity involved in managing a particular asset and strategy.

83. Investment management expenses have decreased from £5.8 million in 2018/19 to £5.3 million in 2019/20. The main reason for this decrease in expenses relates to the 2.4% decrease in asset value.

84. The Fund has encouraged all of its listed equity investment managers to sign up to the Code of transparency and has engaged with managers of other asset classes to do the same.

85. The Fund has adequate arrangements in place for monitoring investment performance and scrutinising investment management expenses.

National performance audit reports

86. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, we published reports which may be of interest to the Fund. These are outlined in [Appendix 3](#) accompanying this report.

Appendix 1

Action plan 2019/20

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Pensioner validation using ATMOS reports</p> <p>As part of our review of pension payment controls, we requested a sample of ATMOS match reports for testing. These reports are used by management to identify deceased pensioners so that pension payments are stopped in a timely manner, minimising overpayments.</p> <p>The ATMOS match reports we received for testing were five months old. Therefore, there is no evidence that the matches have been investigated by management in a timely manner.</p> <p>Risk</p> <p>There is a risk that, without prompt investigation by management, pensions are being overpaid.</p>	<p>ATMOS reports should be reviewed and any matches investigated in a timely manner to prevent any overpayments to deceased pensioners.</p> <p>Paragraph 40</p>	<p>Action being taken to address this, including the training of further members of the Pensions Administration Team to remove Single Point of Failure</p> <p>Responsible officer</p> <p>Ian Angus, HR Shared Services Manager</p> <p>Agreed date</p> <p>31 October 2020</p>
2	<p>Validation of overseas pensioners</p> <p>Validation of pensioners is considered a key control that should be in place to ensure that pensioners in receipt of pensions are still eligible to receive payment.</p> <p>We identified that, whilst letters and statements are issued to overseas pensioners, the process to ensure their existence, has not been carried out during 2019/20.</p> <p>Risk</p>	<p>The existing process in place should be reviewed to ensure it is still appropriate. The process should be actioned on a frequent basis to ensure existence of overseas pensioners.</p> <p>Paragraph 40</p>	<p>Overseas Pensioners have been written to and asked to provide confirmation by 30 September 2020, any failures to respond will result in pension payment being suspended for the October payroll</p> <p>Responsible officer</p> <p>Ian Angus, HR Shared Services Manager</p> <p>Agreed date</p> <p>31 October 2020</p>



No. **Issue/risk**

Recommendation

Agreed management action/timing

There is a risk that without adequate controls being in place to validate the existence of pensioners, pensions are paid to deceased pensioners

Follow up of prior year recommendations

3 **Key reconciliations are not being performed**

On selecting a sample of debtors and creditors for further testing, we found that several balance sheet codes (e.g. pension suspense accounts) are not being reviewed or reconciled.

Risk

There is a risk of uncorrected errors not being identified on a timely basis.

Management should perform monthly reconciliations across payroll to ensure all balances are investigated and adjusted when necessary.

Outstanding

Work continues on the remaining balance sheet codes and monthly reviews will be implemented

Responsible officer

Ian Angus, HR Shared Services Manager

Agreed date

31 October 2020

4 **Reconciliation of pensions paid figure**

There is no monetary reconciliation performed to show the total pensions paid figure agrees with the ledger. Therefore, the total pensions paid figure cannot be tied back to the ledger.

The HRSS manager advised that there has never been a reconciliation performed between pensions paid figure and the financial ledger.

A monthly report run for differences in payments from one month to the next is available but unfortunately due to work pressures and staff shortages this has not been completed for this financial year. This would be an effective control over the pensions paid figure on a month by month basis.

Risk

The figures in the financial ledger could be under or overstated.

The pensions paid figure should be reconciled month on month and variances to the ledger investigated. Management should perform monthly reconciliations between the pensions paid figure and the ledger.

UPDATE 2019/20

Whilst there is an automated nature to the transfer of the figures between the payroll system and ledger data, there is a residual risk that manual intervention to the financial ledger codes may impact ledger data. The inclusion of this control will strengthen the control environment.

Outstanding

Report used to undertake the verification of the month on month payments has been updated to include the ledger information, this will be reconciled to the ledger entries on a monthly basis to ensure there are no additional entries processed

Responsible officer

Ian Angus, HR Shared Services Manager

Agreed date

31 October 2020



No.	Issue/risk	Recommendation	Agreed management action/timing
5	<p>Financial & HR Capacity</p> <p>We found that staff capacity is still showing signs of pressure. There is dependency on key staff in Finance and in Human Resources Shared Services (HRSS).</p> <p>Strain on staff resources in HRSS has meant key reconciliations and working papers were not available or prepared to a level suitable for audit from HRSS.</p>	<p>Resource requirement of the Pension Fund should be assessed within both departments and addressed to ensure administration of the Fund is efficient and effective.</p>	<p>In progress</p> <p>Through discussions with management, we noted a new staff member has been appointed within the finance team which will reduce the key dependency on one member of staff in this department.</p> <p>Within the HRSS team, we were advised that whilst there are no staff capacity issues in terms of staff numbers, there has been various staff changes/unexpected absences which have caused some challenges.</p> <p>With ongoing challenges and uncertainty anticipated for the fund including work required on the outcome of the GMP reconciliation and the McCloud judgement, the outcomes of these will be monitored and resources will be reviewed for these additional challenges.</p> <p>Management are continuing to monitor this.</p> <p>Revised Management Action</p> <p>Impact of additional challenges through legislative changes will be monitored to ensure there is appropriate staffing levels to deal with this and business as usual. Additionally, we are in the process of implementing Members Self Service which help reduce the number of routine enquiries from scheme members where they will be able to obtain quotes directly via the self service functionality and removes the need to issue Annual</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			<p>Benefit Statement in paper format.</p> <p>Responsible officer</p> <p>Ian Angus, HR Shared Services Manager</p> <p>Agreed date</p> <p>31 March 2021</p>
6	<p>Evidence of review of exception reporting</p> <p>Controls over the pension payroll such as the investigation of exception reporting were in place. However, there was no evidence of management review of the control.</p> <p>Risk</p> <p>There is a risk that without evidence of review, the quality key control processes deteriorate to a point where the control is no longer effective.</p>	<p>Procedures should be put in place to ensure controls are adequately reviewed and monitored by management to ensure their efficacy is maintained.</p>	<p>Complete</p> <p>We confirmed that processes are now in place to detail management review of the controls in place.</p>
7	<p>Training and development</p> <p>Pensions Committee and Pension Board members are expected to attend at least two training sessions per year. During 2018/19 28% of Committee members and 13% Board members did not attend two or more training sessions.</p> <p>Risk</p> <p>Members do not have or maintain the expertise required to monitor and scrutinise Pension Fund performance effectively.</p>	<p>Pensions Committee and Pension Board members should ensure that they keep their pensions knowledge up to date and take advantage of the training and development opportunities offered.</p>	<p>Complete</p> <p>We confirmed that for 2019/20 all members of the Pensions Committee and Pensions Board met their training requirements. This will be monitored each year.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		Results and conclusions
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement due to fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that result in fraudulent financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing on prepayments and accruals.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>From controls and substantive testing carried out in year, there was no evidence of management override of controls.</p> <p>Conclusion: Satisfactory</p>
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>The Code of Audit Practice and the Financial Reporting Council's Practice Note 10 (revised) expand the ISA 240 risk of fraud over income (see paragraph 5 below). As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>	<p>Evaluation of the effectiveness of systems for expenditure recognition and recording</p> <p>Review of custodian arrangements and completion of 'review of work by service auditors' in accordance with ISA 402 for the custodian.</p> <p>Analytical procedures on expenditure streams.</p> <p>Substantive testing of expenditure.</p>	<p>Our work did not identify any issues.</p> <p>Conclusion: Satisfactory</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Estimations, Judgements and Classifications</p> <p>There is a significant degree of subjectivity in the measurement and valuation of investments and the actuarial valuation. Investments include level 3</p>	<p>Completion of 'review of the work of an expert' in accordance with ISA 500, for the actuary.</p>	<p>From our 'review of the work of an expert' and our substantive testing we did not identify any issues in relation to this risk.</p> <p>An 'Emphasis of Matter' paragraph is included in the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>investments such as unquoted equities, where valuations involve the application of considerable judgement in determining appropriate amounts.</p> <p>The actuarial valuation depends on a number of assumptions about the future. These include investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions. This subjectivity entails a risk of misstatement in the financial statements.</p>	<p>Confirmation of valuations to valuation reports and/ or other supporting documentation.</p>	<p>independent auditor's report to draw attention to the impact of Covid-19 on property investment valuations. The audit opinion is not modified in respect of this matter.</p> <p>Conclusion: Satisfactory</p>

Appendix 3

Summary of national performance reports 2019/2020



		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

Scottish Borders Council Pension Fund

2019/20 Annual Audit Report

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**FINAL PENSION FUND ANNUAL REPORT AND ACCOUNTS
2019/20**

Report by Executive Director Finance and Regulatory

AUDIT AND SCRUTINY COMMITTEE

22 October 2020

1 PURPOSE AND SUMMARY

- 1.1 **This report provided the Audit and Scrutiny Committee with an opportunity to scrutinize the final Annual Report and Accounts for the Pension Fund for 2019/20 prior to their submission to Scottish Borders Council for signature.**
- 1.2 The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specify the elements which must be contained in the Annual Report and Accounts, the list of these are contained in para 4.1. The final Annual Report and Accounts contained in Appendix 1 fully meets these requirements.
- 1.3 Audit Scotland has completed their audit and have provided an unqualified independent audit opinion.
- 1.4 Audit Scotland identified two new recommendations and 3 recommendations from 2018/19 audit requiring action and these have been accepted by management and will be enacted within the agreed timescales.
- 1.5 This report has been presented to members of both the Pension Fund Committee and the Pension Fund Board to recommend the final Annual Report and Accounts for 2019/20(the Annual Report) for approval prior to Scottish Borders Council for signature.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Audit and Scrutiny Committee note the Annual Report and Accounts for 2019/20.**

3 BACKGROUND

- 3.1 The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specifies that the Annual report must contain:
- a) report on the management and financial performance during the year,
 - b) statement on the investment policy for the Fund,
 - c) pensions administration arrangements during the year,
 - d) actuarial valuation statement,
 - e) governance compliance statement,
 - f) fund account and net asset statement,
 - g) annual report on pension administration strategy, and
 - h) details of where to access current Funding Strategy Statement and Statement of Investment Principles.

4 ANNUAL REPORT AND ACCOUNTS 2019/20

- 4.1 The final Annual Report and Accounts for 2019/20 (the Annual Report) is attached at **Appendix 1**. The Annual Report has also been presented to Pension Fund Committee and Pension Fund Board on the 24 September 2020.
- 4.2 The draft Annual Report was made available for public inspection for a 3-week period commencing 30 June 2020 and has been subject to a full external audit by Audit Scotland.
- 4.3 Audit Scotland has completed their audit and have provided an unqualified independent audit opinion.
- 4.4 The Scottish Borders Council's Pension Fund Annual Audit Report highlighted two new recommendations and 3 recommendations from 2018/19 audit. The areas in question are shown in Appendix 1 "Action Plan 2019/20" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:

2019/20 Recommendations

- Management should perform monthly pensioner validation using ATMOS reports and any matches investigated in a timely manner.
- Management should perform regular validation of overseas pensioners to ensure existence of overseas pensioners.

2018/19 Recommendations

- Management should perform monthly reconciliations are being performed across payroll to ensure all balance across payroll are investigated and adjusted when necessary.
- The pensions paid figure should be reconciled month on month and variances to the ledger investigated. Management should perform monthly reconciliations between the pensions paid figure and the ledger.
- Resource requirement of the Pension Fund should be assessed within both departments and addressed to ensure administration of the Fund is efficient and effective.

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

5 IMPLICATIONS

5.1 Financial

There are no financial implications relating to this proposal.

5.2 Risk and Mitigations

This report is part of the governance framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risk are managed in line with the Corporate Risk Management framework, with risks and controls monitored and reported on a quarterly basis.

5.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is routine good governance required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website demonstrates that equality, diversity and socio-economic factors have duly been considered when preparing this report.

5.4 Acting Sustainably

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

5.5 Carbon Management

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

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the contents of this report.

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 Legal Officer (Monitoring Officer), the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been included in the report.

Approved by

David Robertson
Executive Director Finance & Regulatory

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pension and Investment Manager, 01835 825249

Background Papers:

Previous Minute Reference: Pension Fund Committee and Board 24 September 2020

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

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Scottish Borders Council
Pension Fund

annual report and accounts

for the year to 31 March 2020



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SECTION 1

INTRODUCTION

CHAIRMAN'S REPORT



Introduction

Welcome to the Annual Report and Accounts for the Scottish Borders Council Pension Fund for the year

ended 31 March 2020. This Annual Report has been produced to provide Elected Members, Scheme Members and Employers and other interested parties with information concerning the administration and performance of the Fund in financial year 2019/20.

Highlights of the Year

Pension Fund Committee/Pension Board

The Pension Fund Committee has worked hard during the year in response to the continually growing governance agenda and increasingly complex pension administration environment that the Fund operates within.

The Committee members have engaged with training events both locally and nationally to expand their knowledge and understanding. All members of the Committee and Board fully met the training requirements.

The Joint meetings of the Committee and Board continued during 2019/20 to be productive and informative due to the positive engagement of all members.

The Investment and Performance Sub-Committee, has met all investment managers during the year, which has allowed the committee full scrutiny of funds managed.

Investment Assets

Due to COVID-19 and the subsequent market crash in March 2020, the Fund has seen for the first time since 2008 negative performance of 1.7% against a benchmark of negative 1.9%. The rebalancing and diversification work which has been ongoing for the last 5 years has meant the full effect of the market crash has not been felt by the Fund.

The Fund has throughout 2019/20 continued with the processing of diversifications away from equities and has increased its investments in infrastructure from £11.5m to £26.4m. It has also increased infrastructure debt to £32m.

Statement of Responsible Investment

The Committee believes that a positive approach to Environmental, Social and Governance (ESG) issues can positively affect the performance of the Fund. Good progress has been made with the Fund's first annual responsible investment report being approved. This report showed that 99.8% of the Funds' assets are managed by United Nations Principles of Responsible Investment (UNPRI) signatories. The Fund continues to work with all its managers to ensure ESG is fully integrated into all their investment decisions.

The Fund has also during the year become signatories to Climate Action 100+ initiative which is actively working to ensure the Paris Agreement climate change targets are met.

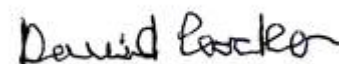
Pensions Administration

100% of annual benefit statements were distributed within the required timescales and an Admission Policy approved.

COVID-19 has brought new challenges, which the service has met. All payments to pensioners continue to be paid on time and queries responded to in the usual manner.

Acknowledgement

I would like to thank the Members of the Pension Fund Committee, Pension Fund Board, officers of the Council, our investment managers, Isio and the Fund Actuary Hymans Robertson for their hard work during the year and their ongoing commitment to ensuring the Fund's continued success.



Chairman, Pension Fund Committee
Scottish Borders Council

SECTION 2

MANAGEMENT COMMENTARY

MANAGEMENT COMMENTARY SUMMARY

STRATEGY AND OBJECTIVES

Scottish Borders Council Pension Fund's primary aim is "to provide for members, pension and lump sum benefits on their retirement or for their dependants, benefits on death before or after retirement, on a defined benefits basis". All the longer term policies, objectives and strategies of the Fund reflect this aim.

The Scottish Borders Council Pension Fund Committee agree all policies and strategies. Scrutiny of these decisions are provided by Scottish Borders Council Pension Fund Board. All key policies and strategies are located on the Fund's website.

GOVERNANCE

The Pension Fund Committee aims to ensure the Fund is managed effectively, transparently and in compliance with regulations. A review of the governance arrangements and performance is undertaken on an annual basis. The review has confirmed the Fund is fully compliant with the Local Government Pension Scheme (Scotland) Regulations 2014 requirements.

The Fund, annually, agrees a three year business plan which sets out the action plan to deliver the key work areas identified to ensure objectives continue to be met. The actions are monitored and reported to the Pension Fund Committee. The key actions completed in 2019/20 were:-

- Approval of a new Admission Policy.
- Submission of all required Guaranteed Minimum Pension data to HMRC.
- Approval of the first annual Responsible Investment report.
- Annual training requirements for Committee and Board Members.

Good progress was also made for implementation of a new self-service facility for members

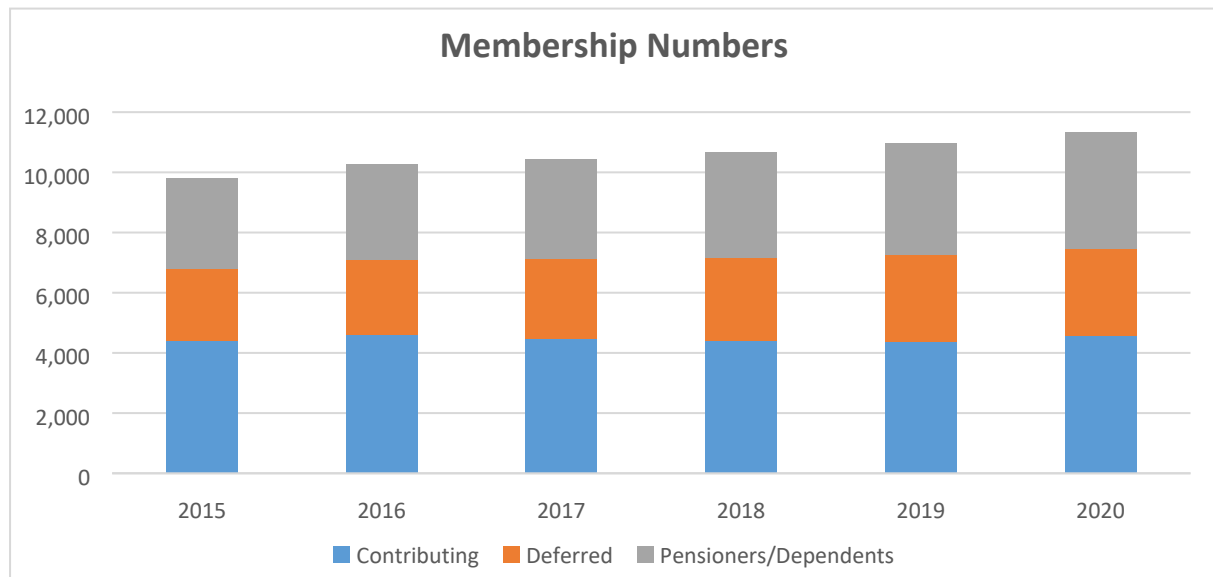
ADMINISTRATION AND MEMBERSHIP

The Pension Administration Strategy sets out the performance standards required by both Scottish Borders Council, as administrating authority and all employers of the Fund. The performance of the Fund against these standards is reported on an annual basis to the Pension Fund Committee.

The Fund has paid pensions benefits of £23.6m during the year and received contributions of £19.8m. The Fund has continued to mature with net withdrawals for dealing with members increasing to £5.3m during 2019/20 compared to £3.6m in 2018/19, the increase in the new withdrawals has been funded by increased income from investment returns. Throughout the COVID-19 crisis, pensions have been paid on time and contributions have been collected. The ability for staff to work from home has allowed the administration function to perform as normal.

The maturing nature of the Fund is reflected in the membership numbers which are shown in the table below. Active members at 31 March 2020 increased during the year to 11,338 but active

contribution members now only represent 40% of the membership compared to 45% on 31 March 2015.



COMMUNICATION

The Fund’s Communication Policy seeks to ensure communication in an efficient manner to all stakeholders. Communication is undertaken in a number of ways including the Fund website, annual newsletters and statements, emails, face to face meetings and telephone.

Due to COVID-19 additional communication has been undertaken via the website including FAQs information on pension fund increases and guidance for pensioners on how to access online payslips.

FUNDING

The most recent three yearly Actuarial Valuation was 31 March 2017 with the Fund reporting a funding position of 114%. The next formal valuation of the Fund will be as at 31 March 2020. Interim monitoring is undertaken on a quarterly basis between valuations and reported to the Pension Fund Committee, the latest estimate shows an improvement on the funding position. However, uncertainties caused by GMP reconciliation, the scheme costs cap mechanism and legal challenges on the grounds of age discrimination, arising from the McCloud judgement may have an impact on the funding position, that value of which is as yet unknown. The Fund will continue to develop its funding and investment strategies to address these issues.

INVESTMENT

The Fund’s investment returns delivered a negative return of 1.7% against a benchmark of negative 1.9% for the year to 31 March 2020. Although this return was negative, the diversification implemented over the last five years to reduce the risk exposure to equities has meant the full impact of the market crash due to COVID-19 in March was not fully felt within the Fund.

Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2020

Investment markets during 2019/20 have at times been very volatile. Against this background the Fund, as a longer term investor, has retained confidence in the long term strategy set out in the Statement of Investment Principles. Work to implement the strategy has continued, with equity exposure decreasing and funds being invested in longer term illiquid assets such as infrastructure and infrastructure debt.

The Strategy has resulted in increased levels of investment income which has allowed the Fund to meet the increasing net withdrawal for dealing with members, which increased to £5.3m in 2019/20.

The Fund has an overriding obligation to act in the best interest of the scheme beneficiaries. As part of this role the Fund believes that a positive approach to Environmental, Social and Corporate Governance issues can positively affect the financial performance of investments.

The Fund has, in line with its Statement of Responsible Investment Policy, completed its first annual report on all our managers. 11 out of the 12 managers are signatories of UNPRI with the one remaining manager only representing 0.02% of the Fund's assets. The Fund has during the year declined investment opportunities offered by managers not signatories of UNPRI.

The Fund has also become a signatory to Climate Action 100+ which is working with Investors and Fund Managers to reduce carbon emission and ensure the Paris Agreement targets are met. The three main aims are:-

- Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change;
- Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development in a manner that does not threaten food production; and
- Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

David Parker
Chair
Pension Fund Committee

Rob Dickson
Exec Director Corporate
Improvement & Economy
Scottish Borders Council

David Robertson CPFA
Exec Director Finance &
Regulatory
Scottish Borders Council

KEY TRENDS

Membership	2015/16	2016/17	2017/18	2018/19	2019/20
Active Members	4,594	4,466	4,409	4,376	4,573
Deferred Members	2,508	2,652	2,751	2,878	2,909
Pensioners	3,157	3,314	3,507	3,707	3,856
Total Members	10,259	10,432	10,667	10,961	11,338

Investments	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Opening Net Value	544,460	541,778	653,207	685,681	731,048
Movement in year	(2,682)	111,429	32,475	45,367	(18,728)
Closing Net Value	541,778	653,207	685,681	731,048	712,319
Investment Income	6,451	8,292	8,195	13,314	13,938
Investment Fees	2,754	3,051	8,192	5,848	5,296

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Administrative costs	(301)	(263)	(292)	(391)	(363)
Oversight & Governance costs	(217)	(241)	(233)	(289)	(263)
Pensions Income	19,053	19,447	19,610	20,647	21,200
Pensions Expenditure	(21,024)	(21,676)	(22,189)	(24,257)	(26,555)
Net Pensions Cash flow	(1,971)	(2,229)	(2,579)	(3,610)	(5,355)

SCHEME ADMINISTRATION

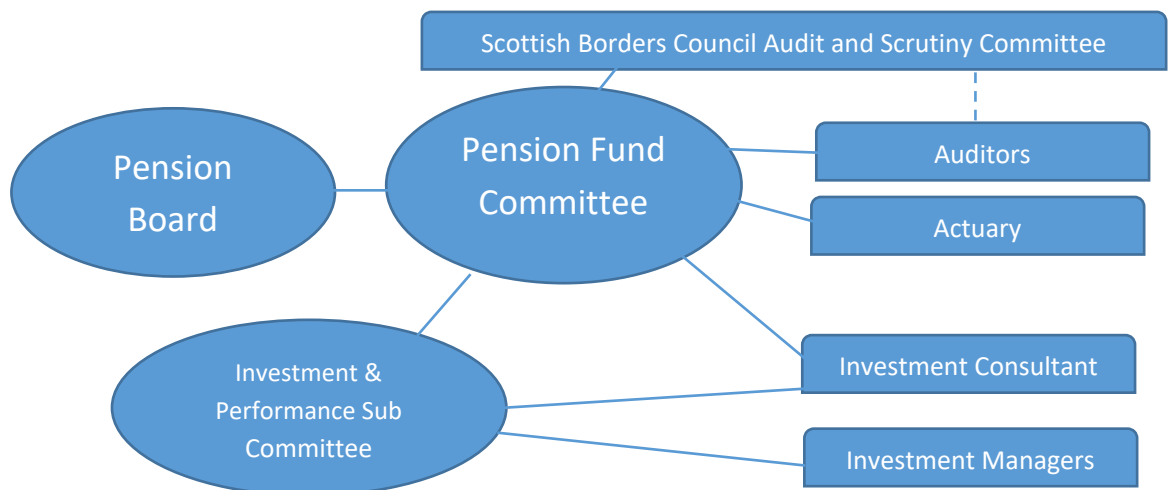
The Scottish Borders Council Pension Fund (the Fund) is Part of the Local Government Pension Scheme (LGPS) and is administered by Scottish Borders Council (the Administering Authority).

The Fund is administered in accordance with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance)(Scotland) Regulations 2014. The Fund adheres to Scottish Borders Council policies for managing conflicts of interests, codes of conducts and register of interests.

David Robertson, Executive Director Finance and Regulatory, as the Council's Section 95 Officer, is responsible for the financial administration of the Fund.

SCHEME GOVERNANCE

The Governance structure of the Fund can be seen below including the roles each of the parties undertakes. The Pension Fund Committee and Pension Board meet jointly four times a year, with papers and minutes being available one week prior to the meeting. Scottish Borders Council Pension Fund Governance:-



Pension Fund Committee – is the main decision making body for the Fund, is chaired by the Convenor of the Council, and consists of six Scottish Borders Council Councillors.

Pension Board – assists the Committee in securing compliance with the regulations, other legislation and requirements of the Pensions Regulator. The Board consists of four employer representatives and four employee Union representatives.

Investment & Performance Sub-Committee – develops investment strategy and monitors investment performance. Consists of the Pension Fund Committee Members, one employer and one employee representative from the Pension Board.

Actuary – provides advice on funding, this role is currently undertaken by Hyman Robertson.

Investment Consultant – provides advice on all aspects of investment objectives, strategy and monitoring, this role is currently undertaken by Isio.

Investment Managers – manage the investment portfolios.

Auditors – provide audit assurance that the Fund is adhering to regulations, other legislation and requirements of the Pension Regulator. The internal audit function is provided by Scottish Borders Council's Internal Audit department and the external audit function is provided by Audit Scotland.

Scottish Borders Council Audit & Scrutiny Committee – provides independent scrutiny of the Pension Fund Committee's adequacy, effectiveness and systems of internal control.

PENSION FUND COMMITTEE

The Members of the Pension Fund Committee have a fiduciary responsibility to the Pension Fund members and employers that are similar to those holding office of trustee in the private sector. The Members of the Committee are responsible for the decision making of the Fund and hold meetings four times a year. The Committee is comprised of seven elected Members of Scottish Borders Council. The membership is shown below:-



Councillor David Parker - Chair



Councillor Simon Mountford – Vice Chair



Councillor Jim Brown



Councillor Gordon Edgar



Councillor Carol Hamilton



Councillor Donald Moffat



Councillor Sandy Scott

PENSION FUND BOARD

The Local Government Pension Scheme (Government)(Scotland) regulations require each administering authority to have a Pension Board, responsible for assisting the Fund in securing compliance with the regulations and other legislation relating to the administration and governance of the Fund.

The Pension Board comprises an equal number of employee and employer representatives appointed by scheme employers and relevant trade unions.

As at 31 March 2020 the Scottish Borders Council Pension Board membership comprised the following:-

Employer Representatives:

- Councillor Sandy Aitchison – Scottish Borders Council
- Hazel Robertson – Scottish Borders College
- Linda Ross – LIVE Borders
- Carly Stewart – SBHA

Employee Representatives:

- Alexander Barclay – UNITE
- Malcolm Drysdale - GMB
- Marc Everett - UNISON
- Kay Marie Hughes – UNISON

In accordance with the regulations the Pension Fund Board meets jointly at the same place and time as the Pension Fund Committee to allow consideration of the same agenda, presentations and advice from external advisors. The Chair of the Pension Fund Committee acts as Chair of the joint meeting. The Pension Board meet separately, immediately following the joint meeting.

INVESTMENT & PERFORMANCE SUB-COMMITTEE

The Investment and Performance Sub Committee is responsible for making recommendations to the Pension Fund Committee on all areas of investment management including the Statement of Investment Principles and the management of Investment Managers. The Sub-Committee comprises Pension Fund Committee Members and an employee and employer representative from the Pension Board. The Sub-Committee meets three times a year.

RISK MANAGEMENT

The Fund is committed to a strong control environment to ensure that risks are identified, understood, managed and monitored appropriately.

The Risk Register for the Pension Fund has been developed in line with CIPFA guidance and the Council's approach to risk management and assesses risk using a scoring methodology based on likelihood and impact.

A full risk review was undertaken in June 2019. All identified actions are monitored and reported on a quarterly cycle.

**Scottish Borders Council Pension Fund
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The headings under which the Council consider risk and the analysis of the level and number of risks are set out below:

Risk Category	Risk Assessment					
	Before Controls			After Controls		
	Red	Amber	Green	Red	Amber	Green
Asset & Investment	4	6	-	-	7	3
Employer	-	4	-	-	1	3
Resource & Skill	-	5	-	-	2	3
Liquidity	2	4	-	-	2	4
Administrative	-	8	-	-	1	7
Regulatory & Compliance	3	2	-	1	2	2
Reputation	2	4	-	-	2	4
Total Number of Risks	11	33	0	1	17	26

RED -Very High (15-25)

AMBER – High (6-12)

GREEN – Low (1-5)

The one risk remaining as a red assessment, as at 31 March 2020, is “Legislation and other regulatory framework changes impacting on the Fund”. The Fund is managing and monitoring this risk by ensuring it actively participates in all consultations and keeps abreast of all legislative and regulatory changes.

TRAINING POLICY & PRACTICE STATEMENT

The Council recognises the importance of ensuring that all staff and members, charged with the financial administration and decision making of the Scottish Borders Council Pension Fund, are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. It therefore seeks to utilise individuals who are both capable and experienced. Training for staff and members of the Pension Fund Committee and Pension Board is provided to enable them to acquire and maintain an appropriate level of expertise, knowledge and skill.

The approved Training Policy adopts the key recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The Policy also reflects guidance issued by the Scottish Public Pensions Agency and The Pension Regulator concerning skills and knowledge requirements.

The Training Policy applies to members of the Pension Fund Committee and the Pension Board. It requires all members to complete the Pension Regulator Toolkit within six months of joining the Board and to attend at least two training events a year. The Policy also requires an annual training plan to be agreed. The 2019/20 plan was approved on 13 June 2019 and was based on assessment returns completed by all

members. The table below shows all members attended two or more events. All members have also completed the Pension Regulator Toolkit.

Training attendance

No of events	Committee Members		Board Members	
	%	Number	%	Number
5	29	2	0	0
4	14	1	25	2
3	14	1	63	5
2	43	3	12	1

The training covered the following areas:

- Financial Markets and Investment Products
- Investment Concepts and Terminology
- Role of Custodian
- LGPS Benefits Structure
- Regulatory Environment

All members are also required to attend, as a minimum, two meetings of the joint Pension Fund Committee and Pension Board a year. The table below shows all members met this requirement for 2019/20.

No of meetings	Committee Members		Board Members	
	%	Number	%	Number
4	43	3	50	4
3	57	4	12	1
2	0	0	38	3

ANNUAL GOVERNANCE STATEMENT

The Local Government Pension Scheme (Scotland) Regulations 2014 requires Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.

The key document summarising the governance arrangements for the Pension Fund is the Governance Policy and Compliance Statement (as amended on 22 June 2020) which is available on the Council's website: [Governance Policy and Compliance Statement](#)

Governance Framework

The key elements of the Pension Fund's governance arrangements include:

- a) Scottish Borders Council is the Administering Authority for the Local Government Pension Scheme for the Scottish Borders geographical area. The Council has acknowledged its responsibility for ensuring that there is a sound system of governance (incorporating the systems of internal control) and this is reflected in the Council's governance arrangements.
- b) The Council has delegated its responsibilities as Scheme Manager, to the Pension Fund Committee. The Members of the Committee act as quasi-trustees and oversee the management of the Scottish Borders Council Pension Fund. The overall responsibility of ensuring there is a sound system of governance remains with the Chief Executive.
- c) The Pension Board meets jointly with the Committee, and formalises the involvement of the employers and trade unions representing the membership. All members of the Committee and Board are covered equally by the Training Policy to give them full opportunity to contribute effectively.
- d) The approval of the Pension Fund Business Plan covering the period 2018/19 – 2020/21, to improve planning and monitoring of the performance of the Fund and to demonstrate the "Myners Principle" relating to effective decision making. The Business Plan supports the delivery of the objectives of the Fund which are to deliver a high quality pension service to members that is managed effectively, transparently and is compliant. The Business Plan ensures actions are included to address issues raised in the Annual Governance Statement.
- e) The Pension Fund appoints professional advisers and external service providers, covering investment advisory, custodian and actuarial services.
- f) The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected Members embodied in procedural standing orders, financial regulations, Scheme of Delegation and Scheme of Administration. This is supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular, the system includes comprehensive accounting systems that record income and expenditure for both member and investment activities, regular reviews of investment reports that measure investment returns against agreed benchmarks and targets, and independent performance reviews of the Fund by the investment consultant and performance monitoring service provider.
- g) The Pension Fund follows the Council's approach to risk management and assesses risk using a scoring methodology and subjects the Risk Register to regular review.
- h) The Executive Director Finance and Regulatory (Section 95 Officer) for the Council is responsible for ensuring the proper administration of the financial affairs of the Pension Fund. This includes ensuring appropriate professional

advice is sought and is given to the Pension Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.

- i) The Service Director Human Resources is responsible for the pension benefit policy oversight and day-to-day administration of member benefits in accordance with statutory legislation and the approved Pension Administration Strategy.
- j) The Chief Officer Audit & Risk (Head of Internal Audit) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review in conformance with the Public Sector Internal Audit Standards.
- k) The Pension Fund responds to findings and recommendations of external audit and internal audit, as appropriate. The Audit and Scrutiny Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Review of Framework

The Council as Administering Authority of the Pension Fund, conducts an annual review of the effectiveness of its overall governance framework which is presented to the Audit and Scrutiny Committee whose role includes high level oversight of the Pension Fund's governance, risk management, and internal control arrangements.

The review is informed by the work of an officer assessment of the Fund's compliance with the best practice principles, details of which are set out in the Governance Compliance Statement 2019-20 (pages 14 - 24).

The review of the effectiveness of the system of internal financial control is informed by the work of professional accountancy staff within the Council, the assurances from the Chief Officer Audit & Risk's annual internal audit report on the work of internal audit, and by the external auditors' reports.

The review cycle for the Risk Register is undertaken in line with agreed practice and the current status is summarised in the Risk Management Statement.

Internal Audit Opinion

The Chief Officer Audit & Risk's opinion is that, based on Internal Audit reviews and knowledge, the systems of internal control operating in 2019/20 within the Scottish Borders Council Pension Fund are adequate, and governance and risk management arrangements are effective.

During 2019/20 the following assurance reviews were undertaken:

- Governance and decision-making
- Risk Management

- Pensioners Payroll (as part of the Scottish Borders Council audit on Business World ERP System Key Controls).

The Fund has effective governance arrangements in place through the Pension Fund Committee and Board that support scrutiny and transparency of decisions made. The Business Plan 2019/20 to 2021/22 for the Pension Fund was approved by the Pension Fund Committee and Board on 13 June 2019. It identified an Action Plan which would be delivered during the next three years to support the aims and objectives of the Pension Fund. A Business Plan Performance Update, outlining progress on the Business Plan actions at mid-year, was presented to the Pension Fund Committee and Board on 17 December 2019.

Risk Management is fully embedded into the culture of the Pension Fund with evidence of risk deliberations in decision-making and regular reviews/updates of the Pension Fund Risk Register being carried out, in accordance with the Council's Risk Management Policy and Framework, and reported to the Committee and Board for scrutiny and oversight of risk management.

Internal Audit work on Business World ERP System Key Controls included the testing of Pensioner Payroll payments. Specifically this confirmed that reasonable assurance can be placed on key controls and processes to ensure that transactions are valid, complete and accurate.

The 2019/20 annual internal self-assessment against the Public Sector Internal Audit Standards (PSIAS) demonstrates sufficient evidence that the Council's Internal Audit section conforms with the Definition of Internal Auditing, Code of Ethics, Attribute Standards and Performance Standards.

Improvement Areas of Governance

The following areas of improvement were completed during 2019/20:

- a) Development and approval of Admission Policy.
- b) Development and implementation of an annual monitoring of Responsible Investment Policy

The review identified some areas where further improvements for 2020/21 can be made to enhance the existing governance arrangements:

- a) Development and approval of Cessation and Discretion Policy.
- b) Implementation of self service facility
- c) Employer covenant review
- d) Improvement of systems to support home working
- e) Review of Stewardship Code
- f) Review of strategic asset allocation following the 31 March 2020 valuation.

Impact of COVID-19

The governance arrangements set out in this statement operated for the majority of the year until the impact of the global COVID-19 pandemic led to changes in the responsibilities, decision making structure and working arrangements in March 2020.

On 26th March 2020 Scottish Borders Council held a virtual meeting to agree temporary decision making arrangements to minimise social contact during the pandemic. It was agreed all formal Council and Committee meetings be cancelled unless required for statutory reasons and additional powers delegated to the Chief Executive in consultation with Officers and Members.

Business continuity plans were implemented with staff mainly working at home with full access to systems and files. During the pandemic period all services have been fully maintained and all payments made in a timely manner. With respect to Investments, the full effect of the pandemic on investments are not yet fully known. Officers are working with fund managers to ensure risks are identified and mitigations measures are in place. A full review will be undertaken and future business continuity plans updated to reflect findings.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council Pension Fund's systems of internal control, governance and risk management. The annual review demonstrates sufficient evidence that the Pension Fund's Governance Policy is operating effectively and that the Pension Fund fully complies with the best practice principles as demonstrated in the Governance Policy and Compliance Statement (page 19).

Councillor David Parker
Chairman

Pension Fund Committee

Rob Dickson
Executive Director Corporate
Improvement & Economy
Scottish Borders Council

5 November 2020

ANNUAL GOVERNANCE COMPLIANCE STATEMENT

The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements against standards set out by Scottish Ministers. These standards are established via a number of best practice principles. The following table contains an assessment of the Fund's compliance with these principles.

Principle		Full Compliance	Comments
Structure			
A	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council.	Yes	<p>Scottish Borders Council acts as administering authority for the Pension Fund and delegates its responsibilities as Scheme Manager to the Pension Fund Committee (the Committee).</p> <p>The Committee comprises seven elected Members.</p> <p>The Council's Scheme of Administration sets out the Committee's remit.</p>
B	Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Yes	<p>The Pensions Board (the Board) formalises the involvement of the employers and trade unions representing the membership.</p> <p>The Fund's Board has eight members (four employer representatives and four trade union representatives) covering all pension fund members.</p> <p>The Board constitution is in line with the regulations, a copy of which is included in the Fund's Governance Policy and Compliance Statement.</p> <p>The Board meets jointly with the Committee and the Board's Constitution and the Scheme of Administration set out how disputes between the two bodies should be resolved.</p> <p>The Investment and Performance Sub-Committee (the Sub-Committee) established under the Committee. Its remit is set out in the Scheme of Administration. Membership of the Sub-Committee is seven elected Members from the Pension Fund</p>

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2020**

Principle		Full Compliance	Comments
			Committee and two (non-voting) members from the Pension Board.
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Yes	Minutes of the Sub-Committee and any other Sub-Groups are submitted to the Pension Fund Committee for approval. Two members from the Pension Board and all Members of the Committee are part of the Sub-Committee which has a remit to monitor investment performance.
D	Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	The Scheme of Administration states that any Sub-Group established will have member(s) of the Committee as part of its membership.
Committee Membership and Representation			
A	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) where appropriate, independent professional observers, and (iv) expert advisors (on an ad-hoc basis)	Yes	The Pension Board and Pension Fund Committee meet jointly ensuring employer and member (trade union) representation at meetings. The Investment Sub-Committee has two non-voting members from the Pension Board. The Independent Investment Consultant, Finance and HR Officers also attend in an advisory capacity.

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2020**

Principle		Full Compliance	Comments
B	Where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training. They are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee and Board are covered equally by the Training Policy (as amended annually in June). The Board was established by Council on 2 April 2015. The Scheme of Administration for the Pension Fund Committee, and the Pension Board Constitution, provide for joint meetings, with equal rights to receive papers and access meetings.
Selection and role of lay members			
A	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	For elected Members this is part of the Council's Code of Governance along with the Members' induction programme. In addition, the Fund's Training Policy provides for an annual training needs assessment, and an annual programme of training to be made available to all members of the Committee and Board. All new members of the Committee and Board are also required, within six months of joining, to complete the Pension Regulator Trustee Toolkit.
B	At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Yes	Part of the Council's Code of Governance requires the declaration of Members' interests for all committees as a standard agenda item.
Voting			
A	The policy of individual administering authorities on voting rights is clear and transparent, including justification for not	Yes	This is set out in the Council's Scheme of Administration and the Pension Board's Constitution

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2020**

Principle		Full Compliance	Comments
	extending voting rights to each body or group represented on main LGPS committees.		
Training/Facility time/Expenses			
A	In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes	Members' expenses are managed under the Council's policies. The Training Policy also covers the reimbursement of training related expenses.
B	Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	The training policy for all members of the Pension Board and Pension Fund Committee is approved annually at the joint meeting in June.
C	The administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Annual Training Plan produced and implemented with logs of training attendance maintained.
Meetings (frequency/quorum)			
A	An administering authority's main committee or committees meet at least quarterly	Yes	The joint meetings of the Pension Fund Committee and Pension Board are quarterly.

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2020**

Principle		Full Compliance	Comments
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the main committee dates.	Yes	The Investment Sub-Committee meets every four months between the joint Committee/Board meetings.
C	An administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	The Pension Board formally provides for stakeholders' engagement.
Access			
A	Subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Yes	Papers sent to all Committee/Board members as detailed in the Scheme of Administration.
Scope			
A	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes	The Scheme of Administration sets out the Committee as having a remit which covers all matters relating to the Council's role as Administering Authority for the Scottish Borders Council Pension Fund, within the terms of all relevant Local Government Pension Scheme legislation and the requirements of the Pension Regulator.

Principle		Full Compliance	Comments
Publicity			
A	Administering authorities have published details of their governance arrangements in such a way that stakeholders, with an interest in the way in which the scheme is governed, can express an interest if wanting to be part of those arrangements.	Yes	Scottish Borders Council Pension Fund has a standalone website with all governance documents and Fund information. A link is provided to Minutes and public papers available via the Council's website.

PENSION ADMINISTRATION STRATEGY

The Pension Administration Strategy approved in September 2018 sets out the procedures and performance standards required by both Scottish Borders Council, as administering authority and the employers with the Fund. The procedures and performance standards are agreed to ensure the efficient and effective administration of the pension scheme. The strategy aims to ensure that

- A high quality pension service is delivered to all scheme members
- Pension benefits are paid accurately and on time
- Successful partnership working develops between the Fund and its employers
- Performance standards are understood, achieved and reported; and
- Performance and service delivery comply with the Local Government Pension Scheme (LGPS) regulations, other related legislation and The Pension Regulator's Codes of Practice.

PERFORMANCE

The Pension Administration Strategy sets out the statutory responsibilities of Scottish Borders Council as the administering authority. Service standards and key performance measures are agreed. The performance against these agreed standards and measures are reported annually to the Scottish Borders Council Pension Fund Committee and Pension Fund Board.

The performance for the year to 31 March 2020 is set out over

Employer Performance Measures

Service Standards

Standard – target completion 90%	Volume	%age Met
New starts notification – within 20 working days	812	100%
Change notification – within 20 days	1,429	100%
Retirement info – at least 20 working days before	97	100%
Early leaver notification – within 20 working days	875	100%
Death in service notification – within 10 working days	7	100%

Change notifications are a new category that has been captured this year as it results in a significant amount of work for the Pensions Admin team and it is worth quantifying. Included in the above figure are the 718 changes that were required following the re-integration of SB Cares with Scottish Borders Council, where all employees were TUPE transferred. This was a significant piece of work that had to be completed in addition to normal changes in a short period of time.

Contribution Payments

The following tables compare the date contribution payments are received against the target date, of 19th of the month, for each of the Scheduled and Active Admitted Bodies.

Employer Body	By Target Date	Late	% On Time
Scottish Borders Council	12	-	100%
Visit Scotland	12	-	100%
Borders College	12	-	100%
Scottish Borders Housing Association	12	-	100%
Jedburgh Leisure Facilities Trust	9	3	75%
Borders Sport and Leisure Trust	12	-	100%
AMEY Community Limited	12	-	100%
SB Cares	8	-	100%
CGI	12	-	100%
South of Scotland Enterprise	1	-	100%

The payments that were made after the target date were all received within a maximum of two calendar days. These continue to be monitored on a monthly basis to ensure all bodies continue to comply with the deadlines for payments.

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Administering Authority Performance Measures

Service Standards

Standard	Volume	Target	%age Met
Estimates – Transfer In	35	20 days	45.93%
Estimates – Transfer Out	113	20 days	56.64%
Estimate – All Other	911	10 days	77.83%

The Pensions Team and members of the HR Shared Services Helpdesk record when they have had contact in relation to pensions be this by email, in person or telephone and the headline reason of the enquiry. The following table summarises the queries received during 2019/20.

Type of Query	Volume	Target	%age Met
Admitted/Scheduled Bodies Employer Queries	102	5 days	100%
Advice on AVC applications	41	5 days	100%
Advice on Nominations and/or Death Grant	71	5 days	100%
Advice on Options at Retirement	46	5 days	100%
Annual Benefit Statement Queries	243	20 days	100%
Assistance with form completion e.g. retirement declaration	100	5 days	100%
Change of Address/Bank Details	285	5 days	100%
Divorce	5	5 days	100%
DWP requesting details of Pensioner Payments	12	5 days	100%
Enquiries in relation to Deceased Pensioners	349	5 days	100%
ER/VS general advice	12	5 days	100%
Flexible Retirement	63	5 days	100%
General advice	140	5 days	100%
Internal forms requesting details of Pensioner Payments	68	5 days	100%
Opting In to LGPS	21	5 days	100%
Opting Out of LGPS	75	5 days	100%
Pension Payment queries including tax issues	143	5 days	100%
Refunds Enquiry	50	5 days	100%

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Retiral Enquiry	325	5 days	100%
Service Breaks	9	5 days	100%
Transfer In Enquiry	53	5 days	100%
Transfer Out Enquiry	23	5 days	100%
Total	2,236		

Other Measures

Area	Measure	Completed
Employer Liaison Meetings	1 per annum	See below
Benefit Statements	by end of August	14 th August 2019

The sixth liaison meeting with all Admitted and Scheduled Bodies was scheduled for March 2020. However, this was not held due to the COVID-19 situation. Going forward we will review the employer communications and if circumstances allow continue to hold the liaison meeting towards the end of the financial year either as a physical or virtual meeting where we will discuss up-coming legislative changes and requirements for year end processing.

Key Administration Tasks

Task	Total received
New entrants	764
Early leavers	432
Retirements	217
Deaths in service	7
Deaths in deferment	5
Deaths in retirement	108
New Widows(ers), Child Pensions	46
Estimates	911
Pension credit members	-

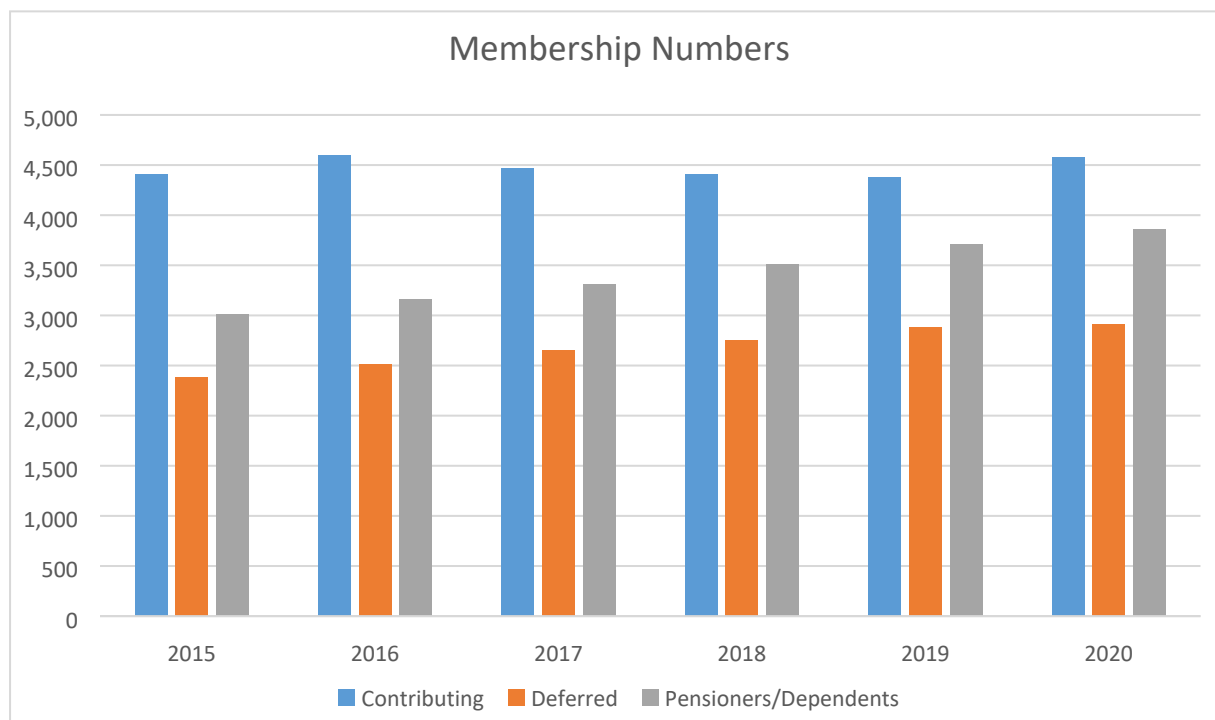
MEMBERSHIP

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

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Teachers are not included as they are enrolled as members of schemes managed and administered by the Scottish Public Pension Agency.

The current membership of the Fund is 11,338, of which 4,573 are actively contributing and 3,856 are in receipt of their benefits. The table over provides a summary of the trends in membership:



There are 17 employer organisations with the Fund including the Council itself, membership by employer is analysed in the table below.

Membership Details as at 31 March 2020	Number of Contributors	Pensioners	Deferred Pensioners	Total
Scheduled Bodies:				
Scottish Borders Council	4,118	3,567	2,643	10,328
Borders College	191	77	77	345
Visit Scotland (Scottish Borders)	1	7	8	16
	4,310	3,651	2,728	10,689
Admitted Bodies with Contributing Members				
Scottish Borders Housing Association	73	99	75	247
LIVE Borders	144	50	66	260
Jedburgh Leisure Facilities Trust	2	2	-	4
L&B Community Justice Authority	-	2	7	9
Amey Community Limited (TUPEE Staff only)	4	6	4	14

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CGI (TUPEE Staff only)	31	6	8	45
South of Scotland Enterprise	9	-	-	9
	263	165	160	588
Admitted Bodies with No Active Contributing Members:				
Gala Youth Project	-	2	-	2
Scottish Borders Careers	-	2	2	4
BC Consultants	-	15	15	30
Others	-	21	4	25
	-	40	21	61
Total	4,573	3,856	2,909	11,338

COMMUNICATION POLICY AND PERFORMANCE

COMMUNICATION POLICY

The Fund approved the current Communications Policy on 30 November 2018. The overall aim of the Communications Policy is to provide communication in an efficient manner to all stakeholders, ensuring that it is: -

- Delivered in a timely efficient and effective manner
- Provides relevant content to the audience, with a clear purpose and message
- Well written, avoiding being of a technical nature wherever possible based on the differing needs of the stakeholders
- Becoming increasingly digital.

The objective of this policy is to ensure that: -

- Pension regulations and the policies of the Fund are communicated in a clear and informative manner
- Benefits of the scheme are promoted to ensure this is recognised as an integral part of the employee reward package
- Information is provided in the most appropriate manner to allow scheme members to make more informed decisions relating to their pensions
- Communication methods are continually evaluated, assessed and redesigned where necessary to ensure continuing effectiveness

The communication methods utilized are:-

Fund website to provide information to as many stakeholders as possible at a time that suits them we provide access to the following: -

- Scheme policies
- Scheme benefits
- Contact details
- Links to other useful sites

Scottish Borders Council Website for Pension Committee and Local Pension Board agendas and minutes can be found on the main Council website, www.scotborders.gov.uk The Fund uses both surface and e-mail to send and receive general correspondence. Roadshows and presentations are available to employer workplaces and attend roadshows, seminars, induction

and pre-retirement presentations on request, a minimum period of four weeks' notice will be required to allow for appropriate preparations. Scheme members can arrange to visit our offices to speak to a member of our Pensions Administration Team, they can arrange to pre-book appointments by e-mail or telephone.

The introduction of the Pension Fund website in June 2018 has allowed members to access information and documents. The table below details the number of visits to the site since it was launched. The scheme website can be found at www.scottishborderscouncilpensionfund.org



COMMUNICATION PERFORMANCE

The following communications took place during 2019/20

- The Employer Liaison meeting was not held due to the COVID-19 situation. In place of the meeting an email was issued to all employers providing the details of the requirements for the year end reporting for the scheme and action to be taken in preparation for the coming years' payroll.
- In response to the COVID-19 situation additional information was posted within the Scottish Borders Council Pension Fund website, this included the following: -
 - Notice that we were unable to issue payslips and guidance on how to sign up for online access to payslips
 - Information regarding Pensions Increase
 - COVID-19 Pension Fund Update with a link to the Local Government Association FAQ's for LGPS members
 - 6,760 Benefits statements and newsletter issued.

FUNDING STRATEGY STATEMENT

The Local Government Pension Scheme regulations require each administer authority to publish and maintain a Funding Strategy Statement.

The purpose of the Funding Strategy Statement is:

- To establish a clear and transparent fund specific strategy which will identify how employers' pension liabilities are best met going forward;
- To support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- To take a prudent longer-tem view of funding the liabilities

These objectives are desirable individually but may be mutually conflicting. The Statement sets out how the administering authority balances the potentially conflicting aims of affordability and stability of contributions, transparency of processes, and prudence in the funding basis.

The latest Funding Strategy Statement (FSS) was approved by the Pension Fund Committee on 13 June 2019 and a copy of this document can be found at [Funding Strategy Statement](#). Key elements of the Funding Strategy Statement are the Funding Objective and Funding Strategy for the Pension Fund, an extract of these are included below.

Funding Objectives (Section 1, page 2 of FSS)

To:

- set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund;
- build up the required assets in such a way that produces levels of employer contributions that are as stable as possible, with consideration of the long-term cost efficiency objective;
- ensure effective and efficient management of employers' liabilities; and
- allow the return from investments to be maximized within reasonable risk parameters.

Funding Strategy (Section 5, page 5 of FSS)

The Funding Strategy seeks to achieve (via employee and employer contributions and investment income) two key objectives:

- A funding level of 100%, as assessed by the Fund's appointed Actuary, triennially, in accordance with the Regulations;
- Ensuring the solvency of the Fund and the long-term cost efficiency of the Scheme; and
- As stable an employer contribution rate as is practical.

ACTUARIAL STATEMENT

The Local Government Pension Scheme regulations require each administering authority to obtain an Actuarial Valuation of the assets and liabilities of the Fund every three years. The last valuation was at 31 March 2017 and the next one is currently in progress for 31 March 2020. The regulations require each administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out their Funding Strategy.

In completing the valuation the Actuary must have regard to the current version of the administering authority's Funding Strategy statement.

The Actuarial Valuation is essentially a measurement of the Fund's liabilities and assets. The Funding Strategy deals with how the liabilities will be managed. In practice, review of the Funding Strategy Statement and completion of the Actuarial Valuation are carried out in tandem to ensure that measurement and management processes are cohesive.

Triennial Valuation 2017

The Triennial Funding Valuation as at the 31 March 2017 was undertaken during 2017 and the final certified report was presented to the joint meeting of the Pension Fund Committee and Pension Board on 14 June 2018. The valuation was undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Administration)(Scotland) Regulations 2014. A copy of the report is available via the Council's committee papers website [Pension Fund/Board Committee papers](#)

The outcome of the 2017 Valuation was a funding level of 114% an improvement in the position assessed at 2014 of 101%. The funding position equates to a surplus of over £80m and the advice of the Actuary is that this surplus be used over time to offset increases in the primary employer's contribution rate of 20.6%. As a result there was no change in the overall Fund common pool employer contribution rate which remained at 18%, although some individual employer rates did change for specific circumstances. The next valuation is currently in progress for the Fund as at 31st March 2020.

	Past Service Funding Position – Scottish Borders Council Pension Fund		
Valuation Date as at 31 March	2011 £m	2014 £m	2017 £m
Value of the Scheme Liabilities	(402.2)	(487.6)	(573.3)
Smoothed Asset Value	384.8	490.5	653.9
Surplus/ (Deficit)	(17.4)	2.9	80.6
Funding Level	96%	101%	114%

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Note 19 to the Statement of Accounts on page 74, contains details of the outcome and assumptions used in the 2017 Valuation and the impact that it had on employer contribution rates.

A major contributing factor to the improvement in the funding level has been the strong investment performance that the Fund has achieved over the past three years.

Employer Contribution Rates

As part of the 2017 Actuarial Valuation, the Actuary certified the primary rate at 20.6%. However in agreement with the Actuary a secondary rate of 2.6% has been deducted to allow the common rate of contribution as 18% of payroll for the next three years. The secondary rate will reduce the surplus of £80.6m over 53 years.

Individual and pooled employers' rates vary from the common contribution rate (18.0%) depending on the demographic and actuarial factors particular to each employer. The table below highlights the key employer contribution rates (i.e. the rate which employers in the Fund pay):

Employers Contribution Grouping	Employers Contribution Rate	
	2018/19	2019/20
Scottish Borders Council Common Pool	18.0%	18.0%
Leisure Trusts Common Pool*	15.5%	-
Scottish Borders Housing Association – Individual	19.0%	20.3%
CGI	19.8%	21.1%
South of Scotland Enterprise	-	20.6%

* The Leisure Trust Common Pool rate was made up with BSLT and Jedburgh Leisure Trust. The amalgamation of BSLT and the Council's cultural services into LIVE Borders in 2016, resulted in LIVE Borders revised rate of 18%. Following the 2017 valuation Jedburgh Leisure Trust also returned to the Common Pool. This leaves SBHA and CGI out with the Common Pool due to their closed status.

Valuation for Statutory Accounts at 31 March 2020

Note 20 to the Statement of Accounts on page 75, contains the present Actuarial Valuation for the Fund as required by the International Accounting Standard (IAS) 26. This shows a net liability for the Fund of £174m. However, the liabilities for this figure are calculated on an IAS 19 basis and therefore will differ from the results of the 2017 Triennial Funding Valuation because IAS 19 stipulates a specific discount rate to enable comparability rather than a rate that reflects the market rate for investment returns on the Fund's assets. It is therefore not appropriate to use this as a measure for setting employer contribution rates or assessing the overall long term funding health of the Fund. The full version of the Actuary report and the current Funding Strategy is available via the Pension Fund website: [Pension Fund](#)

STATEMENT OF INVESTMENT PRINCIPLES

The Statement of Investment Principles (SIP) is the Funds' investment policy document and is reviewed regularly. The SIP is updated to reflect any changes agreed by the Pension Fund Committee, the latest approved document, approved on 22 June 2020, can be found at [Statement of Investment Principles](#).

The Local Government Pension Scheme (Management and Investment of Funds)(Scotland) Regulations 1998 as amended, require administering authorities to prepare, maintain and publish a Statement of Investment Principles (SIP) which includes the policy on:

- The types of investment to be held
- The balance between different types of investment
- The risk considerations, including the ways in which risks are to be measured and managed
- The expected return on investments
- Realising of investments
- Taking account of social, environmental or ethical considerations in investments
- Exercising the rights (including voting rights) attaching to investments
- Stock Lending.

The Pension Fund Committee is responsible for making decisions in relation to the SIP and approving any decisions in relation to any changes to fund managers, investment advisers and custodian. The Pension Fund Investment and Performance Sub-Committee reviews the SIP and monitors the performance of managers. The Sub-Committee makes recommendations to the Pension Fund Committee in relation to these areas.

The key objectives of the Fund which form key considerations when agreeing the SIP are:-

- Build up assets to produce levels of employer contributions
- Seek to maintain a positive ratio of assets to liabilities for the Fund
- Produce long term investment returns in line with Triennial Valuation assumptions.

The 2017 Triennial Valuation reported a funding position of 114% with investment returns targeted at 5% per annum.

These objectives are reflected in the underlying investment principles, which are considered in the development and agreement of the Fund's Investment Strategy. The key principles are shown below:

- **Long term perspective** – by the nature of the Fund's liabilities and employers, the Fund is able to take a long-term view and position its Investment Strategy on this basis.
- **Diversification** – the Fund seeks to diversify its investments in order to benefit from a variety of return patterns and to manage risk.
- **Maturing nature** – the contributions received are less than the benefits currently paid to pensioners meaning the Fund is a maturing Fund. Income generation is therefore required.
- **Stewardship** – the Fund is a responsible investor and adopts policies and practices which acknowledge the importance of environmental, social and governance (ESG) issues.

INVESTMENT STRATEGY

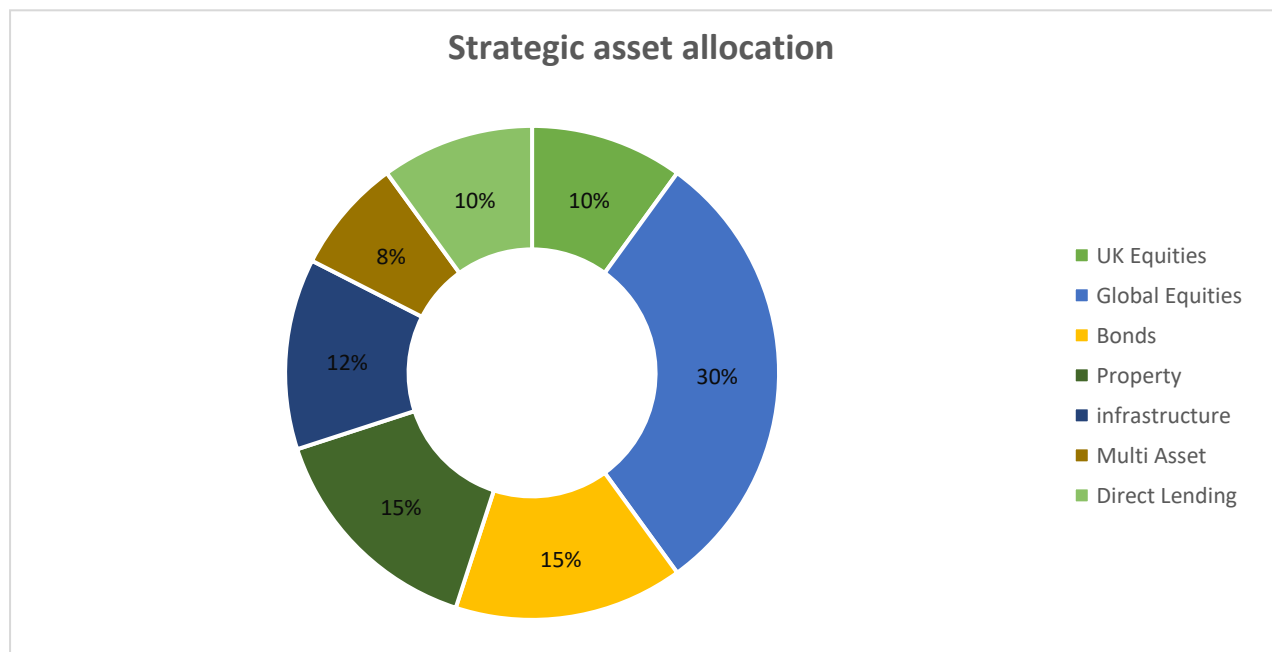
The Fund's investment objective is to support the Funding Strategy by adopting an Investment strategy and structure, which incorporates an appropriate balance between risk and return.

Following the 2014 Triennial Valuation, which showed the Fund at 101% funded, the Fund looked to increase diversification from volatile equity markets and to spread the risk across an increased number of managers. The following valuation in 2017 showed the Fund at 114% funded.

In common with many other Local Government Pension Schemes funds, the valuation showed:

- Pensioner and deferred liabilities outweigh active member liabilities and;
- Cash-flow contributions from members was lower than benefits paid to pensions, moving the Fund into a net outflow.

Using the asset liability model, which assess risk/return against liabilities as the basis for modelling a revised Investment Strategy was approved in September 2018. The diagram below shows the approved strategic asset allocation.



The strategic asset allocation approved, reduced the allocation for equities and increased allocation to infrastructure. These changes were made to increase the alignment of investments with liabilities and to increase the income generating investments to ensure funds available to pay liabilities as they become due. The reduction in equities also reduced the level of risk exposure to equity markets.

The strategic asset allocation also diversifies the risk exposure in its use of managers. The Fund currently has nine Fund Managers over 14 funds; excluding Infrastructure. Shown over are the current Fund Managers:



BLACKROCK



Morgan Stanley



The Funds infrastructure investment is split over two areas of infrastructure debt with Macquarie and a portfolio of investments developed in collaboration with Lothian Pension Fund. The Fund Managers for these are shown below:



Brookfield



DALMORE CAPITAL



KKR



OAKTREE

The implementation of the Investment Strategy commenced in December 2018 with the appointment of Macquarie for infrastructure debt and a reduction of equity managers. Due to the nature of the new investments, progress has been gradual as investment opportunities arise and appointed Fund Managers draw down funds. The table below shows the position as at 31 March 2020 against the Strategy:

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Asset Class	Asset Allocation at 31/3/19 %	Asset Allocation at 31/3/20 %	Strategic Benchmark %
UK Equity	14.4	10.4	10.0
Global Equity	33.9	33.2	30.0
Bonds	21.2	18.9	15.0
Alternatives	13.5	14.3	17.5
Property	13.5	13.8	15.0
Infrastructure	2.9	8.2	12.5
Cash	0.6	1.2	0.0
Total	100.0	100.0	100.0

Investment Manager Allocation

Each external Investment Manager is appointed to manage a specified % allocation of total fund investment assets. The breakdown of the Fund's assets by Investment Manager, mandate type and asset class at 31 March 2020 and 31 March 2019 are show in the table below

Manager	Mandate Type	31 Mar 2020 (%)	31 Mar 2019 (%)
UBS	Pooled Fund -UK Equities	6.2	9.2
Baillie Gifford	UK Equities	4.2	5.2
Baillie Gifford	Global Equities	19.3	20.2
Morgan Stanley	Pooled Fund - Global Equities	13.9	13.6
M&G	Pooled Fund - Diversified Income	12.9	15.0
M&G	Pooled Fund - Bonds	5.9	6.2
UBS	Pooled Fund -Property	5.4	5.2
Blackrock	Pooled Fund – Property	8.4	8.2
LGT	Pooled Fund - Alternatives	7.1	7.0
Partners Group	Pooled Fund – Private Credit	3.3	2.7

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Permira	Pooled Fund – Private Credit	3.9	3.8
KKR	Infrastructure	0.4	0.3
Infrared	Infrastructure	0.2	0.2
Dalmore	Infrastructure	1.6	0.9
Brookfield	Infrastructure	0.2	0.2
Macquarie	Infrastructure	0.2	-
Equitix	Infrastructure	0.2	-
Allinda	Infrastructure	0.4	
Gaia LP	Infrastructure	0.4	-
Oaktree	Infrastructure	0.2	-
Macquarie	Pooled Fund -Infrastructure Debt	4.5	1.5
Internal	Internally Managed Cash & Investments	1.2	0.6

Holdings

The table below shows the top 20 direct holdings at 31 March 2020. All holdings are held with the Baillie Gifford Global and UK equities portfolios.

Company	Market Value of Holding £ m	Company	Market Value of Holding £ m
Prudential	6.8	Alphabet Inc	3.0
Naspers	5.7	Visa Inc	2.9
Amazon	4.9	Apache Corp	2.6
ADR Alibaba Group	4.7	Ping An Insurance Group	2.6
Anthem Inc Com	3.9	SAP SE	2.5
ADR ICICI BK Ltd	3.5	Pernod Ricard NPV	2.5
AIA Group Ltd	3.4	BCO Bradesco	2.0
Moodys	3.3	CRH PLC	2.0

Mastercard	3.3	Thermo Fisher Corp	1.9
BHPGroup PLC	3.1	Waters Corp	1.9

INVESTMENT PERFORMANCE

MARKET CONTEXT

Equity markets started the year in Q2 with a volatile period, due to heightened tensions due to a trade war between US and China. Valuations however rebounded in June in the wake of US and European central banks indicating a continuation of accommodative monetary policies. Q3 continued on from Q2 with volatility during the period as the trade war continued. Due to decline in geopolitical risks during Q4, equity markets saw real gains in all regions. A 0.25% interest rate reduction by the Federal Reserve also assisted with the growth. The gains however were erased in Q1 2020 as COVID-19 significantly impacted most economies, leading to a sharp sell-off in equity markets across the globe. UK and European equities suffered particularly sharp falls as European countries became some of the most severely impacted regions.

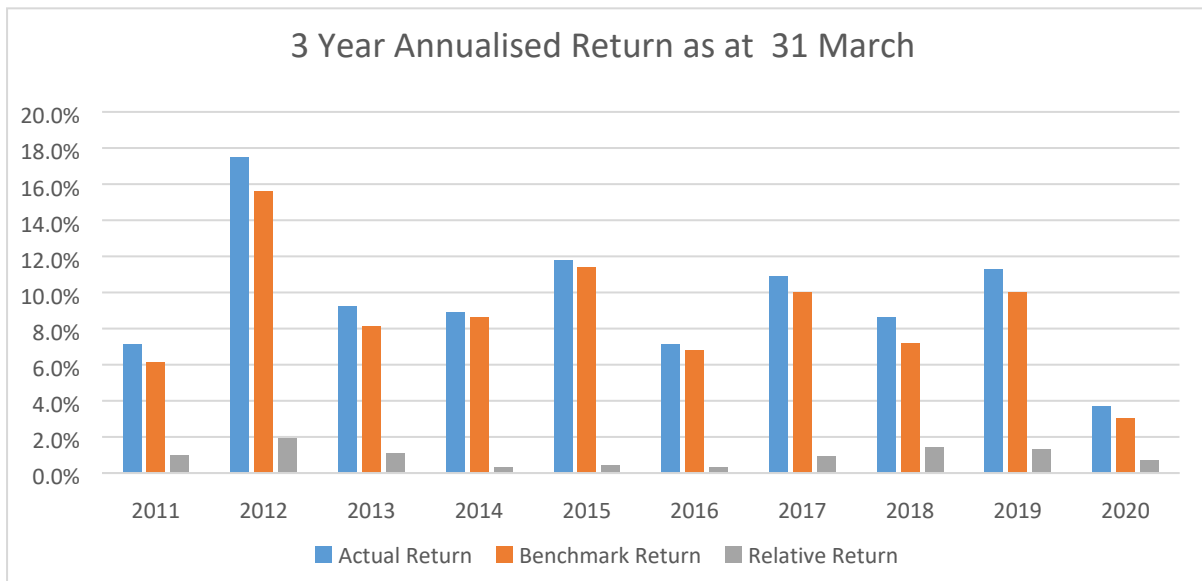
Real assets such as long lease property and infrastructure had a positive if slow performance in Q2 2019 with many deals delayed due to uncertainty around BREXIT. The following two quarters followed a similar pattern with positive returns. Q1 2020 saw a small reduction in valuations due to COVID-19 with some funds suspending trading. The full effect of COVID-19 is not yet fully known although initial data indicates that valuation impacts will be sector specific with some areas such as healthcare, industrial and supermarkets being more resilient.

Credit markets started the year strongly, delivering positive returns as central banks considered stepping away from the removal of accommodative monetary policies. COVID-19 resulted in widespread sell off during Q1 2020 with investors exhibiting “flight to quality” behaviour. The drop in oil prices due to the price war tensions between OPEC and Russia also contributed to the drop.

FUND PERFORMANCE

The Fund overall, during this historic period of volatility and unprecedented economic disruption caused by COVID-19, has due to its diversified balance of investments, managed to maintain most of the previous strong returns from previous years. The table below shows the rolling three year annualised relative return (i.e. Funds' return achieved compared with the benchmark) for the last 10 years.

Rolling 3 year annualised performance



Each quarter, the Investment Consultants, Isio (previously KPMG), reported on the Fund's quarterly performance by individual Investment Manager and mandate to the Joint Pension Fund Committee, and Pension Board. The Investment and Performance Sub Committee also met each Manager during the year giving Committee Members an opportunity to gain a deeper understanding of the investments, their decision making processes and their performance.

The Fund achieved a negative return of -1.7% against a benchmark of -1.9%.

The table over provides an analysis of how the Fund's investments performed against the Fund's benchmark.

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Return on Investment as at 31/3/2020	1 year rolling return		3 year rolling return	
	Fund %	Bench ¹ %	Fund %	Bench ¹ %
Total Fund	-1.7	-1.9	3.7	3.0
Global Equities	0.8	-5.1	6.4	3.1
UK Equities	-18.2	-18.2	-3.6	-4.1
Bonds	-1.8	3.4	1.2	3.6
Alternatives	1.4	5.0	2.9	4.7
Property	1.5	3.3	5.5	5.6
Cash	-	-	-	-

As shown in the table above the diversification of the Fund has ensured the full impact of the COVID-19 crises was not fully felt. UK Equities has seen the largest drop in valuations, fortunately only 10.4% of the Fund are invested in this group.



RESPONSIBLE INVESTMENT

Scottish Borders Council Pension Fund's (SBCPF) overriding obligation is to act in the best interests of the scheme beneficiaries. In this fiduciary role the Fund believes that a positive approach to Environmental, Social and Corporate Governance (ESG) issues can positively affect the financial performance of investments whereas a failure to address these considerations can have a detrimental effect. In accordance with Trustee fiduciary duty, it is imperative that we act 'prudently, responsibly and honestly' and therefore consider both short term and long-term risks when making investment decisions.

The Fund approved a Statement of Responsible Investment Policy on 30 November 2018 setting out the approach to responsible investment and arrangements to monitoring manager performance against the principles of the policy on an annual basis. The key principles within the policy are:

- All new managers adhere to and report on the United Nations Principles for Responsible Investment (UNPRI) Code & Stewardship Code, Managers will be expected to use ESG factors as a tool for gathering information to improve decision making, thereby managing risks.
- The Fund minimises any harm to the environment and society, whilst ensuring it builds up a portfolio of assets that are best placed to meet its future liabilities.
- The Fund wishes to see its environmental footprint minimised, its social responsibilities maximised and the highest standards of employee relations and corporate governance maintained.
- The Fund requires its Investment Managers to adhere to these standards in all their investments activities and plans to monitor how these standards are upheld for the following set of overarching principles.

The Fund actively engages with managers to ensure they are meeting these key principles and is incorporating ESG considerations into their investment decisions.

The Responsible Investment Policy also requires the Fund to review and report on an annual basis the performance of Managers. The first monitoring report was presented and approved by the Pension Fund Committee on 12 September 2019. The key highlights of this report are as follows:

- 11 out of 12 Managers are signatories of UNPIR representing 99.8% of the Fund.
- PRI annual assessment scored 9 out of 12 Managers as higher than median.
- Internal scoring methodology scored 94.6%; of the funds managed by managers, scored 80% or more than the total available scores.

For managers scoring less than 80% in the internal scoring methodology additional monitoring and engagement was undertaken.



Climate Change is a global challenge, which will have a significant impact on the global economy, corporations and society as a whole. The Paris Agreement of the United Nations Framework Convention on Climate Change set three main aims:

- Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change;

- Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
- Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.



The Pension Fund as part of its responsible investment policy has become a signatory to Climate Action 100+ which was launched in December 2017 with the support of 225 investors representing \$26.3 trillion of assets. It now has 450 investors with assets of \$40 trillion under management. Scottish Borders Council Pension Fund became a signatory to this in March 2020.

As a signatory the Fund gives it support to the Climate Action 100+ in its engagement with boards and senior management of companies to:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risks and opportunities;
- Take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goals of limiting global average temperature increase to well below 2°C above pre-industrial levels;
- Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to enable investors to assess the robustness of companies' business plans against a range of climate and improve investment decision making.

SECTION 3

FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITIES

COUNCILS RESPONSIBILITIES

Scottish Borders Council as the administering authority for Scottish Borders Council Pension Fund is required to:

- Make arrangements for the proper administration of Scottish Borders Council Pension Fund's financial affairs and to ensure that the proper officer of the authority has responsibility for the administration of those affairs in relation to Scottish Borders Council Pension Fund. That officer is the Executive Director Finance and Regulatory.
- Manage the affairs of Scottish Borders Council Pension Fund to secure the economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as is compatible with that legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003).
- Approve Scottish Borders Council Pension Fund Annual Accounts for signature.

EXECUTIVE DIRECTOR FINANCE & REGULATORY RESPONSIBILITIES

The Executive Director Finance and Regulatory is responsible for the preparation of Scottish Borders Council Pension Fund's Annual Accounts in accordance with proper practices as required by legislation and as set out the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code)

In preparing the Annual Accounts, the Executive Director Finance and Regulatory has:

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

The Executive Director Finance & Regulatory has also:

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

I certify that the financial statements give a true and fair view of the financial position of Scottish Borders Council Pension Fund as at 31 March 2020 and the transactions of the Fund for the year then ended.

David Parker
Chairman Pension Fund Committee
Scottish Borders Council

David Robertson
Executive Director Finance and Regulatory
Scottish Borders Council

5th November 2020

FUND ACCOUNT for year ending 31 March 2020

2018/19 £'000		2019/20 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme:		
19,385	Contributions	19,830	7
1,262	Transfers in from other pension funds	1,370	8
20,647		21,200	
(22,794)	Benefits	(23,635)	9
(1,463)	Payments To And On Account Of Leavers	(2,920)	10
(24,257)		(26,555)	
(3,610)	Net Additions/(Withdrawals) from Dealings with Members	(5,355)	
(6,528)	Management expenses	(5,922)	11
	Return on Investments:		
13,314	Investment Income	13,938	12
45,423	Profits and (Losses) on Disposal of Investments and Changes in the Market Value of Investments	(22,587)	14
(283)	Taxes on Income	(115)	
58,454	Net Return on Investments	(8,764)	
48,316	Net Increase/(Decrease) in the Fund during the Year	(20,041)	
684,583	Opening Net Assets of the Scheme	732,899	
732,899	Closing Net Assets of the Scheme	712,858	

The Fund Account shows the payments to pensioners, contribution receipts from employers and scheme members, and the income, expenditure and change in market value of the Fund's investments.

NET ASSET STATEMENT as at 31 March 2020

2018/19 £'000		2019/20 £'000	Notes
731,048	Investment Assets	713,000	14
-	Investment Liabilities	(681)	14
731,048	Total net investment	712,319	
	Current Assets & Liabilities		
3,246	Current Assets	2,487	21
(1,395)	Current Liabilities	(1,948)	22
1,851		539	
732,899	Net Assets of the Fund available to fund benefits at the period end	712,858	

The Net Assets Statement represents the value of assets and liabilities as at 31 March (excluding liability to pay pensioners).

The unaudited accounts were issued on 30 June 2020 and the audited accounts were authorised for issue on 5 November

David Robertson CPFA
Executive Director Finance and Regulatory

5th November 2020

NOTES TO THE ACCOUNTS

1 DESCRIPTION OF THE FUND

A) General

The Scottish Borders Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Scottish Borders Council.

The LGPS scheme is governed by the Public Service Pensions Act 2013. The Fund is administered by the Council in accordance with the following secondary legislation:

- The Local Government Pension Scheme (Scotland) Regulations 2018 (as amended).
- The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014.
- The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2016.
- The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015.

It is a contributory defined benefit pension scheme administered by Scottish Borders Council to provide pensions and other benefits for pensionable employees of Scottish Borders Council and a range of other scheduled and admitted bodies within the Scottish Borders area.

Organisations participating in the Fund include:

- Scheduled Bodies – which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted Bodies – which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

B) Funding

Pensions and other benefits are funded by contributions from employees, employers and investment earnings.

The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions. For 2019/20 this was based on the valuation undertaken as at the 31 March 2017, as amended by specific changes, agreed by the Committee relating to an individual employer. The overall contribution rate was 18% for the Fund as a whole; however employer contribution rates during 2019/20 ranged from 18% to 19.8%.

Contributions from active members of the Fund are paid on a tiered basis, the contribution rate being determined by the amount of salary falling into each earnings tier. These rates are made in accordance with the 2008 Regulations and ranged from 5.5% to 12.0% of pensionable pay for the financial year ending 31 March 2020. From 1 April 2015 these contributions are based on the LGPS Regulations 2014 in line with the updated LGPS Scheme.

C) Benefits

The Local Government Pension Scheme is a defined benefit scheme. From 1st April 2015 benefits are accrued at a rate of 1/49th of pensionable pay on a career average basis. Prior to that date benefits were accrued on a final salary basis. These benefits are fully protected on the basis under which they were accrued.

The table below gives a summary of the scheme benefits:

Membership up to 31 March 2009		Membership from 1 April 2009 to 31 March 2015		Membership from 1 April 2015
Annual pension = (service years/days x final pay)/80	+	Annual pension = (service years/days x final pay)/60	+	Annual pension = Pensionable pay each year /49 (half that if in 50/50 section)
+		+		+
Automatic lump sum of 3 x annual pension.		No automatic tax free lump sum but can convert pension.		No automatic tax free lump sum but can convert pension.
+		+		+
<ul style="list-style-type: none"> Annual revaluation and pensions increase in line with CPI inflation Partners and dependents pensions Ill health protection Death in service protection 				

Further details can be found on the Scottish Borders Council Pension Fund website.

All benefits are paid in accordance with the Local Government Pension Scheme regulations.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements summarise the Fund's transactions for the 2019/20 financial year and its position as at the 31 March 2020. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. In addition, consideration has been given to the *Local Government Pension Scheme Fund Accounts 2018/19 - example accounts and disclosure checklist* published by the Chartered Institute of Public Finance Accountants (CIPFA).

The financial statements also present the net assets available to pay pension benefits. These do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. Local authorities responsible for administering a Pension Fund that forms part of the LGPS are required by The Local Government Pension Scheme (Scotland) Regulations 2014 to publish a Pension Fund Annual Report, which is required to include a Fund Account and Net Assets Statement prepared in accordance with proper accounting practices.

The accounts have been prepared on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account

Accruals Basis

In accordance with the Code, the Fund's Financial Statements are generally prepared on an accruals basis. The Net Assets Statement does not include liabilities to pay pensions and benefits after the end of the Fund year and the accruals concept is applied accordingly. Receipts and payments in respect of the transfer of benefits from and to other schemes are treated on a cash basis.

Contributions Income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate. Employers augmented contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amounts in respect of strain on the Fund due in a year but unpaid are classed as a current financial asset.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when the member liability is accepted or discharged.

Investment Income

i) Interest income

Interest is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any income not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Administration Expenses

All administration expenses are accounted for on an accruals basis. Central Support Costs from Scottish Borders Council have been recharged to the Fund on the basis of time spent by staff on the service. The recharge includes overheads apportioned to this activity.

Investment Management Expenses

Fees of the external investment managers and custodian are agreed in the respective mandates or subscription agreements governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Management fees also include transaction costs incurred by the managers.

Investment management expenses incurred by funds in the UK have come under increasing scrutiny in recent years resulting in establishment of the Cost Transparency Initiative (CTI) and the launch of collection templates in 2019. All managers of the Fund have submitted their investment expenses information on the new template which will ensure consistency of reporting.

Net Assets Statement

Valuation of Investments

The values of investments as shown in the net assets statement have been determined as follows:

- Market-quoted investments – Investments listed on recognised Stock Exchanges are valued at the bid price on the close of business on 31 March.

- Unquoted investments – directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Pooled investment vehicles – are valued at bid price on the close of business on 31 March.
- Private equity/debt and infrastructure assets are independently valued by the appointed Fund Manager and General Partners. Fair value is calculated by applying Private Equity and Venture Capital Valuation Guidelines.

The processes of the fund managers, who are listed in Note 14c, (page 62) are subject to external audit and verification and this is reported in their respective assurance reports on internal controls (in accordance with Technical Release AAF 01/06).

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts market values of overseas investments.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks (in particular currency) arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of the derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end and determined as the gain or loss that would arise if the outstanding contracts were matched at the year-end with an equal and opposite contract.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of change in value.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme Actuary in accordance with the requirements of International Accounting Standards (IAS) 19 and relevant actuarial standards. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20, page 75).

Additional Voluntary Contributions (AVCs)

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Standard Life to act as AVC provider. AVCs are paid to the AVC provider by employees and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and investment Funds) (Scotland) Regulations 2010 (SSI 2010/233) but are disclosed as a note only (Note 23).

Accounting Standards that were issued but not yet adopted.

There are no accounting standards which have not yet been adopted.

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed Actuary (currently Hymans Robertson), with annual updates in the intervening years. The methodology used is in line with the accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised on page 74. This estimate is subject to significant variances based on changes to the underlying assumptions.

5 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions take into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the financial statements at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of Promised Retirement Benefits (Note 20, page 75).	Estimation of the net liability to pay pensions in the future depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund	The effects on the net pension liability of changes in individual assumptions can be measured. - A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £9.2m

	assets. Hymans Robertson is engaged to provide the Fund with expert advice about the assumptions to be applied.	<ul style="list-style-type: none"> - A 0.1% increase in the Consumer Price Index assumption for inflation would increase the value of the liabilities by £8.1m - A 0.1% increase in the long-term rate of salary increase would increase value of the liabilities by £1.7m, and - A 0.25% increase in assumed life expectancy would increase the liability by £3.9m <p style="text-align: right;"><i>Source – Triennial Valuation 2017</i></p>
Portfolio of Level 3 assets held	Level 3 assets are those which do not have observable market data. The valuations are provided by administrators of the funds and are validated by independent administrators. There is, however a degree of estimation involved in the valuations.	The total assets held in Level 3 £226.3m and include Private Credit, Property, Infrastructure and Alternatives. There is a risk that this investment may be under or overstated in the accounts. Based on historical data and current market trends actual valuation could be between £241.8m and £210.8m

COVID 19 – Property

Property investments for Blackrock and UBS portfolio valuations both include a “material valuation uncertainty clause”. The response to COVID-19 meant the property sector were faced with an unprecedented set of circumstances on which to base a judgement. As at the valuation date, managers considered that less weight could be given to previous market evidence for comparison purposes to inform opinions of value. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.

6 EVENTS AFTER THE REPORTING DATE

There are no known events since 31 March 2020 which directly affect these accounts.

7 CONTRIBUTIONS RECEIVABLE

2018/19				2019/20		
Employers	Members	Total		Employers	Members	Total
£'000	£'000	£'000		£'000	£'000	£'000
14,348	4,601	18,949	Normal	14,889	4,845	19,734
406	-	406	Special/Pension Fund Strain	81	-	81
	30	30	Additional Voluntary	-	15	15
14,754	4,631	19,385	Total	14,970	4,860	19,830

2018/19		2019/20
£'000		£'000
14,121	Administering Authority	15,532
738	Scheduled Bodies	856
4,526	Admitted Bodies	3,442
19,385		19,830

8 TRANSFERS IN

There were no group transfers in to the scheme during 2019/20 or 2018/19 and the total of £1.370m (2018/19: £1.262m) represents the total of transfer values in respect of individual members joining the scheme.

9 BENEFITS PAYABLE

2018/19		2019/20
£'000		£'000
17,967	Pension Payments	18,953
3,948	Commutation and lump sum retirement benefits	3,779
879	Lump Sums death benefits	903
22,794		23,635

2018/19		2019/20
£'000		£'000
20,958	Administering Authority	21,465
373	Scheduled Bodies	676
1,463	Admitted Bodies	1,494
22,794		23,635

10 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2018/19		2019/20
£'000		£'000
110	Refunds to members leaving service	74
1,353	Individual Transfers	2,846
1,463		2,920

11 MANAGEMENT EXPENSES

2018/19 £'000		2019/20 £'000
391	Administrative costs	363
5,848	Investment management expenses	5,296
289	Oversight and governance costs	263
6,528	Total	5,922

11(a) Investment Management Expenses

2018/19 £'000		2019/20 £'000
4,149	Management Fees	3,819
102	Performance Related Fees	-
48	Custody Costs	91
1,063	Transaction Costs	1,003
486	Other Fees	383
5,848	Total	5,296

12 INVESTMENT INCOME

2018/19 £'000		2019/20 £'000
4,595	Dividends from equities	3,356
3,642	Income from Pooled Investment vehicles	5,527
4,824	Income from Pooled Property Investment vehicles	4,902
253	Interest on Cash Deposits	153
13,314		13,938

13 OTHER FUND ACCOUNT DISCLOSURES

13(a) External Audit Costs

In 2019/20 the agreed audit fee for the year was £21,040 (2018/19 £20,580). The external auditor is Audit Scotland.

14 INVESTMENTS

Market Value at 31 March 2019 £'000		Market Value at 31 March 2020 £'000
	Investment Assets	
181,533	Equities	164,635
371,951	Pooled Investments	329,466
98,428	Pooled Property Investments	97,461
21,450	Private Equity/Infrastructure	58,458
51,678	Diversified Alternatives	50,583
-	Derivative Contracts	-
4,619	Cash Deposits	11,021
1,357	Investment Income Due	1,151
32	Amounts receivable for sales	225
731,048	Total Investment Assets	713,000
	Investment Liabilities	
-	Amounts payable for purchases	(681)
731,048	Net Investment Assets	712,319

Alternative asset portfolio at 31 March 2020

The investment in the alternative asset portfolio, managed by LGT Capital Partners and valued at £50.5m at 31 March 2020, is allocated to the following asset classes: Convertible Bonds, Emerging Markets Debt, High Yield (Bonds), Commodities, Insurance-Linked Securities, Property, GTAA/Global Macro, Event Oriented, Market Neutral, Thematic Opportunities, Infrastructure and Private Equity.

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14(a) Reconciliation of Movement in Investment and Derivatives

The table below follows the guidance of the standard presentation for the movement in investments.

	Opening Market Value	Purchases & Derivative Payments	Sales & Derivative Receipts	Change to Market value during year	Closing Market Value
	£'000	£'000	£'000	£'000	£'000
Equities	181,533	25,307	(32,311)	(9,894)	164,635
Pooled Investments	371,951	11,373	(44,769)	(9,089)	329,466
Pooled Property Investments	98,428	7,117	(5,829)	(2,255)	97,461
Private Equity/Infrastructure	21,450	40,412	(2,581)	(823)	58,458
Diversified Alternatives	51,678	-	(418)	(677)	50,583
Derivative Contracts	-	2	(2)	-	-
	725,040	84,211	(85,910)	(22,738)	700,603
Other Investment Balances					
Cash Deposits	4,619			146	11,021
Amount receivable for sales	32			(2)	225
Investment Income due	1357			-	1,151
Spot FX Contract				6	-
Amount Payable on Purchase	-			1	(681)
Net Investments	731,048			(22,587)	712,319

Significant Transactions during the year:

The Fund continued to implement the Investment Strategy approved on 13 September 2018. Equity funds have been reduced and invested into inflation linked assets such as Infrastructure and Private Credit.

**Scottish Borders Council Pension Fund
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Investments representing more than 5% of Net Assets

The value of the following investments exceeds 5% of the total value of the net assets of the Pension Fund at 31 March 2020. Each of the investments comprises units in a managed fund.

Value as at 31 March 2020	£'000
Morgan Stanley Global Brands Fund	98,718
M&G Alpha Opportunities Fund	92,086
Blackrock – Long Lease Property	59,880
LGT Crown SBC Segregated Portfolio	50,584
UBS UK Passive Equities	44,037
M&G Index Linked	42,303
UBS Property	38,475

14(b) Analysis of Investments

31 March 2019 £'000		31 March 2020 £'000
	Equities	
	UK	
43,888	Quoted	32,160
	Overseas	
137,607	Quoted	132,447
181,495		164,607
	Pooled Funds – additional analysis - Unquoted	
	UK	
45,549	Fixed Income Unit Trust	42,304
68,940	Equity Unit Trust	45,129
	Overseas	
99,850	Equity Unit Trust	98,746
110,038	Hedge Funds	92,085
	UK & Overseas	
51,678	Diversified Alternatives	50,583
47,611	Private Credit Funds	51,230
423,666		380,078
	Pooled Property Investments	
88,408	UK Pooled Property Investments	97,461
10,020	Overseas Pooled Property Investments	-

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98,428		97,461
	Private Equity/Infrastructure	
18,999	UK Venture Capital	49,950
2,451	Overseas Venture Capital	8,508
21,450		58,458
	Investment Assets	
-	Derivative assets	-
4,619	Cash	11,021
1,357	Investment income due	1,151
32	Amounts receivable from sales	225
731,048	Total Investment Assets	713,000
	Investment Liabilities	
-	Derivative liabilities	-
-	Amounts payable on purchase	(681)
-	Total Investment liabilities	-
731,048	Net Investment Assets	712,319

14(c) Investment Analysed by Fund Managers

Investment Management was undertaken on behalf of the Fund during the financial year by 13 firms of investment managers, these are shown below. The Fund has also during 2019/2020, continued to make investments into infrastructure via collaborative working with Lothian Pension Fund. As at 31 March 2020 the market value of the assets under management, broken down by manager and mandate (including cash held within each mandate) was:

31-Mar-19						31-Mar-20	
£'000	%			£'000	%		
67,559	9.2	UBS	Pooled Fund -UK Equities	44,037	6.2		
38,060	5.2	Baillie Gifford	UK Equities	29,683	4.2		
148,348	20.2	Baillie Gifford	Global Equities	137,839	19.4		
99,850	13.6	Morgan Stanley	Pooled Fund - Global Equities	98,719	13.9		
110,038	15.0	M&G	Pooled Fund - Diversified Income	92,086	12.9		
45,512	6.2	M&G	Pooled Fund - Bonds	42,304	5.9		

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38,463	5.2	UBS	Pooled Fund -Property	38,475	5.4
60,629	8.2	Blackrock	Pooled Fund – Property	59,880	8.4
51,678	7.0	LGT	Pooled Fund - Alternatives	50,583	7.1
19,867	2.7	Partners Group	Pooled Fund – Private Credit	23,494	3.3
27,745	3.8	Permira	Pooled Fund – Private Credit	27,736	3.9
		Alinda	Infrastructure	2,755	0.4
2,407	0.3	KKR	Infrastructure	3,065	0.4
1,646	0.2	Infrared	Infrastructure	1,329	0.2
6,676	0.9	Dalmore	Infrastructure	11,236	1.6
1,522	0.2	Brookfield	Infrastructure	1,340	0.2
		Macquarie	Infrastructure	1,100	0.1
		Equitix	Infrastructure	1,500	0.2
		Gaia	Infrastructure	2,474	0.4
		Oaktree	Infrastructure	1,612	0.2
9,199	1.5	Macquarie	Pooled Fund -Infrastructure Debt	32,047	4.5
1,849	0.6	Internal	Internally Managed Cash & Investments	9,025	1.3
731,048				712,319	

The benchmarks and performance targets for each manager as at the 31 March 2020 are contained in the Statement of Investment Principles published on the Pension Fund website.

Fund Performance

The total Fund return for the year was -1.7% with a relative return over benchmark of -1.6%. Over three years the Fund has generated an annualised return of 3.8% per annum, with a relative return over benchmark of 3.0% per annum. Further information on this is contained in- Investments page 39.

14 (d) Stock Lending

The Fund may participate in the stock lending programme managed by its Global Custodian, Northern Trust. All loans are fully collateralised. As at 31 March 2020 stock with a market value of £8.1m was on loan.

14(e) Property Holdings

The Fund's investment in its property portfolio comprises of pooled investments with UBS and Blackrock. There are no directly owned properties.

15 ANALYSIS OF DERIVATIVES

The Funds approach to derivatives is to allow individual managers to decide to participate in derivative contracts subject to limits set out in their investment management agreements. The Fund holds cash assets to allow for cash flow purposes. Fund managers will also, on occasions, hold forward currency contracts.

Settlements	Currency Bought	Local Value £000's	Currency Sold	Local Value £000's	Asset Value £000's	Liability Value £000's
Under 1 month	GBP	0				0
Open forward currency contracts at 31 March 2020						0
Net forward currency contracts at 31 March 2020						0
Open forward currency contracts at 31 March 2019						0
Net forward currency contracts at 31 March 2019						0

16 FAIR VALUE BASIS OF VALUATION

Assets and liability valuations are classified into three levels according to quality and reliability of information used to determine fair values.

1. Level 1 - are those where fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities and unit trusts. Prices are quoted at bid prices.
2. Level 2 - are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.
3. Level 3 - are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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16(a) Fair Value Hierarchy

Values as at 31 March 2020	Quoted market price Level 1 £'000	Using observable inputs Level 2 £000's	With significant unobservable inputs Level 3 £000's	Total £000's
Designated as fair value through fund account	441,838	32,406	226,359	700,603
Loans & receivables	12,172	225	-	12,397
Financial liabilities at fair value through fund account	-	(681)	-	(681)
Net Investment Assets	454,010	31,950	226,359	712,319
Values as at 31 March 2019	Quoted market price Level 1 £'000	Using observable inputs Level 2 £000's	With significant unobservable inputs Level 3 £000's	Total £000's
Designated as fair value through fund account	504,489	33,631	186,919	725,039
Loans & receivables	5,977	32	-	6,009
Financial liabilities at fair value through fund account				
Net Investment Assets	510,466	33,663	186,919	731,049

16(b) Reconciliation of Fair Value Measurements within level 3.

	Market Value 1 April 2019 £'000	Transfers into level 3 £'000	Purchases during year & derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market Value 31 March 2020 £'000
Alternatives	51,678	-	-	-	(1,095)	-	50,583
Overseas Equity	2,450	-	5,887	(859)	779	251	8,508
Private Credit	47,611	-	11,489	(6,697)	(1,173)	-	51,230
UK Property	66,181	-	750	-	(843)	-	66,088
Overseas Venture Capital	18,999	-	34,600	(1,722)	(1,895)	(32)	49,950
Total	186,919	-	52,726	(9,278)	(4,227)	219	226,359

Transfers to level 3 reflect the investment into Private Credit following the implementation of the revised Investment Strategy.

Purchases and sales during the year reflect the implementation of the revised Investment Strategy.

Unrealised and realised gains and losses are recognised in the changes in value of investments line of the Fund Account.

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Sensitivity of Assets Valued at Level 3

Having considered historical data and current market trends, and consulted with independent advisors, the Fund has determined the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

	Assessed valuation range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
		£'000	£'000	£'000
Alternatives	7.1%	50,583	54,175	46,990
Overseas Equity	20.5%	8,508	10,252	6,764
Private Credit	3.6%	51,230	53,084	49,375
UK Property	7.2%	66,088	70,866	61,309
Overseas Venture Capital	7.1%	49,950	53,497	46,403
Total		226,359	241,874	210,841

17 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amount of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

31 March 2019				31 March 2020		
Fair value through profit & loss	Loans & Receivables	Financial Liabilities at amortised cost		Fair value through profit & loss	Loans & Receivables	Financial Liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
181,533	-	-	Equities	164,635		
371,951	-	-	Pooled Investments	329,466		
98,428	-	-	Pooled Property Investments	97,461		

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21,450	-	-	Infrastructure	58,458		
51,678	-	-	Diversified Alternatives	50,583		
-	-	-	Derivative Contract			
-	4,619	-	Cash		11,021	
-	1,357	-	Other Investment balances		1,151	
	32	-	Debtors		225	
725,040	6,008	-		700,603	12,397	-
			Financial Liabilities			
-	-	-	Derivative Contract	-	-	-
-	-	-	Other investment balances	-	-	-
-	-	-	Creditors	-	-	(681)
-	-	-		-	-	-
725,040	6,008	-	Total	700,603	12,397	(681)
	731,048				712,319	

17 (a) Net Gains and Losses on Financial Instruments

31 March 2019		31 March 2020
£000		£000
	Financial assets	
45,103	Designated at fair value through profit & loss	(22,738)
398	Loans & receivables	153
	Financial Liabilities	-
78	Fair value through profit & Loss	-
(156)	Financial liabilities at amortised costs	(2)
45,423	Total	(22,587)

The Pension Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for managing the Fund's risk rests with the Pension Fund Committee. A Risk Register for the Fund has been established to identify and analyse the risks that the Fund faces and the key messages from this process are covered in the Risk Management Statement on page 13. The Market Risk and Credit Risk aspects below come under the risk category of Assets and Investment in the Risk Register, whilst Liquidity Risk is a separate category of risk. In addition, the Funding Strategy Statement and Statement of Investment Principles address risk management considerations as they apply to the particular objectives of each document.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its Investment Consultants undertake appropriate monitoring of market conditions and benchmark analysis.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk, arising from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund's Investment Strategy.

Other Price Risk – Sensitivity Analysis

In consultation with the Fund's independent provider of performance and analytical data it has been determined that the following movements in market price risk are reasonably possible for this reporting period.

Asset Type	Potential Market Movement
	%
UK Equities	20.2
Global Equities	20.5
UK Bonds	10.9
Property	10.0
Alternatives	12.3
Cash	0.8

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price could have been as follows:

Asset Type	Value as at 31 Mar 20 £'000	+/- % Change*	Value on Increase £'000	Value on Decrease £'000
UK Equities	73,717	20.2	88,605	58,832
Global Equities	236,558	20.5	285,052	188,064
UK Bonds	42,304	10.9	46,929	37,678
Property	98,356	10.0	108,148	88,563
Alternatives	252,397	12.3	283,308	221,407
Cash	8,987	0.8	9,098	8,954
Total Assets	712,319		821,140	603,498

*The percentage change for total assets includes the impact of correlation across asset classes.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or

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future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its Investment Consultants, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2020 is set out below and includes investment and operational cash balances. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	At 31 March 2019 £'000	At 31 March 2020 £'000
Cash and Cash Equivalents	7,198	13,258
Fixed Interest Securities		-
	7,198	13,258

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 Basis Points (BPS) change in interest rates:

Asset Type	Value as at 31 Mar 20 £'000	Effect on Asset Values	
		Favourable Rate Move + 100 BPS £'000	Unfavourable Rate Move -100 BPS £'000
Cash and Cash Equivalents	13,258	132	(132)

Currency Risk

Currency risk represents the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund is invested in equities overseas that are denominated in currencies other than £UK.

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The following table summarises the Fund's currency exposure at 31 March 2020:

Currency exposure by asset type	As 31 March 2020 £'000
Overseas Equities	132,447
Overseas Equity Funds	98,778
Overseas Hedge Funds	92,085
Total	323,310

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with Isio, the likely volatility associated with foreign exchange movements on an individual currency basis is shown on the table below. The weight of each currency in relation to the total currency basket is multiplied by the change in its exchange rate (relative to GBP) to create the aggregate potential currency change of the 'basket'.

Currency	Value as at 31 Mar 20 £'000	+/- % Change	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	499	10.73%	552	445
Brazilian Real	1,691	18.20%	1,999	1,383
Canadian Dollar	1,217	9.23%	1,329	1,105
Danish Krone	733	8.42%	795	671
EURO *	26,028	8.45%	28,226	23,830
Hong Kong Dollar	8,935	9.25%	9,761	8,108
Japanese Yen *	13,381	12.42%	15,042	11,719
Norwegian Krone	1,136	11.62%	1,268	1,004
South African Rand	4,118	16.27%	4,789	3,448
Swedish Krona	2,180	9.90%	2,396	1,964
Swiss Franc	2,169	11.21%	2,413	1,926
Taiwan Dollar	176	8.92%	192	161
US Dollar	261,047	9.34%	285,435	236,658
Total Currency *	323,310		354,197	292,422

* The % change for Total Currency includes the impact of correlation across the underlying currencies.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund is separately addressed within the Council's Annual Treasury Strategy and this document sets out the Fund's approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its internal treasury management arrangements at 31 March 2020, including current account cash, was £2.2m (31 March 2019: £2.54m). This was held with the following institutions:

	Rating	Balance at 31 March 2019 £'000	Balance at 31 March 2020 £'000
<i>Money Market Accounts</i>			
Aberdeen Standard	AAA	-	-
Standard Life	AAA	-	-
Blackrock	AAA	-	-
Federated	AAA	-	-
<i>Bank Current Accounts</i>			
Bank of Scotland	A+	2,580	2,237
Northern Trust	AA	4,618	11,021
Total		7,198	13,258

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its internally managed Pension Fund cash holdings through use of instant access accounts or money market funds.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31

March 2020, the Fund's illiquid assets under this definition are some of the Property fund of funds holdings and the infrastructure holdings.

19 FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2018, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

The Actuarial Valuation assesses the health of the fund and provides a check that the Funding Strategy and assumptions used are appropriate.

2017 Actuarial Valuation

The 2017 Actuarial Valuation was undertaken for the Fund as at 31 March 2017 (full report available on the Scottish Borders Council Pension Fund website). The Valuation was completed during the financial year 2017/18 by the then actuaries, Barnett Waddingham. It has been undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2014.

The funding level of the Fund as at the 31 March 2017 was 114%, compared to the 31 March 2014 valuation of 101% and this corresponded to a surplus of £80.64m. The following table summarises the funding position.

Past Service Funding Position – Scottish Borders Council Pension Fund		
Valuation Date as at 31 March	2014 £m	2017 £m
Value of the Scheme Liabilities	(487.6)	(573.3)
Smoothed Asset Value	490.5	653.9
Surplus/ (Deficit)	2.9	80.6
Funding Level	101%	114%

The value of the scheme liabilities is an estimate of the assets required to pay pensions over the coming years. The smoothed asset value is the contributions received from employers and members as well as investment returns. The surplus or deficit on the Fund is the difference between the two.

The next detailed Actuarial Valuation will be carried out for the Fund as at 31st March 2020.

Valuation Assumptions

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service.

Financial Assumptions

The principal assumptions used in the last triennial valuation (to March 2017) were:

	2014 Valuation		2017 Valuation	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Investment Return				
Equities	5.9	2.6	7.5	4.7
Absolute return funds	5.9	2.6	5.5	2.7
Gilts	3.6	-	1.9	-0.9
Bonds	4.1	0.5	2.6	-0.2
Property	5.5	1.9	6.3	3.5
Multi Asset Fund/Infrastructure	5.9	2.3	7.2	4.4
Retail Price Inflation (RPI)	3.6	-	3.7	-
Pay Increases – Long Term	4.6	2.0	3.8	1.0
Pension Increases	2.8	(0.8)	2.8	0.0
Discount Rate	5.5	1.9	5.0	2.2

Mortality assumptions

The mortality assumptions used and applied to all members are those underlying the S2PA mortality tables allowing for Continuous Mortality Investigation (CMI) 2016 projections, with a long term rate of improvement 1.5%.

Commutation Assumption

It is assumed that future retirees will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules.

20 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the Triennial Funding Valuation, the Fund's Actuary also undertakes a valuation of pension fund liabilities (actuarial present value of promised retirement benefits) at the accounting date as required by International Accounting Standard (IAS) 26, and calculated in line with IAS 19 assumptions.

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This uses the same base data as the Triennial Funding Valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund employer contribution rates and the Fund Account does not take account of liabilities to pay pensions and other benefits in the future.

The actuarial present values, calculated in line with IAS 19, are set out in the table below.

	Net Pension Asset/(Liability) as at:		
	31 March 2018 £m	31 March 2019 £m	31 March 2020 £m
Present value of the defined benefit obligations	(844)	(941)	(887)
Fair Value of Fund Assets* (bid value)	685	733	713
Net Asset/(Liability)	(159)	(209)	(174)

The obligations figure above include £7m for the estimated impact the recent McCloud judgement, which relates to age discrimination arising from public sector pension scheme transition arrangements. The full impact of the judgement are not fully known at this time. This figure is used for statutory accounting purposes by the Fund and complies with the requirements of IAS 26. The assumptions underlying the figure are detailed below:

	At 31 March 2018	At 31 March 2019	At 31 March 2020
	% p.a.	% p.a.	% p.a.
Discount Rate	2.55	2.4	2.3
Pay Increases – Long Term	3.3	3.5	2.9
Pension Increases	2.5	2.5	1.9

As noted above, liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2017 Triennial Funding Valuation (see Note 19) because IAS 19 stipulates a discount rate, rather than a rate that reflects the market rate for investment returns on the Fund's assets.

21 CURRENT ASSETS

Current Assets	As 31 March 2019 £'000	As 31 March 2020 £'000
Short term debtors		
Contributions Due – Employees	92	15
Contributions Due - Employers	294	43
	386	58
Transfer value receivable (joiners)	193	102
Sundry Debtors	10	9
Prepayments	78	81
Total	667	250
Cash Balances	2,579	2,237
Total	3,246	2,487

22 CURRENT LIABILITIES

Current Liabilities	As 31 March 2019 £'000	As 31 March 2020 £'000
Transfer value payable (leavers)	499	198
Sundry Creditors	565	1,498
Benefits payable	331	252
Total	1,395	1,948

23 ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions are invested separately from the main Fund, securing additional benefits on a money purchase basis for those members that have elected to contribute. All AVCs are managed by Standard Life and the value at 31 March 2020 was £1.2324m (2019 £1.194m). During the year contributions in totalled £0.293m, while payments out of the AVC fund totalled £0.204m. In accordance with regulation 4(2)(b) of the Government Pension Scheme (Management and Investment of Funds)(Scotland) Regulations 2009 (SI 2009/3093), AVCs are not included in the Pension Fund accounts.

24 AGENCY SERVICES

There are no agency services agreements in place.

25 RELATED PARTY TRANSACTIONS

During the year, the Pension Fund had an average balance of £1.50m (2019: £1.63m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.005m (2019: £0.004m). The Council charged the Pension Fund £0.343m (2019 £0.263m) in respect of expenses incurred in administering the Fund. There are no additional

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related party transactions that require to be disclosed. The Pension Fund balance due to Scottish Borders Council to the Pension Fund at the balance sheet date and disclosed in the net assets statement was as follows:

As at 31 March	2019 £'000	2020 £'000
Due (to)/from Scottish Borders Council	(343)	(142)

Governance

All members of the Pension Fund Committee were active members of the Pension Fund during 2019/20. None of the Pension Fund Committee were in receipt of pension benefits from the Fund.

26 KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund is Scottish Borders Council Executive Director Finance and Regulatory. Total remuneration payable is set out below.

31 March 2019 £000's		31 March 2020 £000's
89	Short-term benefits	96
-	Post-employment benefits	-
2	Other long-term benefits	4
-	Termination benefits	-
-	Share-base payments	-
91	Total	100

The figures above reflect the full remuneration as reported in Scottish Borders Council Accounts. The Pension Fund is recharged 10% of the above post.

27 CONTINGENT ASSETS

One of the admitted body employers in the Pension Fund holds an insurance bond to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

28 CONTINGENT LIABILITIES

GMP Equalisation

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. The Fund recognises the potential for liabilities arising from GMP equalisation. However, as guidance has not yet been issued by the Treasury it is not possible to quantify the impact this will have on the Fund at this time.

GMP Reconciliation

The exercise known as GMP Reconciliation to reconcile HM Revenue contracted out records with those of pension funds is reaching a conclusion. The full cost implication of this is not yet known. Scottish Ministers are expected to legislate that any LGPS pensions that have been overpaid due to incorrect GMPs being held should not be reduced. Instead it is expected that overpayments will be ring fenced and frozen at their current level. Final information is awaited from HMRC to enable this exercise to be fully concluded.

29 POST BALANCE SHEET EVENTS

The unaudited Statement of Accounts was issued by the Executive Director Finance & Regulatory on 30 June 2020. Events taking place after this date are not reflected in the financial statements or notes.

SECTION 4

INDEPENDENT AUDITORS REPORT

Independent auditor's report to the members of Scottish Borders Council as administering authority for Scottish Borders Council Pension Fund and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Scottish Borders Council Pension Fund (the fund) for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the financial transactions of the fund during the year ended 31 March 2020 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)) as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Property Investment Portfolio Valuations

I draw attention to Note 5 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes the effects of a material uncertainty caused by Covid-19 on property investment portfolio valuations. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Executive Director Finance and Regulatory has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Executive Director Finance and Regulatory and Scottish Borders Council Pension Fund Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director Finance and Regulatory is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director Finance and Regulatory determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance and Regulatory is responsible for assessing the fund'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 deemed inappropriate.

The Scottish Borders Council Pension Fund Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the annual report

The Executive Director Finance and Regulatory is responsible for the other information in the annual report. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

CONTACT DETAILS

For further information and advice on administration, benefits and scheme membership please contact:

Pensions Team

Telephone 01835 – 825052/3

E-mail pensions@scotborders.gov.uk

Scheme members should have a copy of the “Employees’ Guide to the Local Government Pension Scheme Administered by the Scottish Borders Council”, and can obtain their own copy of an Annual Report on request.

or visit Scottish Borders Council Pension Fund website at:
www.scottishborderscouncilpensionfund.org

For further information on the Fund’s investments, please contact

Kirsty Robb

Telephone 01835 – 825249

Pension & Investment Manager

E-mail krobb@scotborders.gov.uk

Audit and Scrutiny Committee

Scottish Borders Council

22 October 2020

Dear Audit and Scrutiny Committee Members

Audit of 2019/20 annual accounts

Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 5 November 2020.
2. We have included an 'Emphasis of Matter' paragraph in the audit report. This draws attention to the reference in Note 4 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the financial statements which describes the effects of uncertainties caused by Covid-19 on property valuations. The audit opinion is not modified in respect of this matter.
3. The proposed report is attached at [Appendix A](#).

Annual audit report

4. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Scrutiny Committee's consideration our proposed annual report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
5. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
6. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

7. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
8. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

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

Representations from Executive Director Finance and Regulatory

10. As part of the completion of our audit, we are seeking written representations from the Executive Director Finance and Regulatory on aspects of the annual accounts, including the judgements and estimates made.
11. A letter of representation template is attached at **Appendix B**. This should be copied onto headed notepaper and returned by the Executive Director Finance and Regulatory with the financial statements prior to the independent auditor's reports being certified. Due to Covid-19 restrictions, electronic signatures will be arranged this year.

Yours faithfully,

Gillian Woolman MA FCA CPFA

Audit Director

APPENDIX A: Proposed Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Income Account, Trust Funds, Common Good Funds and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Property valuation

I draw attention to Note 4 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes that less certainty can be attached to valuations, due to the Coronavirus pandemic, declared by the valuer for property valuations. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Executive Director Finance and Regulatory has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Executive Director Finance and Regulatory and Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director Finance and Regulatory is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director Finance and Regulatory determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance and Regulatory is responsible for assessing the council'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 deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual accounts

The Executive Director Finance and Regulatory is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the

financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

APPENDIX B: Letter of Representation (ISA 580)

Gillian Woolman, Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Dear Gillian

Scottish Borders Council Annual Accounts 2019/20

1. This representation letter is provided about your audit of the annual accounts of Scottish Borders Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Scottish Borders Council's annual accounts for the year ended 31 March 2020.

General

3. Scottish Borders Council and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Scottish Borders Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Scottish Borders Council and its Group at 31 March 2020 and the transactions for 2019/20.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Scottish Borders Council circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

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

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I have satisfied myself that the carrying amount of assets included in the financial statements at 31 March 2020 continues to represent the best available information while recognising the additional uncertainty created by the impact of the Covid-19 pandemic. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified. I have provided you with all information of which I am aware regarding the valuation exercises carried out.
12. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
13. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

14. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
15. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2020. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

16. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2020 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
17. The accrual recognised in the financial statements for holidays untaken by 31 March 2020 has been estimated on a reasonable basis.
18. The pension assumptions made by the actuary in the IAS 19 report for Scottish Borders Council have been considered and I confirm that they are consistent with management's own view. I have considered whether a revised ISA 19 report is required due to the Council's actuary indicating that the liability relating to the McCloud judgement in 2018/19 was overstated. I am satisfied that the difference is not material and that a revised report is not required.
19. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

20. There are no significant contingent liabilities, other than those disclosed in Note 26 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37.

Fraud

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

Laws and Regulations

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

Related Party Transactions

23. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the Scottish Borders Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

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

Management commentary

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

Corporate Governance

26. I confirm that the Scottish Borders Council has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
27. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

Group Accounts

28. I have identified all the other entities in which Scottish Borders Council has a material interest and have classified and accounted for them in accordance with the 2019/20 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Events Subsequent to the Date of the Balance Sheet

29. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Executive Director Finance and Regulatory

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Audit and Scrutiny Committee

Scottish Borders Council

22 October 2020

Dear Trustees

Charitable Trusts administered by Scottish Borders Council

Report to those charged with governance on the Audit of 2019/20 annual accounts

1. In accordance with the Charities Accounts (Scotland) Regulations 2006 an audit is required for all registered charities where the local authority is the sole trustee irrespective of the size of the charity. This is due to the interaction of Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The auditor of Scottish Borders Council, Audit Scotland, has been appointed as the auditor of the relevant charitable trusts for the year ended 31 March 2020.
2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The trustees of the charities are the elected members of Scottish Borders Council. Therefore, members of the Audit and Scrutiny Committee of Scottish Borders Council are identified as those charged with governance.
3. This report sets out for the Audit and Scrutiny Committee's consideration, the matters arising from the audit of the financial statements for 2019/20 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however, this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Scottish Borders Council, as the trustees of the registered charitable trusts listed at Appendices A to F, and no responsibility to any third party is accepted.

Status of the Audit

4. We received the unaudited financial statements on 29 June 2020. The working papers and information provided in support of the financial statements were of a good quality. Finance staff

provided support to the audit team through the course of the audit. The issues arising from the audit were discussed with officers during the audit.

Matters to be reported to those charged with governance

5. We report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.

Conduct and scope of the audit

6. We are required to audit the financial statements of the charitable trusts where the sole trustees are elected members of Scottish Borders Council.
7. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan of Scottish Borders Council presented to the Audit and Scrutiny Committee on 10 February 2020 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in 2016.
8. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2019/20 agreed fee for the audit was disclosed in the Scottish Borders Council Annual Audit Plan and as we did not carry out any additional work out with the planned audit activity this fee remains unchanged.

Significant findings from the audit

9. In our view, there are no known issues that require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

Independent auditor's reports

10. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of revised sets of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's reports on 5 November 2020.
11. We have included an 'Emphasis of Matter' paragraph in the audit reports for the Common Good Funds and Ormiston Trust for Institute. This draws attention to the reference in the notes on 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the financial statements which describes the effects of uncertainties caused by Covid-19 on property valuations. The audit opinions are not modified in respect of this matter.
12. The proposed reports are at **Appendices A-F**.

Fraud, subsequent events and compliance with laws and regulations

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

management in relation to fraud has been included in the letter of representation template **(Appendix G)**.

Audit Opinion and Representations

14. As part of the completion of our audit, we are seeking written representations from the Executive Director Finance and Regulatory Services on aspects of the financial statements, including the judgements and estimates made.
15. A letter of representation template is attached at **Appendix G**. This should be copied on headed paper and returned by the Executive Director Finance and Regulatory with the financial statements prior to the independent auditor's reports being certified. Due to Covid-19 restrictions, electronic signatures will be arranged this year.
16. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Acknowledgements

17. We would like to express our thanks to the staff of Scottish Borders Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide audit reports within the agreed timetable.

Yours faithfully,

Asif A Haseeb OBE

Engagement Lead

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of Scottish Borders Council Charitable Trusts and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Charitable Trusts for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

APPENDIX B: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of Scottish Borders Council Common Good Funds and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Common Good Funds for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Asset valuation

I draw attention to Note 17 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes that less certainty can be attached to valuations, due to the Coronavirus pandemic, declared by the valuer for property valuations. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

APPENDIX C: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of Scottish Borders Council Community Enhancement Trust and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Community Enhancement Trust for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

APPENDIX D: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of Scottish Borders Council Education Trust and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Education Trust for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

APPENDIX E: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of Scottish Borders Council Ormiston Trust for Institute and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Ormiston Trust for Institute for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Asset valuation

I draw attention to Note 12 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes that less certainty can be attached to valuations, due to the Coronavirus pandemic, declared by the valuer for property valuations. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

APPENDIX F: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of Scottish Borders Council Welfare Trust and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Welfare Trust for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

APPENDIX G: Letter of Representation (ISA 580)

Asif A Haseeb OBE
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Dear Mr Haseeb

Charitable Trusts administered by Scottish Borders Council – Annual Accounts 2019/20

- Scottish Borders Council Charitable Trusts
- Scottish Borders Council Common Good Funds
- Scottish Borders Council Community Enhancement Trust
- Scottish Borders Council Education Trust
- Scottish Borders Council Ormiston Trust for Institute
- Scottish Borders Council Welfare Trust

1. This representation letter is provided about your audit of the Annual Report and Financial Statements of the registered charitable trusts listed above for the year ended 31 March 2020 for the purpose of expressing opinions as to whether the financial statements give a true and fair view and properly present the financial position of each of these registered charitable trusts as at 31 March 2020 and their statements of financial activities for the year then ended.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the trustees of the registered charitable trust where the sole trustees are members of Scottish Borders Council, the following representations given to you in connection with your audit for the year ended 31 March 2020.

General

3. I acknowledge my responsibility and that of Scottish Borders Council (as the administering authority) for the financial statements and have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the Charitable Trusts have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The financial statements have been prepared in accordance FRS 102, the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 9(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.
6. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the registered charitable trusts for the year ended 31 March 2020.

Accounting Policies & Estimates

7. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern Basis of Accounting

8. The Trustees have assessed the ability of the registered charitable trusts to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result. I am not aware of any material uncertainties that may cast significant doubt on the Charitable Trusts' abilities to continue as going concerns.

Assets

9. The investments shown in the balance sheets at 31 March 2020 were owned by the registered charities. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value of classification of the assets within the financial statements.
10. I have satisfied myself that the carrying amount of assets included in the financial statements at 31 March 2020 continues to represent the best available information while recognising the additional uncertainty created by the impact of the Covid-19 pandemic. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified. I have provided you with all information of which I am aware regarding the valuation exercises carried out.

Fraud

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

Laws and Regulations

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

Related Party Transactions

13. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure to comply with the requirements of IAS24.

Corporate Governance

14. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

Events Subsequent to the Date of the Balance Sheet

15. There have been no material events since the date of the balance sheets which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
16. Since the date of the balance sheets no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Yours sincerely

David Robertson
Executive Director Finance and Regulatory

Scottish Borders Council

2019/20 Annual Audit Report



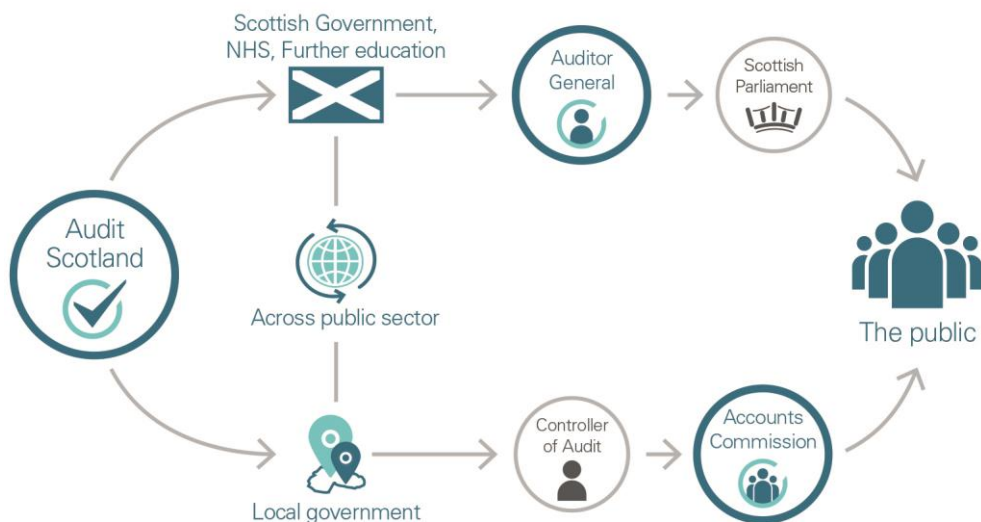
Prepared for the Members of Scottish Borders Council and the Controller of Audit

October 2020

Who we are

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

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



About us

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

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

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

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Key messages

2019/20 annual accounts

- 1** Scottish Borders Council and its group financial statements give a true and fair view and were properly prepared.
- 2** The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.
- 3** The statement of accounts of the six section 106 charities administered by the council are free from material misstatement.

Financial management

- 4** The council has a good track record of delivering services within budget. Financial management is appropriate and effective with a budget process focussed on the council's priorities.
- 5** Systems of internal control operated appropriately and effectively in 2019/20, with scope for improvements in some areas.

Financial sustainability

- 6** The council and its group financial position is sustainable in the short term although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the council's capacity to deliver services at current levels.
- 7** The Covid-19 global pandemic has had an adverse effect on the short-term finances of the council and the impact of this on medium/longer term planning is still to be fully evaluated.

Governance and transparency

- 8** On 26 March 2020 the Council held a virtual meeting to agree temporary decision-making arrangements to minimise social contact. All routine Council and Committee meetings were cancelled and additional powers were delegated to the Chief Executive. From May 2020, Council and Committee meetings restarted and are held on a virtual basis and the additional powers delegated to the Chief Executive were transferred back to Committees on 10 August.
- 9** There are appropriate governance arrangements in place that support the scrutiny of decisions made by the council. The council reacted quickly during the pandemic to ensure the continuity of service delivery.
- 10** The council's management commentary was balanced, well presented and understandable, and consistent with the financial statements.

Best Value

- 11** The council BVAR was published in October 2019 and found that the council had made steady progress since the previous Best Value report. The council has an action plan in place to address the recommendations from the report.
- 12** The Council has appropriate arrangements in place for the collection, monitoring and reporting of performance information.

Introduction

1. This report summarises the findings arising from the 2019/20 audit of Scottish Borders Council (the council) and its group.

2. The scope of the audit was set out in our 2019/20 Annual Audit Plan presented to the 10 February 2020 meeting of the Audit & Scrutiny Committee. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2019/20 have been:

- an audit of the annual accounts of the council and its group including the statement of accounts of the six section 106 charities administered by the council and the issue of independent auditors' reports setting out our opinions
- a review of the council's key financial systems
- audit work covering the council's arrangements for securing best value relating to Fairness and Equality
- consideration of the four audit dimensions

4. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the council has had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. This has had significant implications not least for the services it delivers, sickness absence levels, and the suspension of non-essential projects and activities, such as capital construction. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

Adding value through the audit

5. We add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- taking this together, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

7. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the council's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- Best Value arrangements.

10. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#). and supplementary guidance.

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

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £280,360 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Scottish Borders Council and its group financial statements give a true and fair view and were properly prepared.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

The statement of accounts of the six section 106 charities administered by the council are free from material misstatement.

The annual accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual accounts are unmodified

15. The accounts for the council and its group for the year ended 31 March 2020 were approved by the Council on 5 November 2020. We reported in the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The council identifies uncertainty in property valuations due to Covid-19

16. The "Emphasis of Matter" section in our Independent Auditor's Report refers to the disclosures in note 4 of the financial statements, which identify a material valuation uncertainty in respect of property valuations caused by the Covid-19 pandemic. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw user's attention to matters which are fundamental to the understanding of the financial statements. Further information is contained in [Exhibit 3](#) below. The audit opinion is not modified in respect of this matter.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

17. The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local authority to determine its own revised timetable for the Annual Accounts. The council chose not to use the powers in the 2020 Act to postpone the publication of the unaudited accounts which were submitted to us for audit on 30 June 2020 in line with the normal timetable.

18. The working papers provided with the unaudited accounts were of a good standard and finance staff provided support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly. Due to social distancing requirements, and applying modern technology, the audit was conducted remotely.

Our audit opinions on Section 106 charities were unmodified

19. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Scottish Borders Council are sole trustees, irrespective of the size of the charity.

20. The council has six section 106 charities which have been separately audited. The council has been working on reorganising the trusts administered by the council, with a number of restricted funds transferring to the Scottish Borders Council Welfare Trust and Scottish Borders Council Community Enhancement Trust from the Scottish Borders Council Charitable Trusts on 1 April 2018. A further report on the remaining funds is due to be submitted to the Council during 2020/21.

21. We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in the independent auditor's reports that:

- the financial statements give true and fair views of the section 106 charities' financial positions and are properly prepared in accordance with charities legislation
- the trustees' annual reports are consistent with the financial statements and prepared in accordance with proper accounting practices
- the Independent Auditor's Reports for the Common Good Funds and Ormiston Trust for Institute included "emphasis of matter" paragraphs due to uncertainty in asset valuations, which is similar to the council as outlined in paragraph 16. The audit opinions were not modified in respect of this matter.

Objections

22. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations and there were no objections to the 2019/20 accounts.

Whole of Government Accounts

23. In accordance with the WGA guidance, the council submitted a consolidation pack for the whole of government accounts audit in line with the timetable set by the Scottish Government. We intend to complete the required assurance statement and submit it to the National Audit Office (NAO) by the 4 December 2020 deadline.

Consideration of materiality

24. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

25. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

26. On receipt of the unaudited annual report and accounts we reviewed our materiality and revised the figures as set out in [Exhibit 2](#) below. The method used to calculate materiality is consistent with the planned approach.

Exhibit 2

Materiality values

Materiality level	Planning Amounts (based on 2018/19 accounts)	Revised Amounts (based on 2019/20 accounts)
Overall materiality	£3.70 million	£3.87 million
Performance materiality	£1.85 million	£1.93 million
Reporting threshold	£75,000	£75,000

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

27. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

Significant findings from the audit in accordance with ISA 260

28. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. These are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Property valuations and Covid-19 uncertainty</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £558 million. The council has a five-year rolling valuation programme as detailed in Note 12. The asset valuer has not included a material uncertainty disclosure within the valuation report, however their valuation report only covers some specific asset categories, in accordance with the rolling programme and was conducted on 1 April 2019. We believe that, due to the impact of Covid-19 from mid-March 2020, there is a wider material uncertainty within the property valuation provided.</p>	<p>Property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations. Management agreed that the extent and timing of the rolling programme of valuation work contributed to the view that less certainty can be attached to the valuation than would otherwise be the case.</p> <p>The accounts were amended to disclose this increased uncertainty at Note 4 of the financial statements, and we have included an 'emphasis of matter' paragraph in our independent auditor's report to draw attention to the matter. The audit opinion was not modified in respect of this matter.</p>
<p>2. Pension valuations – McCloud liability revision</p> <p>In January 2017 an employment tribunal ruled that a group of claimant judges had been subject</p>	<p>The accounts have not been adjusted to reflect the council's revised liability as management concluded this was not material. The estimated difference between the prior year liability estimate and the</p>

Issue	Resolution
<p>to age discrimination when they were transferred to a new career average scheme, known widely as the McCloud case.</p> <p>On 16 July 2020, the UK Government released a consultation document on the remedy to the issues. This identified a proposed treatment for pension members affected.</p> <p>Following this Hymans Robertson (the council's actuary) contacted the council to advise them that the proposed remedy indicated that the estimated liability included in the IAS19 report for 2019/20 should be reduced as the remedy applied to fewer members than the actuary's previous estimate.</p>	<p>revised liability was a reduction of £3.8 million. We agreed with this assessment.</p> <p>We have not included this as an unadjusted error as it is an area of significant estimation and judgement.</p>

Source: Audit Scotland

Identified misstatements

29. There were no material adjustments to the unaudited financial statements arising from our audit. All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements.

Adequate progress was made on prior year recommendations

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

Part 2

Financial management



Main judgements

The council has a good track record of delivering services within its budget. Financial management is appropriate and effective with a budget process focussed on the council's priorities.

Systems of internal control operated appropriately and effectively in 2019/20 with scope for improvements in some areas.

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

Financial performance in 2019/20

31. The council approved its 2019/20 budget in February 2019. The budget was set at £283.8 million with required savings of £8.5 million.

32. The council has a good track record in delivering services within budget over the last few years. The actual outturn for the year was expenditure of £264.8 million, which was an underspend of £1.5 million against the revised budget of £265.3 million for the year.

33. While the council's spending has remained in line with its overall budget, there are significant variations in how different services have performed. The more significant under and overspends are summarised in [Exhibit 4](#).

Exhibit 4

Summary of significant under / overspends against budget

Area	£m	Reason for variance
Underspends		
Children & Young People	£0.7	Discretionary spend reductions as well as the impact of closures as a result of Covid-19
Finance, IT & Procurement	£0.5	Reduced borrowing and favourable interest rates
Overspends		
Health and Social Care	£0.8	Higher than anticipated costs in relation to care provision for Older People

Reserves

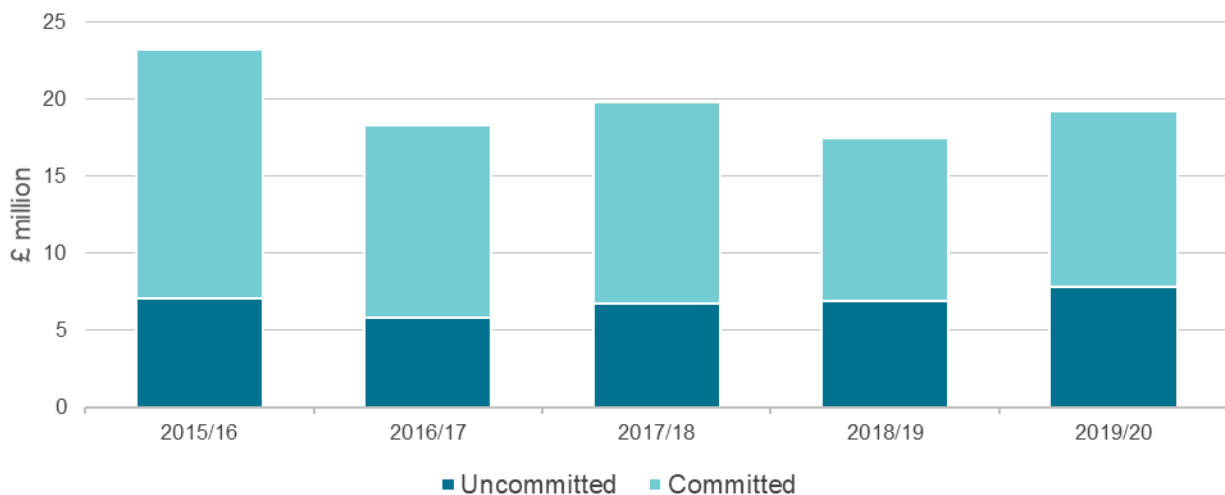
34. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the council increased from £28.0 million in 2018/19 to £30.1 million in 2019/20 as illustrated in Exhibit 5.

35. The general fund is the largest reserve and is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows.

36. The council reviews the level of its uncommitted reserves when setting the budget each year. The review is based upon an assessment of corporate risks, with each risk being assigned a likely financial amount as well as a likelihood of the risk occurring. As part of the budget setting process for 2020/21 the Corporate Financial Risk Register was considered by the council in February 2020. At this time the financial risk was assessed as being £12.3 million. The unallocated general fund balance of £6.3 million is sufficient to cover 52% of these risks at that time, which is similar to the prior year position which covered 54% of the assessed risks at that time.

37. We consider the council's approach to reserves to be good practice and are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level.

Exhibit 5 Analysis of general fund balance



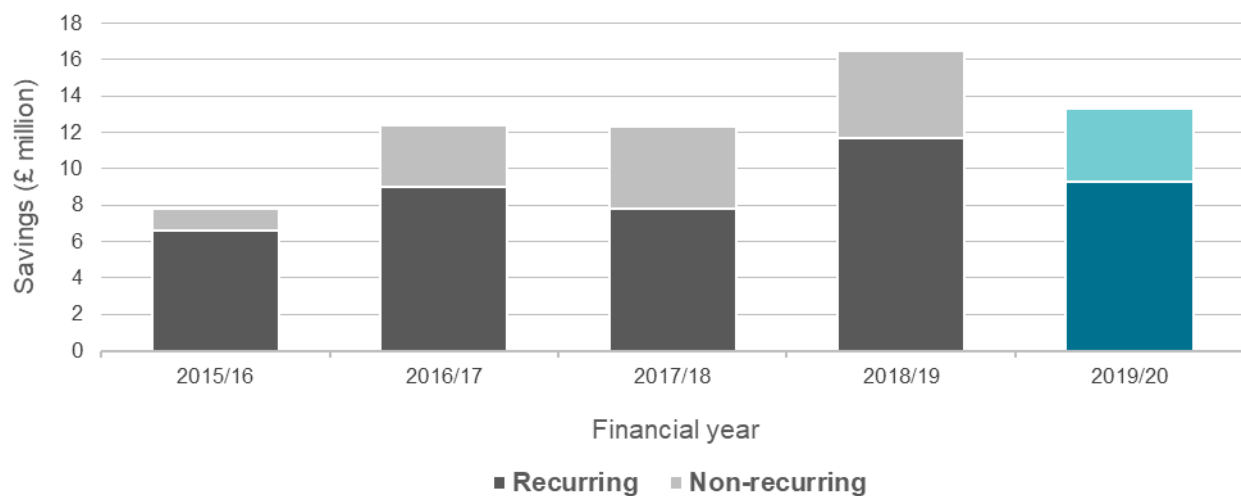
Source: Scottish Borders Council annual accounts

Planned savings were achieved

38. With reduced funding from government and increased demand for services, efficiency savings are an important means of bridging the gap between funding received and spending commitments. The Executive Committee at the council receives quarterly updates on savings during the year which provides an effective means of scrutinising the achievement of planned savings.

39. The council has responded well to the challenges it has faced and has a good track record of delivering savings each year. Savings of £13.3 million were reported as delivered during 2019/20. This was less than the total achieved in the previous year (£16.4 million) but is in line with the level of savings achieved by the council in recent years. As illustrated in [Exhibit 6](#), the council has continued to achieve a proportion of in-year savings on a non-recurring (temporary) basis, with £4.0 million (30%) achieved on a non-recurring basis in 2019/20, which is a similar in percentage terms compared to the prior year. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

Exhibit 6 Savings – recurring and non-recurring



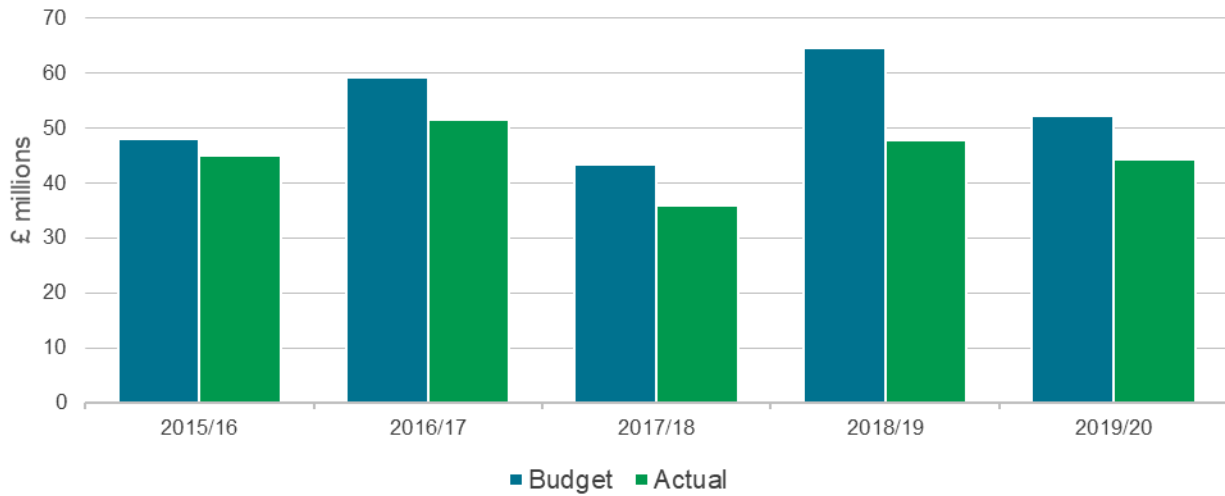
Source: Scottish Borders Council annual accounts

The council delivered the capital programme in 2019/20

40. The Council agrees a 10 year capital plan each year as part of its budget process. Total capital expenditure in 2019/20 was £44.3 million, with the main areas of expenditure being: Hawick Flood Protection Scheme; expenditure on roads and bridges; Jedburgh Learning Campus; and Digital Learning Transformation. The total capital spend was £7.8 million below the revised budget for the year of £52.1 million, mostly due to movements between years as a result of timing. The council has a history of small slippage in its capital programme as outlined in [Exhibit 7](#).

Exhibit 7

Capital slippage compared to budget



Source: Scottish Borders Council capital outturn reports

41. The most significant areas of slippage related to the Borders town centre regeneration block (£1.3 million timing movement due to extension of grant period) and School estate block (£1.6 million timing movement to 2020/21).

Peebles High School

42. In November 2019 there was a significant fire at Peebles High School. This led to the school being closed to pupils until February 2020. The council acted quickly in response to this incident and arranged for pupils to be taught from a range of other sites until the school was able to be partially reopened in February. The council is currently pursuing an insurance claim for the losses incurred.

Borrowing levels

43. The council's outstanding loans at 31st March 2020 were £207.0 million, an increase of £7.9 million on the previous year. Additional long-term borrowing of £7.5 million was taken out during the year.

44. Total external debt, which includes the council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy. The current borrowing position complies with the Prudential Code, and the council will continue to consider the affordability of future borrowing.

Internal audit

45. We reviewed the council's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit. Our assessment confirmed that the Council's Internal Audit service perform in accordance with Public Sector Internal Audit Standards (PSIAS). We have used the work of internal audit on Business World and Member Allowances for our 2019/20 financial statements audit. We also considered Internal Audit's work as part of our wider dimensions audit responsibilities.

Systems of internal control operated effectively

46. As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial

statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

47. We carried out controls testing work during February and March 2020, including using internal audit's work on the council's ledger, Business World. We concluded that overall the key controls were operating effectively. No significant internal control weaknesses were identified which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

48. There are some areas where improvements could be made, which have already been reported to management as part of internal audit's report. These included improving processes for reviewing retrospective orders and purchase orders, along with improvements for processing employee expenses. Difficulties also remain with determining what permissions are associated with individual roles in Business World, meaning it is still not clear whether role permissions appropriately enforce separation of duties. These issues with roles are well understood. The findings of the controls work were considered when planning our substantive testing at the year end to ensure that sufficient assurances were obtained from our testing. We did not identify any issues from our testing.

49. Since the start of the Covid-19 pandemic, councils have been responsible for administering payments to businesses for business grants and self-employed hardship fund payments. These payments were made after 31 March 2020 so were not covered by audit work as part of the 2019/20 audit.

50. Council staff are working under pressure because of the scale and pace of change created by the pandemic and the need to respond rapidly to unfolding events. This may mean that some internal controls are suspended or relaxed. For example, the segregation of duties between colleagues for completing tasks and subsequent checks may not be possible due to unforeseen capacity issues or the lack of availability of more senior or experienced staff. Staff transfer between departments, for example, to new areas such as those responsible for distributing funding to support people and businesses most affected by Covid-19, may also leave some areas under-staffed. The pandemic has therefore increased the risk of frauds at public bodies, and the council will need to ensure that appropriate controls remain in place to address these risks. Management have advised that they are not aware of any suspension of internal controls.

Education Maintenance Allowance grant claim

51. As part of our audit we certify the council's Education Maintenance Allowance (EMA) claim each year. For each of the last three years we have noted the council attendance records for pupils were not being adequately updated by schools and did not always match payment details during the year. We received assurances from management that this was a housekeeping issue and we are satisfied that this does not impact on the payments claimed for the year. However the council should ensure that arrangements are put in place to confirm records are being correctly updated.



Recommendation 1

The council should ensure that arrangements are put in place to confirm records are being correctly updated.

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

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

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

54. We concluded that the council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

National Fraud Initiative

55. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Audit Scotland coordinate NFI in Scotland. Computerised techniques are used to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

56. The results of counter fraud work at the council are reported to the Audit and Scrutiny Committee as part of the annual Counter Fraud Report. The 2019/20 Counter Fraud Annual Report was presented to the committee in June 2020. This reported that a total of £347k of savings had been identified through errors or fraud identified by the NFI work during the year. The majority of this (70% of the total) related to council tax and was primarily due to Customer Services taking a canvas of Council Tax Discounts in February 2019 and checking to determine whether these discounts were claimed legitimately.

57. We concluded that the council has appropriate counter-fraud arrangements in place and is adequately following up NFI matches. However, we did find that the work was not always completed promptly following the release of matches information due to resources available and prioritisation of other work.

Part 3

Financial sustainability



Main judgements

The council and its group financial position is sustainable in the short term although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the council's capacity to deliver services at the current levels.

The Covid-19 global pandemic has had an adverse effect on the short-term finances of the council and the impact of this in medium/longer term planning is still to be fully evaluated.

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

Medium term financial plans are in place but will need to be updated in response to Covid-19

58. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the council's strategies and which reflect the impact of future pressures on the council. The council has a financial strategy covering five years, which is in line with good practice, and which is reviewed as part of the annual budget setting process.

59. The council approved its 2020/21 budget in February 2020. The budget was set at £295.8 million. The council is facing several challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing costs of services and reductions in local government funding.

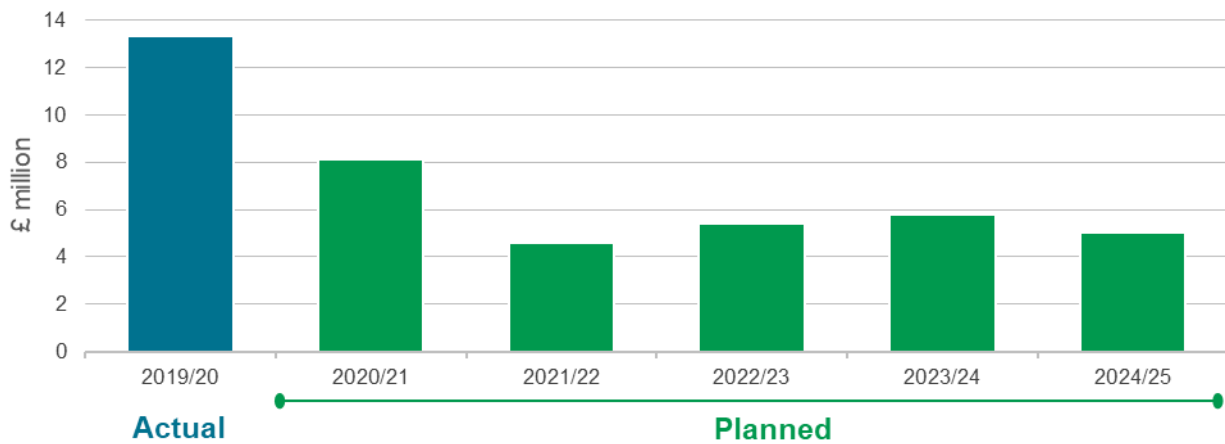
60. In response to the Covid-19 pandemic the council has reassessed the 2020/21 budget. An in-year budget exercise to review both revenue and capital budgets was carried out by the Corporate Management Team (CMT) and recommendations to revise the budgets submitted to the council for approval in August 2020. This review identified additional pressures of £20.4 million relating to Covid-19 along with additional available funding of £19.1 million, leaving a funding gap of £1.4 million.

61. The council's 2020/21 capital plan was also amended as part of this review. The national "lockdown" of the construction industry resulted in delays to planned work. The overall impact on the capital plan was that planned expenditure in 2020/21 reduced by £26.9 million from £97.0 million to £70.1 million due to work being moved to future years.

62. As outlined in paragraph 39, the council achieved its efficiency savings target in 2019/20. The council identified that it needed to make savings of £8.0 million in 2020/21 as part of the 2020/21 budget process. Looking at the budget information for 2021/22 to 2024/25, it was forecasting a funding gap of £20.8 million over the period, as set out in [Exhibit 8](#). The impact of Covid-19 means that the council will need to review its medium and longer term plans, including the associated savings requirements.

Exhibit 8

Savings 2019/20 – 2024/25



Source: Scottish Borders Council Financial Plan 2020/21 – 2024/25

63. We concluded that the council has effective budget planning and monitoring arrangements in place and has responded well to the Covid-19 pandemic by reassessing its budgets. However this on-going impact will need to continue to be monitored closely by the council.



Recommendation 2

The council should review its medium term financial plan following the Covid-19 pandemic to reflect its impact on the council's finances going forward, including scenario planning of key financial assumptions.

Fit for 2024

64. Recognising a need to increase its pace of change and be more innovative, the council replaced the Corporate Transformation Programme in February 2019 with its challenging 'Fit for 2024' transformation programme.

65. Fit for 2024 emphasises the importance of a cross-cutting approach and of the programme being driven corporately. Its seven main aspects are:

- a whole-council service review and redesign programme
- enhancing community engagement, participation and empowerment
- making best use of physical assets, assisted by a corporate landlord model
- investing in well-planned and designed digital solutions
- developing the workforce's skills, flexibility and working patterns
- optimising partnership resources
- making process and productivity improvements.

66. Progress with the Fit for 2024 programme was reported quarterly to the council's Executive committee during the year in order to allow members to scrutinise progress with transformation programmes. Due to the Covid-19 pandemic, regular updates were not possible since March 2020 as committee meetings were cancelled. However, updates on progress with Fit for 2024 have been included in the corporate performance report which was taken to the Executive committee in September 2020. This report highlights progress that the council has managed to make as part of the programme, including: the Inspire Learning project which involved providing over 7,000 iPads to school pupils and staff; a review of social work which identified a range of change projects; and launching a community car club.

67. The implementation of the Inspire Learning programme has been accelerated by the council in response to the Covid-19 pandemic which required pupils to access learning materials from home. The initial phase of the programme was completed ahead of schedule in March 2020, providing a valuable tool for remote learning in response to the education challenges of the Covid-19 lockdown. Management advised that during the lockdown, the Inspire Learning team worked together with staff from other areas of the council to package and home deliver iPads to 540 primary school teachers and 3,614 primary pupils in readiness for the start of the new school term.

68. The Fit for 2024 programme has made a good start, but the Covid-19 pandemic has further increased the need for transformational change and the council will need to ensure frequent updates on progress are provided.

Part 4

Governance and transparency



Main Judgements

On 26 March 2020 the Council held a virtual meeting to agree temporary decision-making arrangements to minimise social contact. All routine Council and Committee meetings were cancelled and additional powers were delegated to the Chief Executive. From May 2020, Council Committee meetings restarted and meetings are held on a virtual basis and the additional powers delegated to the Chief Executive were transferred back to committees on 10 August.

There are appropriate governance arrangements in place that support the scrutiny of decisions made by the council. The council reacted quickly during the pandemic to ensure the continuity of service delivery.

The council's management commentary was balanced, well presented and understandable, and consistent with the financial statements.

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

Governance and transparency arrangements were appropriate

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

- confirming that the governance framework and governance arrangements, including decision-making and scrutiny, are regularly reviewed and updated to ensure they remain effective
- assessing the effectiveness of decision-making to ensure it is balanced by effective scrutiny and challenge by those independent of the body
- confirming that there is effective scrutiny and challenge in place over policy decisions, service performance, and programme management
- confirming that decision makers have the information they need to scrutinise, challenge and make transparent decisions
- ensuring that it is clear what decisions have been made, who made them and the rationale supporting those decisions.

70. The council's Audit and Scrutiny Committee includes space for up to three external members for considering audit related matters. This allows for external expertise to be considered when carrying out the committee's remit of assessing arrangements and monitoring systems of internal control. We consider this to be an example of good practice.

71. We concluded that the council's arrangements are appropriate in that they support good governance and accountability.

The Covid-19 pandemic had a significant impact on governance arrangements from March 2020

72. The impact of Covid-19 has been set out in the Annual Governance Statement in the annual accounts. We note that the following changes were made in response to the outbreak.

73. On 26 March 2020 the Council held a virtual meeting to agree temporary decision-making arrangements to minimise social contact during the pandemic. It was agreed all formal Council and Committee meetings be cancelled unless required for statutory reasons and additional powers delegated to the Chief Executive in consultation with Officers and Members. From May 2020, some Council committee meetings restarted and meetings were held on a virtual basis. Copies of reports and decisions made under the delegated responsibilities were made available on the council's committee papers website. The additional powers delegated to the Chief Executive were transferred back to committees on 10 August.

74. During the pandemic, the council reacted quickly to ensure the continuity of service delivery and that payments were made in a timely manner. Business continuity plans were implemented with staff mainly working at home with full access to systems and files.

75. The arrangements detailed above are appropriate and support good governance and accountability.

Chief Executive

76. After leading the council for nine years, in August 2020 it was announced that the council's Chief Executive would be retiring at the end of September 2020. The council has approved interim arrangements for the Executive Director (Corporate Improvement & Economy) and Executive Director (Finance & Regulatory) to undertake the responsibilities of Chief Executive during the period until a new appointment is made. The Executive Director (Corporate Improvement & Economy) will be responsible for service and operational delivery, Covid-19 response and recovery, and emergency planning. The Executive Director (Finance and Regulatory) will be responsible for corporate and Council business.

77. These arrangements are appropriate and should ensure appropriate governance arrangements are in place until a new appointment has been made.

Openness and transparency

78. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. There are increasing public expectations for more openness and transparency as citizens want to understand how public money is used and, to support their participation in local service design and delivery.

79. A transparent organisation shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets.

80. There is evidence from several sources which demonstrate the council's commitment to transparency. Members of the public can attend meetings of the full council, executive and other committees. Minutes of these committee meetings and supporting papers are readily available on the council's website. The council and committees sometimes consider business in private where there is a need to consider commercially sensitive information. The need to consider business in private should be subject to regular review.

81. The council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys, and how to make a complaint.

82. Overall, we concluded that the council conducts its business in an open and transparent manner.

Transparent reporting of financial performance

83. The management commentary that accompanies the financial statements should explain in simple terms and, provide clarity to readers in order to help them understand how the council has performed against its budget and how this is reconciled to the financial statements.

84. The management commentary describes the council's highlights of 2019/20 as well as setting out political structure, and the council's financial strategy followed by a summary of outturn against budget (for both revenue and capital). The management commentary also includes a brief summary of the group component's financial performance.

85. Overall, we concluded that the council's management commentary was balanced, well presented and understandable, and consistent with the financial statements.

Good practice points

86. The council's Audit and Scrutiny Committee has two external non-voting members for when the committee is considering audit matters. This allows for external expertise to be considered when carrying out the committee's remit of assessing arrangements and monitoring systems of internal control.

Part 5

Best Value



Main judgements

The council BVAR was published in October 2019 and found that the council had made steady progress since the previous Best Value report. The council has an action plan in place to address the recommendations from the report.

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

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

Best Value Assurance Report

87. Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council is considered by the Accounts Commission at least once in this period. The BVAR report for the council was published in October 2019 and found that the council had made steady progress since the previous Best Value report.

88. The recommendations of the BVAR were:

- Embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking
- Seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Scottish Borders Health and Social Care Integration Joint Board
- Improve how the Scottish Borders community planning partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment (Scotland) Act 2015
- Establish a structured programme of ongoing staff consultation and engagement
- Update its people plan for 2017–21 and ensure longer-term workforce plans are reflected in service and financial plans
- Support members' continuing professional development by tailoring training to meet their individual needs, and use technology to make training more accessible
- Ensure performance reports to members and the public are more comprehensive and balanced, and that they cover service performance and delivery of the Fit for 2024 programme.

89. At its meeting in December 2019 the council agreed the recommendations within the BVAR and an action plan to address the recommendations. It also agreed that progress with the implementation of the action plan be reported to the council along with the Fit for 2024 updates, and that regular monitoring of the implementation of the plan be undertaken by the Audit and Scrutiny Committee.

90. An update on the Best Value action plan was scheduled to be taken to the Audit and Scrutiny Committee in June 2020. However, this update was delayed due to the Covid-19 pandemic and an update was taken to the September Audit and Scrutiny Committee meeting instead. The update highlighted that the council has made good progress with many of the agreed actions, however some actions have not been completed in line with agreed timescales, partly due to the pandemic. It is planned for updates with the actions to be reviewed on a quarterly basis going forward. We will continue to monitor the council's progress against the improvement actions over the rest of the audit appointment.



Recommendation 3

The council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.

91. The best value audit work carried out this year focussed on the council's arrangements for demonstrating best value in fairness and equality. The findings of this work are reported below. The effectiveness of the council's best value arrangements in other areas will be assessed and reported throughout the remainder of our audit appointment.

Fairness and Equality

92. As outlined in our Annual Audit Plan we undertook Best Value work on equality arrangements in our 2019/20 audit work programme. In line with the Equality Act 2010, the Council has developed an approach to mainstreaming equality, as outlined in the council's Equality Mainstreaming Report and Equality Outcomes Progress Report 2017 – 2019. The report shows progress has been made against the eight Equality Outcomes. Some highlights noted in the report include:

- A new customer strategy for 2018 – 2023 was agreed by the council. The strategy aims to put customers at the heart of decision-making, service design, and service delivery. Several high-level actions have been identified as part of the customer strategy.
- The council now has a corporate system in place for all consultations and surveys. The system is called Citizen Space and provides information on current and previous consultations, including how to respond and results from previous consultations.
- The council's Strategic Housing Investment Plan (SHIP) sets out the key strategic housing investment priorities for affordable housing over a five-year period. The SHIP 2019-24 sets out proposals for up to 1,047 new affordable homes in the Scottish Borders, with a total investment in in the region of £162 million for 2019-24.

93. The council agreed in May 2019 to enter negotiations with contractors in order to achieve Scottish Living Wage Foundation accreditation as a Living Wage employer. The council already paid its own staff the Living Wage but had identified that not all contractors paid it, which was a requirement of achieving accreditation. Following this the council achieved accreditation in November 2019.

94. There is a dedicated section on the council's website for equality and diversity which includes such information as equality reports, Fairer Scotland Duty requirements and details of the council's British Sign Language Plan. However, this is contained within a sub-section of the main page and is not easy to find.

95. The council's community engagement strategy toolkit is out of date - covering the period 2015-18. The strategy does set out, however, that equality and diversity is an integral part of council services and is recognised as a cross cutting theme across all areas of work. It also recognises the importance of engaging with hard to reach groups - including where there might be 'language barriers, cultural barriers or even a small and dispersed population which make a group hard to engage with'. The toolkit should be updated to ensure it is still relevant.

96. Overall, we concluded that the council is making progress with improving fairness and equality and has a high-level action plan in place for improving the identified outcomes.

Performance management arrangements are adequate but have room for improvement

97. The council's performance management arrangements were considered in our BVAR issued in October 2019. We identified that the council has an established performance management framework that managers and councillors clearly understand. Performance was noted as good or improving in the key service areas of education and social work and the council's performance was maintained or improved on 68 per cent of national indicators relevant to its priorities and services between 2013/14 and 2017/18. However, the report found that the council needs to embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.

98. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

99. Additionally, the council's Executive Committee receives quarterly performance reports throughout the year and an annual performance report. These reports monitor progress against the council's key priorities as set out in its Corporate Plan. The performance reports are also made available to the public through the performance section of the council's website.

Statutory performance indicators (SPIs) are being met

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

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

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

102. Overall, we concluded that the council's arrangements for publication of performance information are satisfactory. The council publishes an annual performance summary report which meets the requirements listed in the paragraph

above. The publication of the council's 2019/20 annual performance summary was delayed because of the Covid-19 pandemic but has now been considered by the council's Executive Committee.

National performance audit reports

103. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 4](#).

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

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Education Maintenance Allowance (EMA) payments</p> <p>For each of the last three years we have noted the council attendance records for pupils were not being adequately updated by schools and did not always match payment details during the year. We received assurances from management that this was a housekeeping issue and we are satisfied that this does not impact on the payments claimed for the year.</p>	<p>The council should ensure that arrangements are put in place to confirm records are being correctly updated.</p> <p>Paragraph 51</p>	<p>Significant improvements have been made to the EMA process over the last 3 years. The service have engaged Internal Audit to carry out a review during 2020/21 to ensure processes are as robust as possible</p> <p>Responsible officer</p> <p>Service Director Customer and Communities</p> <p>Agreed date</p> <p>March 2021</p>
2	<p>Medium term financial plan</p> <p>The council's medium term financial plan was developed before the Covid-19 pandemic occurred in March 2020.</p> <p>There is a risk that assumptions made in the board's financial plan are out of date and don't take into account the financial impact of Covid-19.</p>	<p>The council should review its medium term financial plan following the Covid-19 pandemic to reflect its impact on the council's finances going forward, including scenario planning of key financial assumptions.</p> <p>Paragraph 63</p>	<p>Agreed. The Council is committed to developing medium term planning and has recognised the importance of scenario planning during these uncertain times. Scenario planning of key financial planning assumptions will be a feature of the 2021/22 budget process.</p> <p>Responsible officer</p> <p>Financial Services Manager</p> <p>Agreed date</p> <p>February 2021</p>
3	<p>Best Value Action Plan</p> <p>The council agreed an action plan in December 2019 in response to the Best Value Assurance Report (BVAR) published in October 2019. Updates on progress with the action plan were delayed due to the cancellation of committees. The updated provided in September 2020 reported that many of the actions were behind schedule.</p>	<p>The council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.</p> <p>Paragraph 90</p>	<p>A Best Value Implementation Plan has been agreed by Council which identified 40 actions to address the 7 audit recommendation. An update on progress was made to Elected Members in September 2020 with work ongoing to deliver all remaining actions as part of the Council's Corporate Improvement agenda.</p> <p>Responsible officer</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	There is a risk that required improvement actions are not being addressed.		Executive Director Finance and Regulatory Agreed date March 2021

Follow up of prior year recommendations

4	<p>Payroll Creditors</p> <p>The creditors figure in the balance sheet included several large debit balances relating to payroll amounts. These account balances had not been reconciled during the year and it was not clear from the supporting workings what these figures related to or that they were correctly classified as creditors. Council officers carried out a significant amount of work in order to confirm the correct position at the year end.</p> <p>We reported a similar issue in the 2017/18 annual audit report and were told that it was a temporary issue which would be corrected.</p>	The council should carry out timely review of the creditors ledger and reconcile payroll amounts during the year.	<p>In progress</p> <p>Progress has been made and reconciliations provided at the year end. However there were still some debit balances within payroll creditors at the year end which remain to be addressed.</p> <p>The remaining transactions required to fully reconcile these codes will be undertaken. A new monthly reconciliation process has been in place during 2020/21.</p> <p>Responsible officer HRSS Manager</p> <p>Revised date January 2021</p>
5	<p>Following the Public Pound</p> <p>The council's Following the Public Pound guidance has not been refreshed since 2006.</p> <p>There is a risk that the existing guidance is no longer relevant and the council is not ensuring it is delivering value for money.</p>	The council should review the guidance to ensure that it is still appropriate and available to relevant staff.	<p>Outstanding</p> <p>A meeting has been convened to review this guidance and finalise an updated version.</p> <p>Responsible officer Executive Director Finance and Regulatory</p> <p>Revised date November 2021</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

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

<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of 'review of the work of an expert' for the professional valuer and actuary.</p> <p>Focused substantive testing of key areas.</p>	<p>Our work on the review of the professional valuer confirmed that we could rely on the asset valuation information being provided. As part of the 2019/20 work we also considered whether the impact of Covid-19 on asset values had been appropriately assessed by the valuer.</p> <p>We confirmed that pension valuations provided by the actuary are correctly reflected in the 2019/20 financial statements. See Exhibit 3</p> <p>Our conclusion is that the estimates and judgements used are appropriate.</p>
<p>5 SB Cares</p> <p>The council took the decision in September 2019 to bring its subsidiary, SB Cares, back inhouse from December 2019. This involves the council taking direct responsibility for the services provided by SB Cares and includes almost 600 SB Cares staff being transferred back to the council. SB Cares has been included in the council's group accounts as a subsidiary in previous years.</p> <p>There is a risk that the transfer is not correctly accounted for in the group or single-entity financial statements.</p>	<p>Review arrangements for the transfer of all balances.</p> <p>Review arrangements for completeness of liabilities at point of change and at year end.</p>	<p>Our work on the council's group accounts confirmed that the SB Cares transfer had been correctly accounted for.</p> <p>We used the work of internal audit to confirm that balances had been transferred correctly to the council financial statements.</p> <p>Our conclusion is that the transfer was correctly accounted for in the financial statements.</p>

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

<p>6 Management team changes</p> <p>One of the council's two Executive Directors retired at the end of December 2019 and the Service Director – Regulatory Services retired at the end of January 2020. The responsibilities of these officers are being shared amongst other members of the council's Corporate Management Team (CMT).</p> <p>There is a risk that the capacity of the CMT is stretched and that this impacts on the effective delivery of services.</p>	<p>Review adequacy of governance arrangements during the year.</p> <p>Comment in the Annual Audit Report.</p>	<p>Our ongoing reviews of council meetings and decisions did not identify any issues with the decision-making arrangements during the year.</p> <p>However as noted in paragraph 76 the Chief Executive has subsequently announced their retirement at the end of September 2020 which could potentially result in further changes to the management team.</p>
<p>7 Transformation programme</p> <p>The council has an ambitious transformation programme, 'Fit for 2024', which began in 2019.</p>	<p>Monitor updates provided during the year.</p>	<p>See comments at paragraph 64</p>

The aim of the programme is to improve how the council is managed as well as achieving savings of £30m over the five year period. This programme was also commented on in our Best Value Assurance Report.

There is a risk that the council is unable to achieve the required improvements and savings and that this impacts on the delivery of council services.

Comment in Annual Audit Report.

BVAR follow up work

Appendix 3

Summary of national performance reports 2019/20



		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

Scottish Borders Council

2019/20 Annual Audit Report

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SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2019/20

**Report by Executive Director, Finance & Regulatory
AUDIT & SCRUTINY COMMITTEE**

22 OCTOBER 2020

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2019/20.**
- 1.2 The audit appointment of Audit Scotland for Scottish Borders Council accounts includes the requirement to provide an auditor's report for the Council as well as related charities. KPMG has continued to provide the external audit of the Council subsidiary Bridge Homes.
- 1.3 2019/20 represents the fourth year of Audit Scotland undertaking the External Audit of the Council's Annual Accounts with the process now completed. Audit Scotland has prepared the Annual Audit Report as attached on this agenda and has provided an unqualified independent audit opinion.
- 1.4 The Annual Audit Report summarises Audit Scotland's conclusions, including:
 - An unqualified audit opinion
 - Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, governance and transparency and best value.
- 1.5 Audit Scotland identified three recommendations for improvement requiring action and these have been accepted by management and will be enacted within the agreed timescales.
- 1.6 As required under the Local Authority Accounts (Scotland) Regulations 2014, the audited Annual Accounts for Scottish Borders Council, SBC Common Good Funds, the SBC Charitable Trusts, Bridge Homes LLP and Lowood Tweedbank Ltd are being presented to the Audit and Scrutiny Committee prior to signature.
- 1.7 KPMG has concluded their audit of Bridge Homes LLP, subject to approval of their mandatory going concern consultation which is required on all UK audits as a result of Covid-19. They have raised no issues or matters to report.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit & Scrutiny Committee recommend the following accounts for officer signature and Council approval:**
- (a) the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2020;**
 - (b) the Scottish Borders Council Common Good Funds' (Charity SC031538) audited Annual Accounts for the year to 31 March 2020;**
 - (c) the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2020;**
 - (d) the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2020;**
 - (e) the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2020;**
 - (f) the SBC Ormiston Trust for Institute (Charity SC019162) audited Annual Accounts for the year to 31 March 2020;**
 - (g) the Scottish Borders Council Charitable Trusts (Charity SC043896) audited Annual Accounts for the year to 31 March 2020;**
 - (h) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2020; and**
 - (i) Lowood Tweedbank Ltd Annual Accounts for the year to 31 March 2020; and**

3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2019/20 were submitted to Audit Scotland and KPMG, the External Auditors, before the statutory deadline of 30 June 2020, following presentation of the draft accounts to the Audit and Scrutiny Committee at the 23rd June 2020 meeting. The detailed audit work began in July 2020 and was completed by early October 2020.
- 3.2 As part of the statutory requirements the Council is required to advise the public of their right to inspect and object to the various sets of accounts and their supporting papers and make the documents available for inspection. This process was undertaken following the timetable contained in the 2014 Regulations and the inspection period commenced on 1 July 2020. There were no objections to the accounts.
- 3.3 The Coronavirus (Scotland) Act 2020 set out provisions for the functions of public bodies in light of the impact of COVID-19, including making temporary amendments to legislation. Part 3 of the Act, covering statutory duties that require a public authority (including a local authority) to publish a report in connection with the exercise of its functions by a particular date, allowed Councils to delay publication of the audited accounts past 31 October until reasonably practicable provided statements were published to that effect. As a result this report is being presented to the Audit and Scrutiny Committee at this meeting and is subsequently being presented to the full Council meeting on the 5th November 2020. The timing of the publication of the audited accounts has been notified on the Council's website.
- 3.4 Following approval, the 2014 Regulations have the following requirements as set out in Part 3 Section 10 (3):
- Immediately **following the approval of the Annual Accounts** for signature, the statements which form part of those accounts are to be signed and dated as follows—*
- (a) *the management commentary by the Section 95 Officer, the Chief Executive and the Leader of the Council;*
 - (b) *the statement of responsibilities by the Leader of the Council and the Section 95 Officer, who must also certify the matters referred to in paragraphs (5) and (6) respectively;*
 - (c) *the annual governance statement by the Chief Executive and the Leader of the Council;*
 - (d) *the remuneration report by the Chief Executive and the Leader of the Council; and*
 - (e) *the balance sheets by the Section 95 Officer, to authorise publication of the financial statements.*
- 3.5 These requirements apply to the Annual Accounts of the Local Authority and not to the charity or limited liability partnership accounts, although these have similar signatory requirements. The Section 95 Officer for Scottish Borders Council is the Executive Director, Finance & Regulatory.
- 3.6 This report presents audited copies of:
- **Scottish Borders Council** Annual Accounts for year ending 31 March 2020;
 - **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2020;
 - **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2020;

- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2020;
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2020;
- **SBC Ormiston Trust for Institute** (Charity SC019162) Annual Accounts for the year to 31 March 2020;
- **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2020;
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2020;
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2020; and

3.7 The Coronavirus (Scotland) Act 2020 allows Councils to delay publication of the audited accounts past 31 October 2020 until reasonably practicable provided statements are published to that effect. The Council website published a notification that the Scottish Borders Council audited accounts will be published on 5th November 2020 following the Council meeting to approve the accounts. In addition those relating to registered charities are required to be submitted to the Office of the Scottish Charity Regulator (OSCR).

4 EXTERNAL AUDITOR'S ANNUAL REPORT 2019/20

- 4.1 Audit Scotland has completed their audits and have provided an unqualified independent audit opinion.
- 4.2 KPMG has concluded their audit of Bridge Homes LLP, subject to approval of their mandatory going concern consultation which is required on all UK audits as a result of Covid-19. They have raised no issues or matters to report.
- 4.3 Audit Scotland's associated Annual Audit Reports of Scottish Borders Council and subsidiary charities are presented on this agenda. As well as being unqualified, the report expresses the following headlines:
- Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, governance and transparency and value for money.
- 4.4 The Scottish Borders Council Annual Audit Report highlighted three specific recommendations for improvement. The areas in question are shown in Appendix 1 "Action Plan 2019/20" of the External Auditor's Annual Audit Report. The areas identified are:
- Education Maintenance Allowance (EMA) payments - The Council should ensure that arrangements are put in place to confirm records are being correctly updated;
 - The Council should review its medium term financial plan following the Covid-19 pandemic to reflect its impact on the Council's finances going forward, including scenario planning of key financial assumptions;
 - Best Value Action Plan - The Council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.

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

5 IMPLICATIONS

5.1 Financial

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

5.2 Risk and Mitigations

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

5.3 Equalities

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

5.4 Acting Sustainably

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

5.5 Carbon Management

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

5.6 Rural Proofing

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

5.7 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

- 6.1 The Chief Legal Officer (Monitoring officer), the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council are being consulted and any comments will be incorporated into the final report.

Approved by

David Robertson

Executive Director, Finance & Regulatory Services

Signature

Author(s)

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

Background Papers:

Previous Minute Reference: 23 June 2020 Audit and Scrutiny Committee

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

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

Scottish Borders Council annual accounts

for the year to 31 March 2020



Scottish Borders Council

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Foreword by the Leader of the Council

Welcome to the Annual Accounts for the Scottish Borders Council for the year ended 31 March 2020. These have been produced to provide the public, Elected Members and other stakeholders with information concerning the financial management, administration and performance of the Council in the financial year 2019/20.

During 2019/20 Scottish Borders Council has delivered further financial plan savings to transform frontline services for communities with a range of improvements highlighted in this report.

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

- what we do as a Council;
- what our strategy and priorities are;
- how we are organised to deliver our priorities;
- the risks we face as an organisation;
- our financial position for 2019/20;
- key aspects of our performance during 2019/20; and
- our plans for the future.

Highlights of 2019/20

Against a very difficult financial background, the Council has achieved the following during 2019/20:

- ✓ Achieved £13.3m of Financial Plan savings, £9.3m of which were on a permanent basis;
- ✓ Delivered a net underspend of £1.538m from a revenue budget of £263.3m;
- ✓ Delivered Capital Investment of £44.3m in schools, flood protection, roads, lighting and other assets;
- ✓ Undertaken a 5 yearly review of all our Common Good & Trust Fund assets;

- ✓ Delivered savings in processes and new digital developments in order to protect front line services in the Borders wherever possible.

Our Plans for 2020/21

The next year presents many opportunities and challenges for the Council including:

- the Council's response to the current worldwide COVID-19 pandemic including support to communities and reshaping the Council's finances in response to this new operating environment;
- the continued delivery of the Council's 'Fit for 2024'. The programme has the aim of delivering a Council that is adaptable, efficient and effective, and one ultimately capable of not only meeting the challenges ahead, but of fully optimising outcomes for the citizens and communities for which it is responsible;
- the continued roll out of the Council's Inspire Learning programme. Following full roll out to all Secondary pupils, Primary pupils will also benefit from the programme from early 2020/21.

From 2013/14 to 2019/20 the Council has delivered permanent savings of £55m alongside significant improvements in performance set out on pages 17 - 23. My thanks to all staff across the Council for their commitment and outstanding work during the COVID-19 outbreak to support people, businesses and communities.

Councillor Shona Haslam

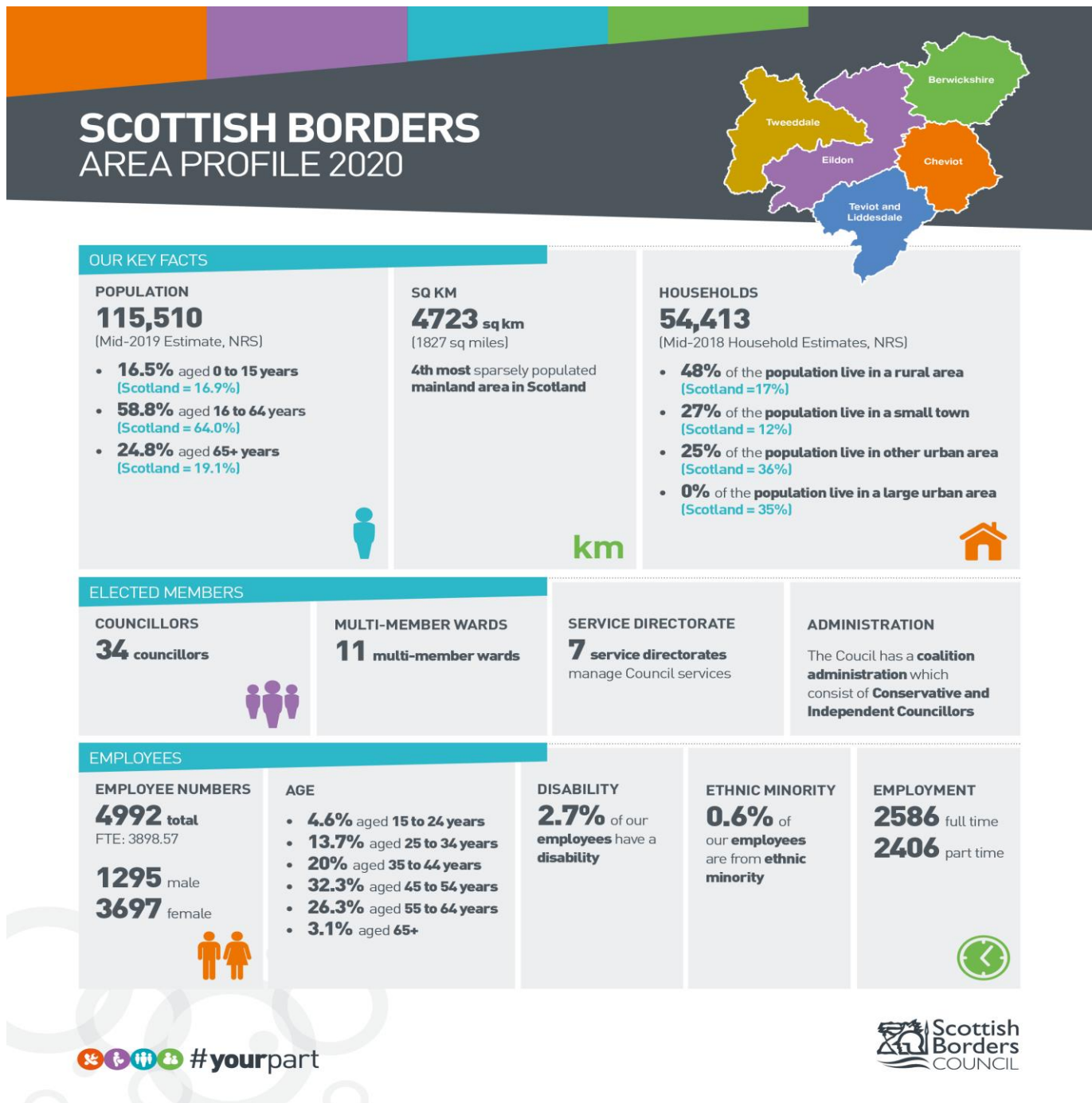
**Leader
Scottish Borders Council**

Management Commentary

Introduction

This management commentary provides a summary of Scottish Borders Council's financial performance for the year and how this has supported delivery of the 2018-2023 Corporate Plan. It also outlines the financial strategy and the challenges the Council faces in future years in delivering its priorities for the Scottish Borders.

About Scottish Borders Council



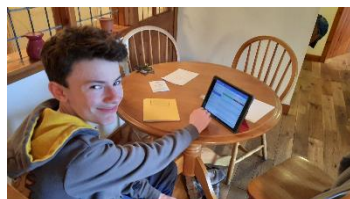
Scottish Borders Council significant events 2019/20

COVID-19

The Council's emergency response to the COVID-19 pandemic commenced in the final quarter of 2019/20 with significant financial and service implications of the emergency forecast for 2020/21.

Inspire Learning

Inspire Learning has now rolled out to all Secondary staff and pupils, enabling digital learning for pupils which has provided many home learning benefits during the COVID-19 response. The roll out will continue to Primary Schools in 2020/21 as planned.



Peebles High School fire

A serious fire at Peebles High School in November 2019 resulted in an ongoing insurance claim process. Budget to reconfigure the building has been provided for from 2020/21. Temporary arrangements were put in place to ensure minimum disruption to pupil education.

Hawick Flood Protection works

In February 2020 the Council approved a £82.6m programme of work to deliver a flood protection scheme in Hawick with the main works contract awarded in May 2020.

SB Cares

SB Cares was successfully reintegrated back into the Council in December 2019 with SB Cares now operating as an in-house care provider.



Jim Clark Museum

Formula One legend Jackie Stewart opened a new Jim Clark Museum in Duns in August 2019. Visitor numbers have exceeded all expectations with over 10,000 visits to the new facility during 2019/20.



Storm damage

Storms Ciara and Dennis caused significant damage in the Borders during February 2020. Remedial works were contained within the revenue budget leaving the £1m adverse weather reserve intact to provide for future adverse weather impacts.



Carbon emissions

In 2019/20 projects were completed under the Energy Efficiency Programme forecasted to reduce carbon emissions by 626 tonnes per year and 7,510 tonnes over the lifespan of the projects. This represents an annual reduction of 6.1% in the carbon emissions from our built estate.

Jedburgh Intergenerational Campus

The new £34m campus building was completed at the end of 2019/20. The facility is not yet fully operational due to COVID-19 restrictions.

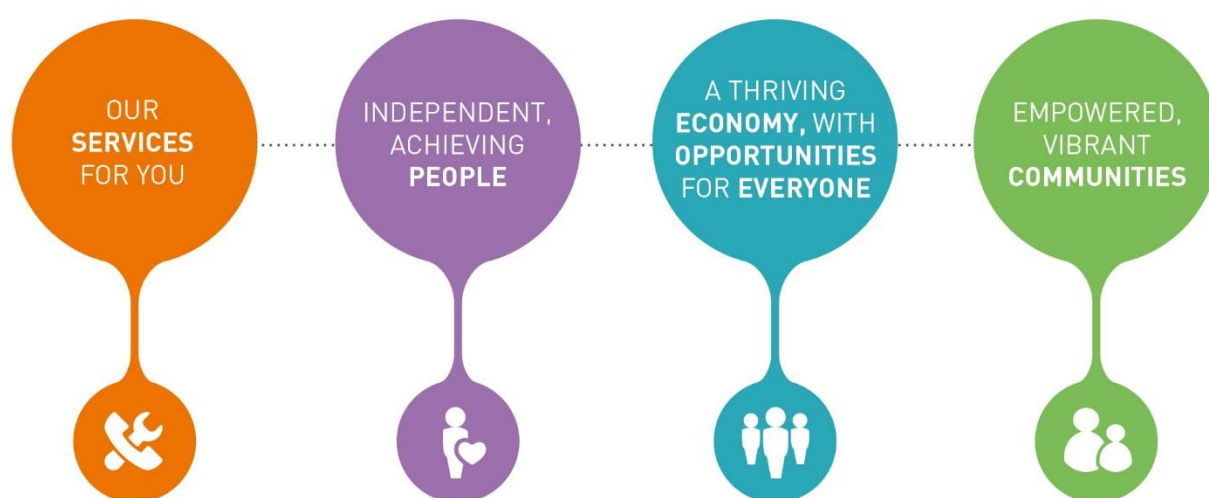
Strategic Direction

Corporate Plan

The Corporate Plan sets a direction for Scottish Borders Council for the current 5 years (2018 to 2023) in order to:

- make the most of the opportunities we now have
- tackle the challenges we face
- take account of what our new Councillors want to achieve for the Scottish Borders
- ensure we respond to national policies and other statutory requirements.

The Council is committed to taking action to reshape and improve our services and ensure the Council continues to have a positive effect on quality of life, well-being, on our economy and in communities. This commitment is reflected over 4 themes:



As well as outlining what the Council is going to do to improve services, a key feature of this Corporate Plan is asking individuals, families, businesses, partners and communities to **'play your part'**. This joint working approach offers the best opportunity for success. As the Council's delivers on each of the themes above over the next 5 years, the Council will consult, involve and engage with citizens, communities and partners, and increasingly, we will work to create solutions with you and your local area, through Area Partnerships.

Fit for 2024

A key pillar of the Council's longer term planning is the Fit for 2024 transformation programme which aims to deliver a Council that is adaptable, efficient and effective, and one ultimately capable of not only meeting the challenges ahead, but of fully optimising outcomes for the citizens and communities for which it is responsible. The programme is designed to deliver savings in a more cross cutting, permanent and sustainable way in the future through a planned series of service reviews. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

Financial Strategy

The Financial Strategy has met its objectives during 2019/20 in supporting the delivery of the Council's Priorities and Corporate Plan. In order to support the delivery of the Council's priorities, including the Fit for 2024 Programme the Financial Strategy has:-

- a) **ensured funding is in place** to meet approved service levels in the most effective manner;
- b) **managed the effective deployment of those funds** in line with the Council's corporate objectives and approved service plans; and
- c) **provided stability** in resource planning and service delivery.

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

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

Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2019/20 and future years. This approach seeks to quantify the risks facing the Council's finances, including over optimistic saving assumptions, unplanned employment and pension costs, the failure by managers to enact effective budgetary control, severe weather events, an economic downturn, potential contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances.

This approach, despite being subject to an element of informed judgement, reflects the risks inherent in setting the revenue budget, the scale and complexity of the organisation and the reasons reserves are held in the first place. It also provides appropriate transparency with regard to the level of balances held. The accumulated financial risk in the 2019/20 Risk Register was assessed to be £11.643m and the projected usable General Fund balance, at £6.315m, was sufficient to cover 54% of risks identified.

The Council's 3 key risks and uncertainties with mitigating actions are highlighted below.

COVID-19	<ul style="list-style-type: none"> •Service and financial risks around operating in a new environment •<i>Mitigated through developing plans to re-open services and reporting of costs to SG and COSLA</i>
Health & Social Care Services	<ul style="list-style-type: none"> •Demand and demographic increases are putting significant pressure on Council budgets •<i>Mitigated through budgeting to ensure activity levels can be resourced</i>
Delivery of financial plan savings	<ul style="list-style-type: none"> •Permanent delivery of savings is key to financial sustainability and stability •<i>Mitigated through regular tracking and reporting</i>

Financial Plans

The Revenue and Capital Financial Plan provides a financial representation of the Council's priorities and Corporate Plan covering 5 and 10 years respectively. These Financial Plans can be found on the Council's website: <http://www.scotborders.gov.uk>

2019/20 represented the second year of the new 5 year Revenue Financial Plan, the first plan was published in 2013/14. The plans have been amended and updated each year since 2013/14, and to date, permanent savings of £55m have been delivered in a planned manner. Despite the resource challenges facing the Council and wider public services, the approach to financial planning has so far delivered balanced budgets and small underspends in each year.

For the first time in 2019/20 a Capital Investment Strategy (CIS), which highlights the capital investment priorities and explains how these priorities will assist with the delivery of the Council's Corporate Plan, was approved with the budget papers in February. The CIS is structured to reflect the themes of this Corporate Plan. The document brings together the Council's 10 year Capital Investment Plan 2019 – 2029 and also the 10 year Treasury Strategy which sets out how the investment plans can be provided.

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

See page 57 of the Annual accounts for details of the Council's business model.

Equalities Mainstreaming

Scottish Borders Council takes a positive approach to equalities and human rights through taking forward the actions in its Mainstreaming Report and Equality Outcomes 2017 – 2021. The Council also promotes the Fairer Scotland duty, this places a legal responsibility on the Council to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions. This is being implemented by:

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

More information on the Fairer Scotland duty can be found on Scottish Borders Council's website: https://www.scotborders.gov.uk/info/20062/strategies_plans_and_policies/928/equality_and_diversityfairer_scotland_duty/2

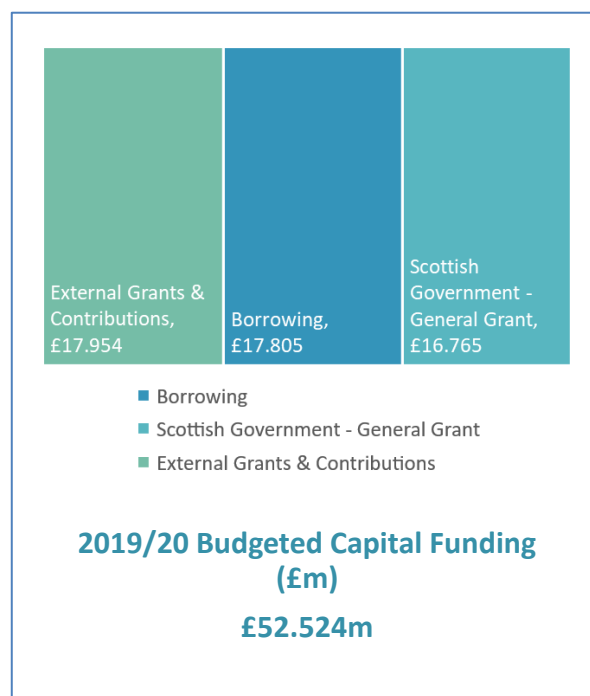
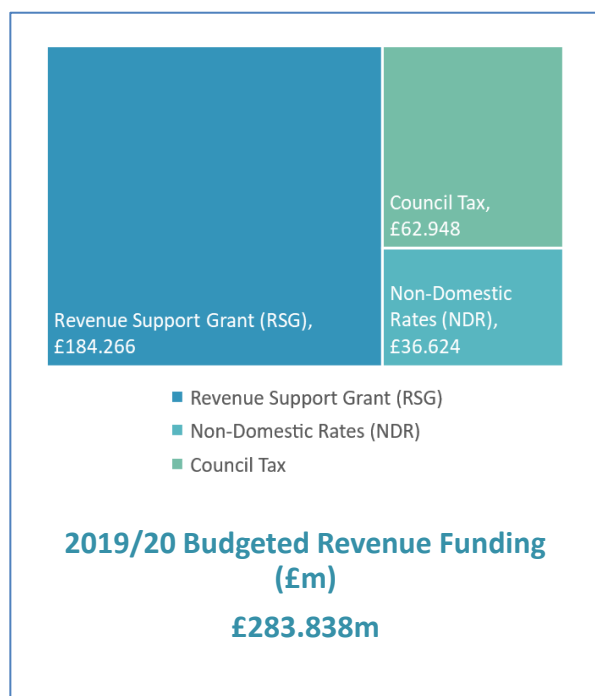
How are we are doing? - Financial Performance

2019/20 Financial Resources Available

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

Funding from various streams has increased by around £23m during 2019/20. Expenditure has increased correspondingly, particularly with regards to employee costs as a consequence of the significant increase in employer contributions to the Teachers' pension scheme.

The income and expenditure table on page 73 has further analysis.



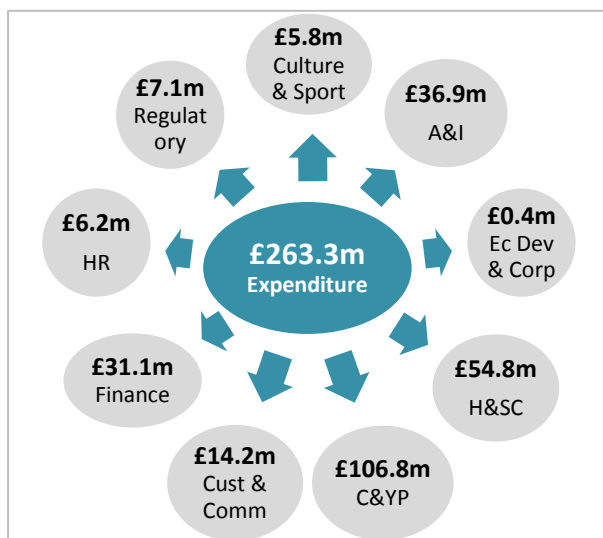
Financial Position at 31 March 2020

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

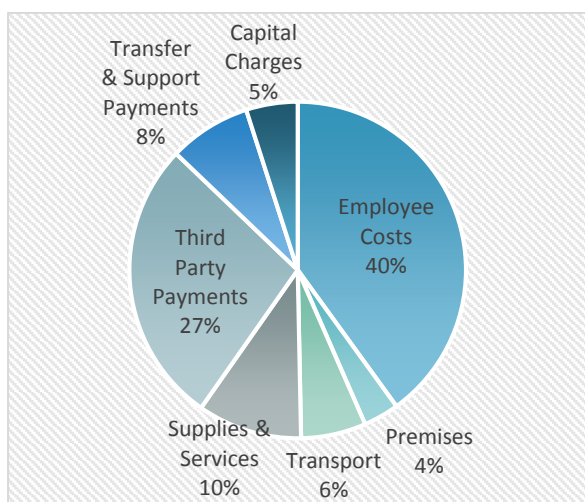
Revenue

The actual outturn for the financial year 2019/20 was a revenue expenditure of £263.3m representing a net underspend of £1.538m (0.58%) against the final approved budget.

The following chart analyses the revenue spend by Council department:

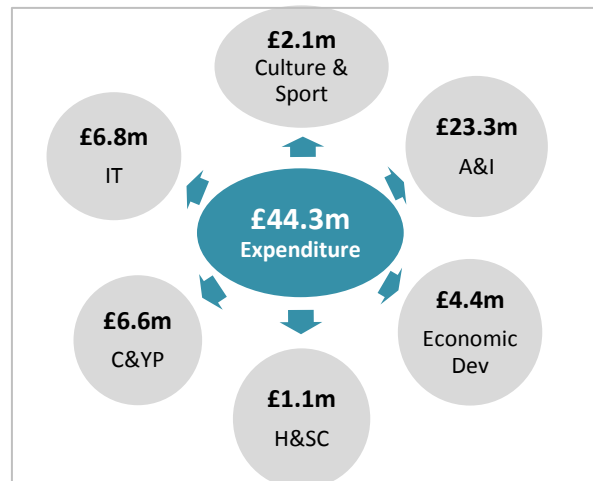


Revenue net expenditure of £263.3m for the year includes income of £140.5m, and gross expenditure of £403.8m as analysed in the chart below:



Capital

The actual outturn for the financial year 2019/20 was capital expenditure of £44.3m with a favourable timing movement of £8.4m against the revised budget.



The capital programme delivered significant investment in the Scottish Borders during 2019/20 and the following table highlights some of the major projects undertaken:

Asset & Infrastructure

• Roads & Bridge Maintenance	£9.5m
• Flood Protection Works	£6.7m
• Waste Infrastructure	£2.2m
• Land & Property Infrastructure	£2.8m
• Plant & Vehicle	£2.1m

Children & Young People & H&SC

• Early Learning & Childcare	£2.3m
• Eyemouth Primary School	£0.6m
• Jedburgh Intergenerational Campus	£1.5m
• School Estate Block	£1.9m
• Social Care Infrastructure	£1.0m

IT/Econ Dev/Culture & Sport

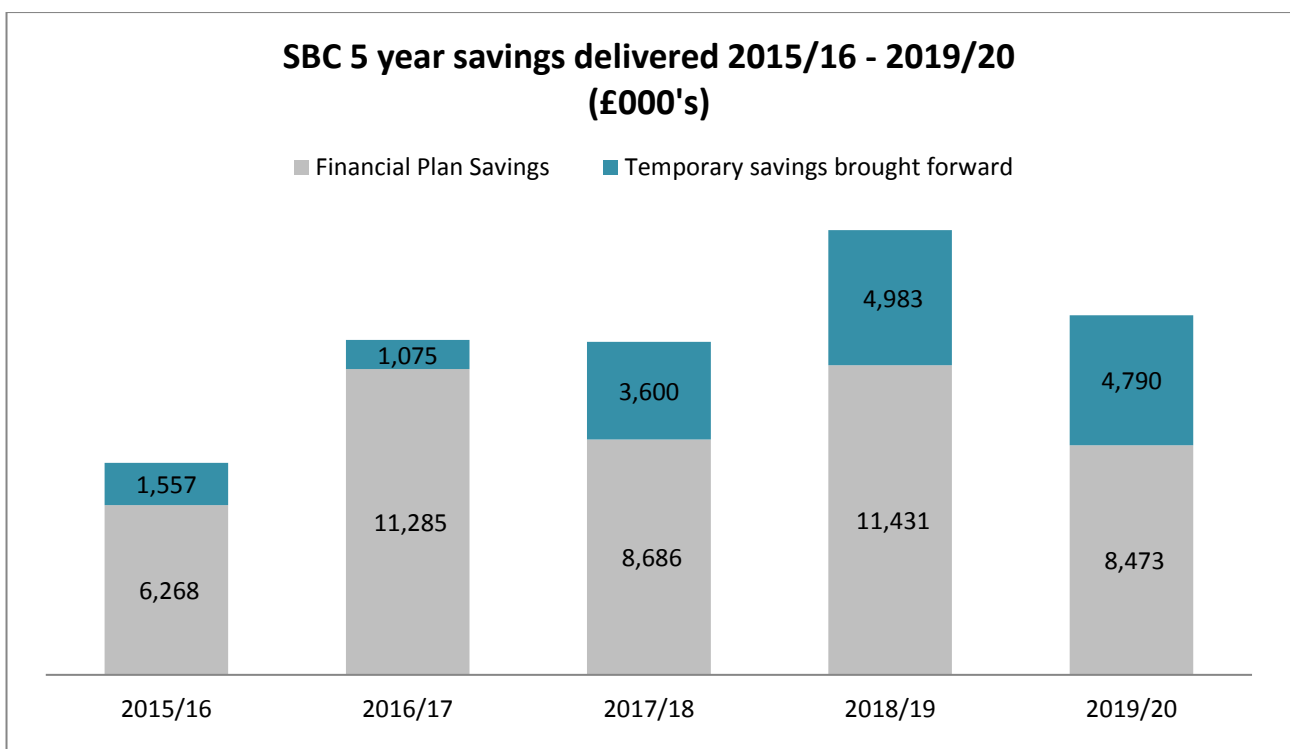
• Economic Regeneration	£4.0m
• ICT Transformation	£6.8m
• Culture & Sport	£2.1m
• Private Sector Housing adaptations	£0.4m

Delivery of Targeted Savings

Overall, Financial Plan savings of £13.263m were delivered during 2019/20 in order to balance the costs of delivering services and the available resources. The regular Budget Monitoring reports to the Executive Committee tracked the delivery of these savings against the Financial Plan proposals.

The total savings of £13.263m shown below are made up £8.473m savings included in the 2019/20 financial plan plus £4.790m brought forward from previous years. Of these savings delivered during 2019/20 £9.282m (70%) were delivered permanently.

The chart below highlights the level of savings being delivered within the Council on an ongoing basis, demonstrating the scale of change undertaken within the Council over the last 5 years. The savings are categorised into those established as part of the Financial Plan in each year and those brought forward from previous years for permanent delivery.



To date the Council's approach to longer term financial planning has delivered *permanent* savings of £55m. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required in 2020/21 and beyond and the challenges now posed by COVID-19.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 49 shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management outturn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2018/19 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2020. This results in the (statutory accounting) adjusted net cost of services of £289.0m compared with the reported departmental net cost of services of £263.3m.

(Surplus)/Deficit on the Provision of Services

Further statutory adjustments are then subsequently made in the comprehensive income and expenditure account shown on page 49 to include net gains/losses on disposal and revaluation of assets, interest payable and adjustments for pension costs. These accounting adjustments result in an overall Deficit on the Provision of Council Services for the year of £9.9m.

The following table shows the movement from the Outturn position to the Deficit on Provision of Services.

			2019/20
	Net Expenditure Chargeable to the General Fund as per outturn £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Net Cost of services	263,267	25,766	289,033
Other Income and Expenditure	(264,971)	(14,130)	(279,101)
(Surplus) or Deficit on Provision of Services	(1,704)	11,636	9,932
Opening General Fund Balance	(17,555)		
(Surplus)/Deficit on General Fund - outturn underspend	(1,538)		
Transfer (to)/from reserves	(86)		
Closing General Fund as 31 March	(19,179)		

Note 5 – Expenditure and Funding Analysis on pages 69 to 72 explains the movement in further detail.

Other Comprehensive Income and Expenditure

Once further adjustments are made to reflect Actuarial (Gains)/losses on the Pension Fund Net Assets/Liabilities (£74.8m) in 2019/20 and an overall surplus on the revaluation of Property, Plant & Equipment (£0.8m) this revises the £9.9m deficit position on the Provision of Council Services into a Net Comprehensive Income surplus of £65.5m (deficit of £30.4m in 2018/19).

Balance Sheet

During 2019/20 the Net Asset position increased by £65.5m to £126.5m (£61.0m 2018/19). The table below details the movement during the year.

	Balance Sheet as at		Movement £m
	31-Mar-19 £m	31-Mar-20 £m	
Long Term Assets	558.6	564.7	6.1
Current Assets	42.6	58.7	16.1
Current Liabilities	(51.3)	(51.9)	(0.6)
Long Term Liabilities	(291.3)	(303.4)	(12.1)
Net Assets Excluding pension Liabilities	258.6	268.1	9.5
Pension Liability	(197.6)	(141.6)	56.0
Net Assets/(Liabilities) including Pension Liabilities	61.0	126.5	65.5

More details in relation to the Net Assets Excluding pension liabilities can be found within the Balance Sheet on page 51.

The net position including the pension liabilities is as a result of the underlying assumptions used in the actuarial valuation. The actuarial valuation for the accounts are calculated in accordance with IAS19 and uses a number of high level assumptions including pension increases, salary increase and discount rate.

Treasury and Debt Management

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

Cash Management

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

Debt Management

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

External Debt

The Council's outstanding external debt as at 31 March 2020 was £207m. Additional long term borrowing was undertaken during the year amounting to £7.5m, with no requirement for short term borrowing during the 2019/20 year. The average rate of interest paid on outstanding external debt was 4.67%.

Reserves

The Council maintains two types of reserves – usable and unusable – and the movement in these reserves are set out in the Movement in Reserves Statement (page 48).

Unusable Reserves – result from accounting adjustments and cannot be spent

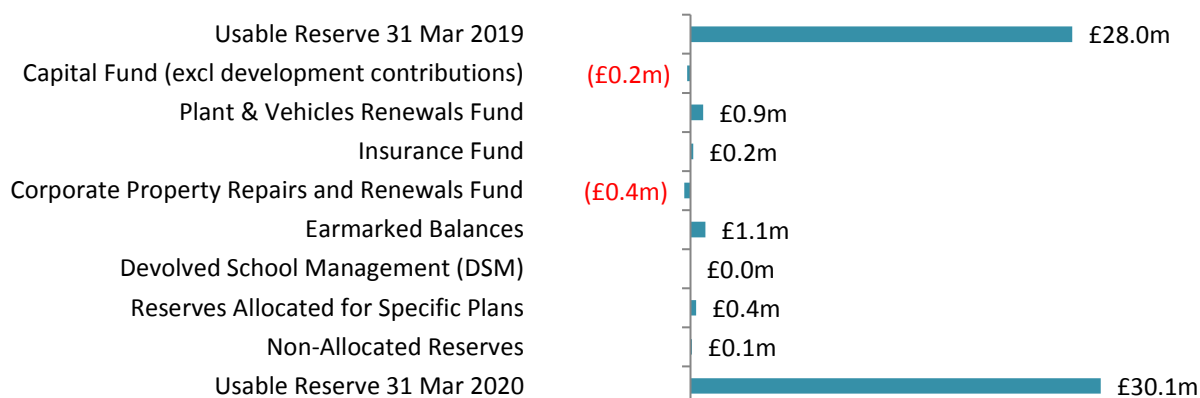
Usable Reserves – result from the Council’s activities and can be spent in the future

Note 31, page 103 provides additional information on the movement of the usable and unusable reserves held by the Council.

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

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

As at 31 March 2020 the total Usable Reserves Balance is £30.1m (£28m at 31 March 2019) a net increase of £2.1m during the year. The net increase, as can be seen from the chart below, can mainly be attributed to an increase in the Plant & Vehicles Renewals Fund and Earmarked balances. The remaining reserves all have smaller off-setting balance movements netting off to £0.1m.



Movements within the Allocated and Non-Allocated Reserves during 2019/20 comprised:

Reserves Allocated for Specific Plans - net effect of:

Net movement in Workforce Transformation reserve	£0.353m
Net movement in IT transformation reserve	£0.078m
Draw down from Municipal Mutual reserve	(£0.009m)

Non-Allocated Reserves

SB Cares reintegration into Scottish Borders Council	(£0.080m)
2019/20 year end outturn	£1.538m

Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2020 with a comparator year ending 31 March 2019. The Group Accounts for 2019/20 can be found from page 115. The Group comprises of the following:

Subsidiaries

- SBC Common Good Funds (*Registered Charity*)
- SBC Trust Funds:
 - *Registered Charities:*
 - SBC Charitable Trust
 - SBC Community Enhancement Trust
 - SBC Welfare Trust
 - SBC Education Trust
 - Ormiston Trust for Institute *and*
 - 39 Non-Registered Trusts
- Bridge Homes LLP
- Live Borders

Joint Ventures

- Scottish Borders Health and Social Care Partnership

How are we doing?

Our Priorities

Our Corporate Plan presents our commitment to improvement within the Scottish Borders as 4 themes over the five year period 2018 - 2023:



Performance against our corporate priorities

The Council reports and presents its performance information relating to each corporate priority on a monthly basis to the Corporate Management Team, and on a quarterly basis to the Executive Committee of the Council. Below is a summary of the key performance information for 2019/20 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed. Due to the resourcing of the Council's COVID response since March 2020 it has not been possible to finalise the 2019/20 performance reporting. The following performance reporting therefore is being presented in a draft position and will be finalised ahead of the completion of with the audited accounts

OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



<p>Planning Permission # Local – Non Householder ●</p> <p>8.0 weeks – average time to determine LOCAL DEVELOPMENTS – NON HOUSEHOLDER during 2019/20</p> <p>Down from 9.0 in 18/19 (Yr)</p>	<p>Planning Permission # Local – Householder ●</p> <p>6.2 weeks – average time to determine LOCAL DEVELOPMENTS – HOUSEHOLDER during 2019/20</p> <p>Down from 7.0 in 18/19 (Yr)</p>	<p>Road Condition ●</p> <p>45.2% of roads requiring maintenance</p> <p>Down from 45.3% in previous period</p>
<p>Waste Recycling Household Recycling</p> <p>47.61% of our household waste on average, was recycled over the 12 months ended Dec-19</p> <p>Up from 38.80% in 12 mths ended Dec-18</p>	<p>Waste Recycling Household ‘Other’ Treatment</p> <p>23.72% of our household waste required ‘other’ treatment, on average over the 12 months ended Dec-19</p> <p>Up from 0.36% in 12 mths ended Dec-18</p>	<p>Energy Use (26 key sites) Electricity ●</p> <p>7,567,839 kilowatt hours or Electricity used at a cost of £1.022m</p> <p>Down from 7,921,217 Kwh in 2018/19 Up from £0.975m in 2018/19</p>
<p>Waste Recycling Household Landfilled</p> <p>28.67% of our household waste on average, was sent to Landfill over the 12 months ended Dec-19</p> <p>Down from 60.84% in 12 mths ended Dec-18</p>	<p>Waste Recycling Community Recycling Centres</p> <p>63.56% of waste was recycled at SBC Community Recycling Centres, on average, over the 12 months ended Dec-19</p> <p>Up from 57.95% in 12 mths ended Dec-18</p>	<p>Energy Use (26 key sites) Gas ●</p> <p>12,183,596 kilowatt hours of Gas used at a cost of £0.366m</p> <p>Up from 11,744,733 Kwh in 2018/19 Up from £0.313m in 2018/19</p>

Note: Current year waste treatment figures not yet verified by SEPA



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 08 Sep 2020

Context Indicators Update

Indicator	2018/19	2019/20	Change
Planning Applications	1,369	1,200	↓
Fatalities on Borders Roads	11 2018	6 2019	↓
Seriously injured on Borders Roads	65 2018	68 2019	↑
Capital Receipts Cumulative **	£1.444m	£0.676m	↓
Properties surplus	30	39	↑
Properties marketed	5	7	↑
Properties under offer	16	15	↓

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



Welfare Benefits

1,264 people contacted us for **Welfare Benefits** advice receiving over **£4.916m** in **additional benefits**

Down from 1,329 people in 18/19
Up from £4.537m in 18/19

Housing Benefit Reduction – New Claims

13.63 days – average time to process **New Claims**

Down from 24.20 days in 18/19

Housing Benefit Reduction – Change Events

4.90 days – average time to process **Change Events**

Down from 6.51 days in 18/19

Customer Calls

78,703 phone interactions were logged by our Contact Centres (11mths to Feb-20)

94,086 in 18/19

Council Tax

96.62% of Council Tax due was collected

Down from 96.84% in 18/19

Note: Final 2019/20 Complaints performance figures are not available at the time of publishing. The annual performance report on complaints for 2019/20 will be published later in the year.

Context Indicators Update

Indicator	2018/19	2019/20	Change
Face to Face Interactions (CRM) by Customer Services	58.5k	49.2k 11mths to Feb	n/a
Total logged customer contact with SBC	162.2k	138.5k 11mths to Feb	n/a
Complaints Closed	645	614	↓

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)



Status

OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



Context Indicators Update

Indicator	2018/19	2019/20	Change
FOIs requests received	1,418	1,254	↓
Facebook Engagements	259.6k	516.7k	↑
Twitter Engagements	33.2k	58.3k	↑

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

Freedom of Information Requests (FOI)

88% of FOI requests were completed on time

Up from **85.8%** in 18/19

SBC Absence Rate – Staff

Annual absence rate **5.23%**

Up from **5.03%** in 18/19

SBC Absence Rate – Teaching Staff

Annual absence rate **3.48%**

Up from **3.34%** in 18/19

Staff Absence Rate – SB Cares

Note: Integrated into SBC Figs from Dec-19

8.33% in 18/19

Council Tax Valuation List Time to add new properties

90% of new properties added to list within 3 months of the date of occupation/completion and the issue of the banding notice

Down from **91%** in 18/19

Valuation Roll (Non Domestic) Time to amend valuation roll

63% amended on roll within 3 months of the date of completion and the issue of the valuation notice (new, altered or demolished properties)

Up from **56%** in 18/19



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 08 Sep 2020

INDEPENDENT, ACHIEVING PEOPLE

OUR PERFORMANCE DURING THE YEAR APRIL 2019 to MARCH 2020



<p>School Attendance Primary Schools ●</p> <p>94.4% of pupils attended their primary school (avg. of mthly attendance)</p> <p>Down from 95.3% in 18/19</p>	<p>School Exclusions Primary Schools ●</p> <p>46 exclusion incidents in primary schools 38 exclusions from primary school</p> <p>Up from 31 in 18/19 Up from 29 in 18/19</p>	<p>Looked After Children Aged 12+ ●</p> <p>64% of looked after children (aged 12+) in a community family based placement (end of Mar-20)</p> <p>Down from 70% at end of Mar-19</p>
<p>School Attendance Secondary Schools ●</p> <p>91.0% of pupils attended their secondary school (avg. of mthly attendance)</p> <p>Down from 91.2% in 18/19</p>	<p>School Exclusions Secondary Schools ●</p> <p>158 exclusion incidents in secondary schools 153 exclusions from secondary school</p> <p>Down from 263 in 18/19 Down from 236 in 18/19</p>	<p>Looked After Children All Ages ●</p> <p>80% of looked after children (all ages) in a community family based placement (end of Mar-20)</p> <p>Down from 84% at end of Mar-19</p>
<p>School Attendance Overall ●</p> <p>92.7% of pupils attended school overall (avg. of mthly attendance)</p> <p>Down from 93.2% in 18/19</p>	<p>School Exclusions Overall ●</p> <p>204 exclusion incidents at primary and secondary schools 191 exclusions from primary and secondary schools</p> <p>Down from 294 in 18/19 Down from 265 in 18/19</p>	<p>2019 Participation Measure</p> <p>91.9% of 16-19 year olds participated in education, training or employment</p> <p>Down from 92.8% in 2018</p>

Context Indicators Update

Indicator	2018/19	2019/20	Change
Schools/Nurseries inspections	15	5	↓
Looked After Children	202	200	↓
Inter-agency Referral Discussions - child	590	475	↓
Child Protection Register	46	30	↓
New Modern Apprentices employed this year	33	39	↑
Modern Apprentices securing employment with SBC after MA	11	14	↑
Number of Current Modern Apprentices	34	50	↑

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)



INDEPENDENT, ACHIEVING PEOPLE

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



Context Indicators Update

Indicator	2018/19	2019/20	Change
Adult protection - Concerns	338	356	↑
Adult protection - Investigations	176	205	↑
Referrals To Domestic Abuse Services **	762	693	↓
Reported incidents of domestic abuse **	1,008	1,129	↑
High Risk domestic abuse cases discussed at Multi Agency Risk Assessment Conference	93	102	↑
Number of reported ASB Incidents **	5,741	5,460	↓
ASB Early Interventions **	899	804	↓
Monitored for ASB **	1,561	1,636	↑
Referrals to mediation **	123	152	↑
Group 1-5 recorded crimes and offences **	3,652	3,577	↓

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

Social Care Care at Home ●

79% of adults (aged 65yrs+) received care at home compared to a care home/residential setting (end Mar-20)

Up from 78% at end of Mar-19



Mediation Service ●

90.7% of cases showing agreement or improvement after mediation

Down from 93.3% at end of 18/19

Social Care Self Directed Support ●

94.4% of adults are using the Self Directed Support approach (end Mar-20)

Up from 85.2% at end of Mar-19

Bed Days Associated With Emergency Admissions

3,285.38 bed days associated with emergency admissions (aged 75+) (rate per 1000 population) (2019/20)

Down from 3,544.9 18/19

Delayed Discharges From Hospital

676 bed days associated with delayed discharges in residents aged 75+ (rate per 1000 population) (2019/20)

Down from 761 during 18/19

Note: The suite of indicators reported here are under review with a view to representing a fuller assessment of Adult Social Care performance in future reports.



Status

A THRIVING ECONOMY, WITH OPPORTUNITIES FOR EVERYONE

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



Context Indicators Update

Indicator	2018/19	2019/20	Change
16 - 64 Employment rate #	75.7% Q4	74.9% Q4	↓
16 - 64 Claimant Count	2.47% Q4	2.77% Q4	↑
18 - 24 Claimant Count	4.53% Q4	5.17% Q4	↑
SB Business Fund - grants	19	11	↓
SB Business Fund – grants £	£57.1k	£36.3k	↓

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

Business Gateway New Businesses

177 new businesses were created with our help

Down from **218** in 18/19

Invoices Paid

90% of invoices, on average were **paid within 30 days**

Up from **84%** in 18/19

Top Capital Projects

Of the top **major projects** ongoing across the council

12 are **rated Green ***

Down from **18** at Mar-19

Business Gateway Businesses Supported

971 businesses were **supported** in 3 quarters ended Dec-19

1,497 in 18/19

Occupancy Rates

91% of **industrial and commercial properties** owned by the council were **occupied** (end Mar-20)

Up from **88%** at end of Mar-19

6 are **rated Amber ***

Up from **1** at Mar-19

0 are **rated Red ***

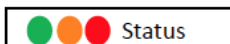
In line with **0** at Mar-19

* June 20 RAG's

Affordable Homes

141 additional homes were provided last year that were affordable to people in the Borders, based on our wages

Down from **191** in 18/19



EMPOWERED VIBRANT COMMUNITIES

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



Context Indicators Update

Indicator	2018/19	2019/20	Change
Active community resilience plans	47 Q4	55 Q4	↑
Progressing community resilience plans	6 Q4	0 Q4	↓
Community Funding - Total Scottish Borders	n/a	£198.5k	n/a
Community Fund – Berwickshire	n/a	£17.1k	n/a
Community Fund – Cheviot	n/a	£26.0k	n/a
Community Fund – Eildon	n/a	£88.3k	n/a
Community Fund - Teviot & Liddesdale	n/a	£22.6k	n/a
Community Fund - Tweeddale	n/a	£43.4k	n/a
Community Fund - Borderswide	n/a	£1.1k	n/a
Neighbourhood Small Schemes Fund – £ **	£176.7k	£157.7k	↓
Volunteer work with SBC	155 Q4	181 Q4	↑

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

SCOTTISH BORDERS COUNCIL COMMUNITY ACTION TEAM (WITH POLICE SCOTLAND) 2019-20 Figs (18/19)

585 (335)
Hours of High Visibility foot patrols

1,046 (588.5)
Hours of mobile patrols

742 (884)
Parking tickets issued

185 (217)
Person Drug searches (37.3%
positive)

55 (65)
Premises Drug searches (83.6%
positive)

117 (101)
Static road checks

47 (23)
Road traffic fixed penalties

Asset Transfer Requests

4 asset transfer requests were
Received

Up from 0 in 18/19

3 asset transfer requests were
Agreed

In line with 3 in 18/19

0 asset transfer requests were
Refused

In line with 0 in 18/19

Community Resilience SB Alert Registrations

6,211 people were registered
for SB Alert at end of Mar-20

Up from 5,266 at end of Mar-19

Community Participation

3 participation requests were
Received

Down from 6 in 18/19

3 participation requests was
Agreed

In line with 3 in 18/19

1 participation request was
Refused

Down from 2 in 18/19

Community Benefit Clauses

18 contracts awarded with
community benefit clauses

Down from 26 in 18/19

Employment and Skills opportunities

46 opportunities delivered as
a result of community benefit
clauses

Up from 25 in 18/19



Our Plans for the Future

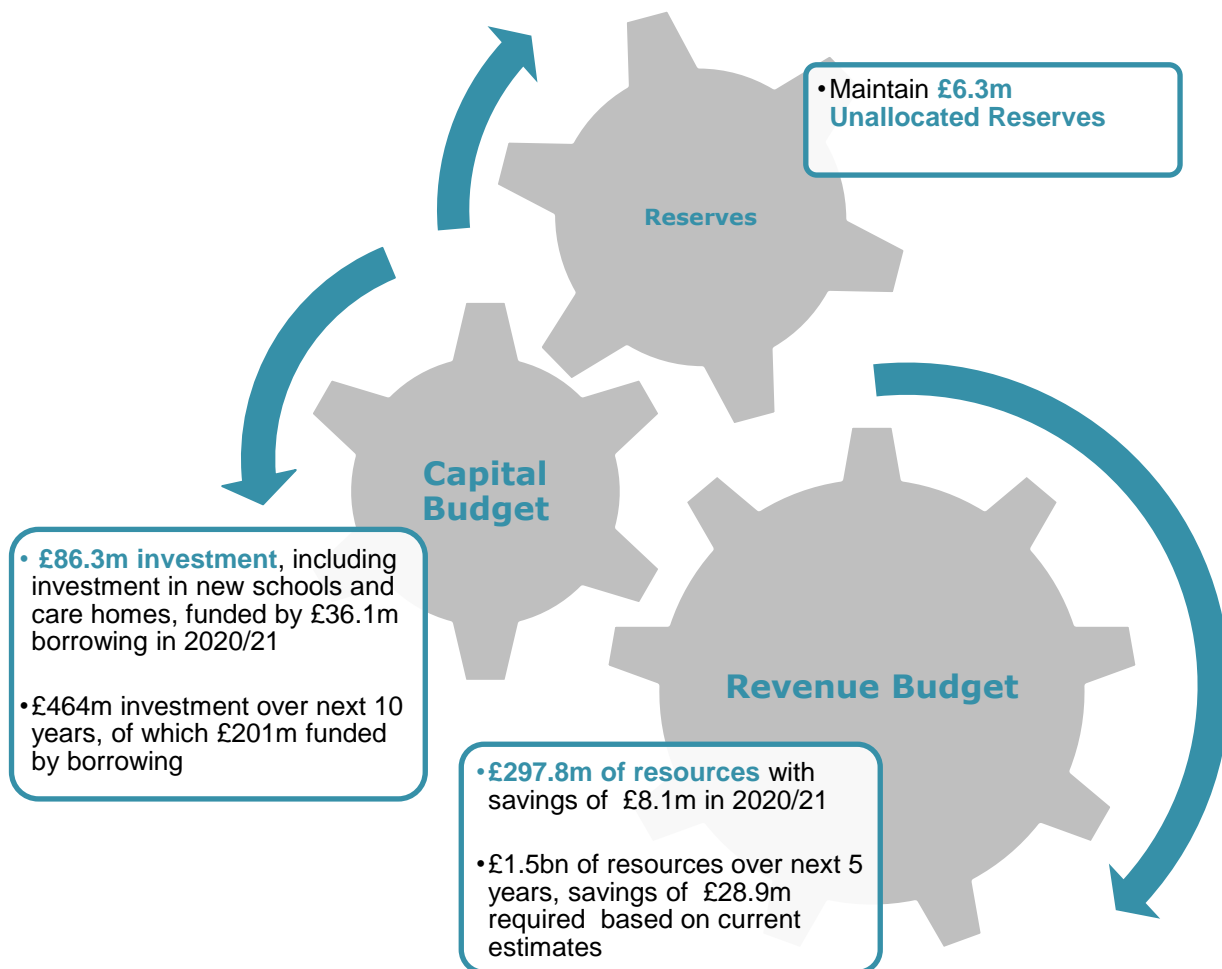
The Council has successfully delivered £55m of savings over the past 7 years through a Corporate Transformation Programme. The current Fit for 2024 programme was launched at the start of 2019/20 to deliver significant savings, ensure sustainability and deliver service improvements over the 5 years from 2019/20 to 2023/24. This plan along with the Capital Investment Programme and Departmental Business Plans which will be delivered within an environment of ever reducing financial resources and increasing public and government expectations.



fitfor2024

For more information on the programme visit: www.scotborders.gov.uk/fitfor2024

Future Financial Plans - 2020/21




The Revenue and Capital Financial Plans from 2020/21 onwards can be found on the Council's webpages at www.scotborders.gov.uk

Conclusion

The operating environment for the Council continues to be very challenging with financial and economic influences such as increasing demands on services including the current COVID-19 challenges. New innovations, business processes, and technology solutions have been embraced in order for the Council to deliver vital services to the community in its Category 1 responder role. In addition to delivering key core services the Council has had to develop and operate a variety of brand new initiatives to support key workers and also those most at risk in the area. This is part of the national response with some funding provided by Scottish Government. For example, Non Domestic Rates reliefs including the Business Grants Scheme, Hardship Fund, Scottish Welfare Fund, Food Fund, and Supporting Communities Fund.

The logistics of delivering services in a radically different way, in order to keep staff safe, and adhere to social distancing and self-isolation measures at the same time, has meant significant changes in when and where services are provided, deployment of a large number of staff who do not deliver critical services to undertake alternative duties, rapidly modernised IT support, and significant partnership working across the community. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation



including daily COVID-19 Strategic Group virtual meetings, conference calls, systems remote access, and regular staff briefings.

Initial work is underway on assessing the financial impact on the Council and the longer-term disruption and consequences arising from the significant coronavirus (COVID-19) outbreak. Furthermore there has been invaluable learning from operating in this unprecedented period of change, challenge and uncertainty which will be of benefit during the recovery phase that will also pose its challenges. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

As well as the challenges posed by COVID-19, reducing Scottish Government funding and cost pressures from pay and price inflation all affecting the Council's finances. The Council, despite these challenges, remains financially sound and well placed to serve the people of the Scottish Borders in the future.

Finally, the Council would like to pay tribute to the late Councillor Kevin Drum who sadly passed away after a short illness during 2019/20. During his time as a Councillor he worked tirelessly to support the people of Leaderdale & Melrose and is sorely missed.

Shona Haslam
Leader
Scottish Borders Council

Rob Dickson
Executive Director
Corporate Improvement
& Economy

David Robertson CPFA
Executive Director
Finance & Regulatory

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by the Council at its meeting on 5 November 2020.

The Executive Director Finance & Regulatory responsibilities:-

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

In preparing the Annual Accounts, the Executive Director Finance & Regulatory has:

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

The Executive Director Finance & Regulatory has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2020.

Shona Haslam
Leader
Scottish Borders Council

David Robertson CPFA
Executive Director
Finance & Regulatory

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Income Account, Trust Funds, Common Good Funds and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Property valuation

I draw attention to Note 4 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes that less certainty can be attached to valuations, due to the Coronavirus pandemic, declared by the valuer for property valuations. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director Finance and Regulatory has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue

Independent Auditor's Report

to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Executive Director Finance and Regulatory and Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director Finance and Regulatory is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director Finance and Regulatory determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance and Regulatory is responsible for assessing the council'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 deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual accounts

The Executive Director Finance and Regulatory is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

Independent Auditor's Report

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA

Audit Director

Audit Scotland

102 West Port

Edinburgh

EH3 9DN

Annual Governance Statement 2019/20

Introduction

The Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31 March 2020, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

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

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

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

Framework for Good Governance

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (Spring 2016) is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The CIPFA/SOLACE Framework defines the seven core principles of good governance, namely:

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

The Council's Local Code of Corporate Governance, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework and the supporting guidance notes for Scottish authorities (November 2016), was approved by Council on 28 June 2018.

Annual Governance Statement

The Governance Framework

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance, include:

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

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

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

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

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

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

B. Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

The Community Planning Partnership, of which the Council is a partner, has a Community Plan approved in May 2018 (the Local Outcomes Improvement Plan (LOIP)) supplemented by 5 Locality Plans which were developed through Area Partnerships in 2019. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the new Corporate Plan 2018-2023 which suggests where individuals, families, businesses, partners and communities can "play their part" to improve outcomes for the Scottish Borders #YourPart.

Asset management planning (which continues to be developed) and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council has put arrangements in place to comply with key elements of the Community Empowerment Act.

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

Annual Governance Statement

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

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the risks, financial and other implications associated with the proposals, by way of the compulsory sections of the Committee report.

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

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan.

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

The corporate management structure consists of the Chief Executive and nine Executive/Service Directors (January 2020, following a restructure). The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the performance review and development (PRD) process in place during the year but subject to review and change.

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

The Elected Members Induction Programme is periodically supplemented by additional training and an annual programme of learning and development and briefings. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

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

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

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

The Executive Director Finance & Regulatory (the Section 95 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

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

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

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

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

Annual Governance Statement

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

The independent and objective audit opinion of the Chief Officer Audit & Risk (Chief Audit Executive) within the Internal Audit Annual Assurance Report 2019/20. This is based on work carried out by an in-house team in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit and Scrutiny Committee (Audit function) is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Quarterly Performance Reports were presented to the Executive Committee for monitoring and control of the achievement of strategic priorities and key performance indicators.

The Annual Accounts and Report for 2019/20, setting out the financial position in accordance with relevant accounting regulations, have been prepared.

Review of Adequacy and Effectiveness of the Council's Governance Framework

An annual review of the adequacy and effectiveness of the Council's overall governance framework is carried out. The output is this Annual Governance Statement which is presented to the Audit and Scrutiny Committee.

The review was informed by assurances from the: Governance Self-Assessment Working Group; Executive/Service Directors; Internal Audit annual opinion and recommendations; comments and recommendations made by External Auditors and other external scrutiny bodies and inspection agencies; and findings and recommendations within the Accounts Commission's Best Value Assurance Report for Scottish Borders Council (published October 2019).

The conclusion from the review activity outlined above is that in 2019/20 the Council continued to demonstrate improvements to its governance arrangements by way of progressing the implementation of the 8 improvement areas of governance within the previous year's annual governance statement, namely: commence Fit for 2024 programme; develop concurrent financial, people and business plans; implement Corporate Landlord Model; monitor strategic contract performance outcomes; apply self-assessment processes across the Council; maximise use of Business World ERP system functionality; refine information management practices; and review complaints handling processes. Where these are either not fully implemented or not evidenced as operating effectively, further improvement actions are noted in the section below.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where improvement in governance arrangements can be made.

The Scottish Borders Council Best Value Assurance Report, published in October 2019, provided a range of findings following an intensive process of scrutiny of the Council's Vision & Strategic Direction, Performance, Use of Resources, Partnership Working and Continuous Improvement. Scottish Borders Council had welcomed the scrutiny of the 2019 Best Value Assurance audit, providing an opportunity to showcase the Council's achievements and further strengthen the ongoing ambitious improvement programme with valuable external perspectives. In response to the audit findings, senior officers had developed an Action Plan. The Council at its meeting on 19 December 2019 approved the 'Best Value Audit Action Plan' to address the recommendations (1-7 below) in order to demonstrate Best Value:

- (1) Embed a culture of Continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.
- (2) Seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Integration Joint Board.

Annual Governance Statement

- (3) Improve how the Community Planning Partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment Act.
- (4) Establish a structured programme of ongoing staff consultation and engagement.
- (5) Update its people plan for 2017-21 and ensure longer-term workforce plans are reflected in service and financial plans.
- (6) Support members' Continuing Professional Development by tailoring training to meet their individual needs and use technology to make training more accessible.
- (7) Ensure performance reports to members and the public are more comprehensive, balanced and that they cover service performance and the delivery of the Fit for 2024 programme.

Significant progress has been made on implementing the Best Value Action Plan improvement actions that underpin the recommendations though not all of these are yet fully implemented. Progress updates on the implementation of the Best Value Action Plan will be presented to the Audit and Scrutiny Committee.

In addition, other improvement actions (8-10 below) have been agreed during the year that are not specifically covered by the above in order to enhance governance and internal controls:

- (8) Increase the pace of the Fit for 2024 transformation programme through a consistent approach to enable delivery of efficient and effective services to customers in a sustainable way, collaboration with communities and other partners, optimised utilisation of assets across localities, digitally-led process improvement, and focus on delivering positive outcomes.
- (9) Refresh the Performance Management Framework to include oversight by Directorates to ensure performance monitoring and reporting is accurate, robust and provided on time.
- (10) Ongoing review of policies, procedures and guidelines to ensure they are fit for purpose, specifically those relating to business critical services to ensure they meet current legislation.

These actions to enhance the governance arrangements in 2020/21 will be driven and monitored by the Corporate Management Team on a regular basis in order to inform the next annual review. Internal Audit work planned in 2020/21 is designed to test compliance and improvements.

Conclusion and Opinion on Assurance

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects. Systems are in place to regularly review and improve governance and systems of internal control.

Covid-19 Response

The above assurance opinion reflects the assessment of governance in place during normal operations in 2019/20 prior to the significant coronavirus (COVID-19) outbreak in late March 2020. The latter clearly had an impact on business as usual in the delivery of services. The Council moved to Critical Service delivery on the evening of Monday 23 March 2020 following the announcements by the First Minister and Prime Minister on new coronavirus restrictions. This means that as a Category 1 responder the Council's primary responsibilities are working with other resilience partners to protect life, especially the vulnerable, and to support businesses and the wider public, and as such local authority workers are part of the essential response during the COVID-19 outbreak.

The Council approved at a meeting held via teleconference on 26 March 2020 some additions to Standing Orders and thus endorsed a more agile way of decision-making for urgent decisions within its governance arrangements, whilst ensuring the safety of officers, elected members and the community. All formal Council and Committee meetings had been cancelled, and further decision-

Annual Governance Statement

making responsibility was delegated to the Chief Executive, in consultation with the Convener, the Leader, and the Leader of the Opposition, on a temporary basis during the COVID-19 outbreak.

New innovations, business processes, and technology solutions have been embraced in order for the Council to deliver vital services to the community in its Category 1 responder role. In addition to delivering key core services the Council has had to develop and operate a variety of brand new initiatives to support key workers and also those most at risk in the area. This is part of the national response with some funding provided by Scottish Government. For example, Non Domestic Rates reliefs including the Business Grants Scheme, Hardship Fund, Scottish Welfare Fund, Food Fund, and Supporting Communities Fund.

The logistics of delivering services in a radically different way, in order to keep staff safe, and adhere to social distancing and self-isolation measures at the same time, has meant significant changes in when and where services are provided, deployment of a large number of staff who do not deliver critical services to undertake alternative duties, rapidly modernised IT support, and significant partnership working across the community. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including daily COVID-19 Strategic Group virtual meetings, conference calls, systems remote access, and regular staff briefings.

Initial work is underway on assessing the financial impact on the Council and the longer-term disruption and consequences arising from the significant coronavirus (COVID-19) outbreak. Furthermore there has been invaluable learning from operating in this unprecedented period of change, challenge and uncertainty which will be of benefit during the recovery phase that will also pose its challenges. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

Shona Haslam
Leader
Scottish Borders Council

Rob Dickson
Executive Director
Corporate Improvement
& Economy

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. The following information in this Remuneration Report has been audited by Audit Scotland:-

- Senior Councillor Remuneration Page 39
- Senior Officer Remuneration Page 41
- Pay Bandings Information Page 38
- Pension Benefits Information for Senior Councillors Page 45
- Pension Benefits Information for Senior Officers Page 46

The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration Policy

Remuneration of Senior Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2019/20 the salary for the Leader of Scottish Borders Council is £34,944. The regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors shall not exceed £305,746. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convener, is £298,061. Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members of the pension scheme.

The Remuneration for Members scheme which encompasses the salaries of all elected members including the Leader and Senior Councillors was agreed at a meeting of the full Council on 24 May 2012 and then amended at the meeting of Council on 30 August 2012 to take account of changes to the Scheme of Administration. At the Scottish Borders Council meeting of 25 May 2017 a new Scheme of Payment for Senior Councillors was agreed with sums payable from 18 May 2017.

Remuneration Report

Remuneration of Senior Employees

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

A senior employee is any employee who:

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

Remuneration Disclosures

General Disclosure by Pay Band

The Local Authority Accounts (Scotland) Regulations 2014 also requires information to be provided on the number of persons whose remuneration was £50,000 or more. This information is to be disclosed in bands of £5,000. The numbers of employees at Scottish Borders Council whose remuneration was £50,000 or more, excluding employer's pension and national insurance contributions, is shown in the following table:

Remuneration Bands	Chief Officer		Teachers		Other Staff		Total	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£50,000 - £54,999	1	2	52	87	21	13	74	102
£55,000 - £59,999	-	-	23	66	9	19	32	85
£60,000 - £64,999	3	-	2	34	1	2	6	36
£65,000 - £69,999	1	3	2	7	1	6	4	16
£70,000 - £74,999	1	2	4	1	-	-	5	3
£75,000 - £79,999	4	4	2	4	1	-	7	8
£80,000 - £84,999	4	1	-	2	-	-	4	3
£85,000 - £89,999	2	1	-	3	-	-	2	4
£90,000 - £94,999	-	2	-	-	-	-	-	2
£95,000 - £99,999	-	2	-	-	1	-	1	2
£100,000 - £104,999	-	-	-	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	-	-	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	1	-	-	-	-	-	1	-
£130,000 - £134,999	-	-	-	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	-	-	-	-
£140,000 - £144,999	-	1	-	-	-	-	-	1
Total	17	18	85	204	34	40	136	262

Remuneration Report

Remuneration of Senior Councillors

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

Total Remuneration 2018/19 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2019/20 £
33,992	S Haslam	Leader of the Council	34,944	-	34,944
25,494	D Parker	Convener	26,208	-	26,208
59,486		Leader and Convener Remuneration	61,152	-	61,152
22,329	A Aitchison	Executive Member for Neighbourhoods & Locality Services	22,954	-	22,954
18,524	S Bell	Chair of Audit & Scrutiny	19,043	-	19,043
22,329	G Edgar	Executive Member for Roads and Infrastructure (also Area Partnership Chair)	22,954	-	22,954
22,329	T Weatherston	Executive Member for Adult Social Care/Depute Convener	22,954	-	22,954
22,329	C Hamilton	Executive Member for Children & Young People	22,954	-	22,954
22,329	G Turnbull	Executive Member for Community Safety	22,954	226	23,180
22,587	M Rowley	Executive Member for Business & Economic Development	22,954	258	23,212
22,473	S Mountford	Executive Member for Transformation & HR to 30 November 2019 (also Area Partnership Chair to 24 October 2018)	15,303 (FYE 22,954)	103	15,406
22,329	E Jardine	Executive Member for Culture & Sport	22,954	-	22,954
22,503	T Miers	Executive Member for Planning & Environment	22,954	174	23,128
18,524	J Fullarton	Area Partnership Chair	19,043	-	19,043
20,916 (FYE 18,524) (FYE 22,329)	R Tatler	Area Partnership Chair to 30 August 2018; Executive Member for Finance from 31 August 2018 (also continuing as Area Partnership Chair)	22,954	162	23,116
10,855 (FYE 18,524)	N Richards	Area Partnership Chair from 31 August 2018	19,043	-	19,043
8,067 (FYE 18,524)	S Hamilton	Area Partnership Chair from 25 October 2018	19,043	283	19,326
278,423		Total Other Senior Councillor Remuneration	298,061	1,206	299,267
337,909		Total Senior Councillor Remuneration	359,213	1,206	360,419

The total remuneration figures relate to the salary, fees and allowances for 2019-20 are as included in the Comprehensive Income and Expenditure Statement. They are only in respect of monies paid to Councillors whilst actually holding a Senior Councillor position during that year.

Remuneration Report

Total Remuneration paid to Councillors

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

2018/19 £'000		2019/20 £'000
668	Salaries	679
90	Expenses	64
758	Total	743

The draft annual return of Councillors' salaries and expenses for 2019/20 is available on the Council's website at www.scotborders.gov.uk.

Remuneration Report

Remuneration of Senior Employees

The table below provides details of the remuneration paid to the Council's Senior Employees and reflects the Council corporate management restructure.

2018/19		2019/20					
Total Remuneration £	Name	Post Title	Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Total Remuneration £
Senior Employees in post as at 01/04/19							
129,246	TM Logan	Chief Executive (1)	143,432	-	-	-	143,432
42,681	JR Dickson	Executive Director (2)	47,582	-	-	-	47,582
88,540	KD Robertson	Executive Director (3)	95,788	77	-	-	95,865
84,936	J Craig	Service Director Customer & Communities	87,684	-	-	-	87,684
76,859	C Hepburn	Service Director HR & Communications	84,618	41	-	-	84,658
44,251 (FYE 74,975) (FYE 83,104)	SC Easingwood	Chief Officer Public Protection (appointed 26 September 2018 to 7 October 2018); Interim Service Director Children & Young People (appointed 8 October 2018)	91,239	-	-	-	91,239
86,364	M Joyce	Service Director Assets & Infrastructure	92,733	20	-	-	92,753
-	J Hedley	Chief Officer Roads (commenced post 13 February 2019)	77,224	-	-	-	77,224
-	JM Holland	Chief Operating Officer SB Cares (from 1 December 2019)	25,741	-	-	-	25,741
			(FYE 77,224)				
Senior Employees departed post before 01/04/20							
21,701	P Barr	Executive Director (left 31 December 2019) (4)	16,764 (FYE 22,352)	-	-	-	16,764
84,936	GB Frater	Service Director Regulatory Services (left 2 February 2020) (5)	73,621 (FYE 87,484)	15	-	-	73,636
76,859	D Girdler	Chief Officer Roads (left 19 April 2019) (6)	10,768 (FYE 79,165)	-	43,269	-	54,037
736,373		Total	847,195	153	43,269	-	890,616

Notes

- (1) TM Logan figure of £143,432 includes £5,422.50 for returning Officer fee for the European Parliamentary Election on 23 May 2019 and the Returning Officer fee for the General Election on 12 December 2019.
- (2) JR Dickson seconded to Scottish Government. The above figure represents 40% of time employed by SBC with the remaining 60% (£67,971) met by the Scottish Government. The figure of £47,582 includes £1,468.33 for Depute Returning Officer fee for both for the European Parliamentary Election on 23 May 2019 and the General Election on 12 December 2019.
- (3) KD Robertson figure of £95,788 includes £170 fee for European Parliamentary Election on 23 May 2019 and £215 fee for the General Election on 12 December 2019.
- (4) P Barr seconded to SB Cares (subsidiary) as Managing Director. The above figure represents 20% of time employed by SBC with the remaining 80% (£67,057) met by SB Cares.
- (5) GB Frater figure of £73,621 includes £215 fee for the General Election on 12 December 2019.
- (6) D Girdler figure of £10,768 includes payment of £7,940.87 in respect of leave accrued prior to departure on 19 April 2019.

Remuneration Report

The Council contributes £51,590 per annum towards salary and pension contributions of the post of Director of Public Health. Details of the remuneration paid in respect of this post can be found within the annual financial statements of NHS Borders (Borders Health Board). The Chief Officer post for the Integrated Joint Board between the Council and NHS Borders is funded jointly by both organisations. More information on the Integrated Joint Board can be found in their audited annual accounts.

Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2018/19 and 2019/20:

2019/20

Exit Package Cost band (including special payments) 2019/20	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	4	-	4	35,795
£20,001- £40,000	-	1	1	32,042
£40,001- £60,000	-	1	1	43,269
£60,001- £80,000	-	-	-	-
£80,001- £100,000	-	-	-	-
£100,001- £150,000	-	-	-	-
£150,001- £200,000	-	-	-	-
Total	4	2	6	111,107

The total costs of £0.111m in the table above includes exit packages that have been agreed and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

2018/19

Exit Package Cost band (including special payments) 2018/19	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	5	-	5	11,057
£20,001- £40,000	2	-	2	73,281
£40,001- £60,000	1	-	1	48,477
£60,001- £80,000	1	-	1	79,091
£80,001- £100,000	-	-	-	-
£100,001- £150,000	3	-	3	401,135
£150,001- £200,000	-	-	-	-
Total	12	-	12	613,042

Remuneration Report

Council Subsidiary Bodies

Separate disclosure of the remuneration and pension benefits of senior posts held in the Council subsidiary companies are required to be disclosed.

Bridge Homes LLP – Designated Member, David Robertson – details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables

SB Cares and SB Supports LLP – Managing Director, Philip Barr – details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables. SB Cares and SB Supports LLP both ceased trading on 30 November 2019 and their functions were re-integrated into Scottish Borders Council.

Live Borders – Chief Executive Officer, Ewan Jackson – see table below.

2018/19	Name	Post Title	2019/20			In-year pension contributions		Accrued Pension Benefits			
			Salaries, fees and allowances £	Taxable Expenses £	Benefits other than in cash £	Total Remuneration £	For year to 31 March 2019 £	For year to 31 March 2020 £	Type	As at 31 March 2020 £	Difference from 31 March 2019 £
79,216	Ewan Jackson	Chief Executive Officer	79,216	-	-	79,216	13,580	14,259	Pension	21,000	2,373
									Lump Sum	15,553	741

Pension Benefits

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

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

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

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much of their pay falls into each tier. The tiers and members contributions rates for 2019/20 were as follows:

Whole Time Pay	2019/20
On earnings up to and including £21,800 (2018/19 £21,300)	5.50%
On earnings above £21,801 and up to £26,700 (2018/19 £21,300 to £26,100)	7.25%
On earnings above £26,701 and up to £36,600 (2018/19 £26,100 to £35,700)	8.50%
On earnings above £36,601 and up to £48,800 (2018/19 £35,700 to £47,600)	9.50%
On earnings above £48,801 (2018/19 £47,600)	12.00%

Remuneration Report

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

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

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

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

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

Pension Benefits of Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2020 are shown in the following table, together with the contribution made by the Council to each Senior Councillor's pension during the year. It should be noted all Councillor pensions reported below are calculated on career average earnings.

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

Remuneration Report

Councillor Name	Responsibility	Restated In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2019	For year to 31 March 2020	Type	As at 31 March 2020	Difference from 31 March 2019
		£	£		£	£
S Haslam	Leader of the Council	6,119	6,290	Pension	2,106	748
				Lump Sum	-	-
D Parker	Convener	4,589	4,717	Pension	7,665	599
				Lump Sum	2,620	7
A Aitchison	Executive Member for Neighbourhoods & Locality Services	4,019	4,132	Pension	5,304	581
				Lump Sum	1,657	42
S Bell	Chair of Audit & Scrutiny	3,334	3,428	Pension	3,327	427
				Lump Sum	-	-
G Edgar	Executive Member for Roads and Infrastructure (also Area Partnership Chair)	4,019	4,132	Pension	3,630	529
				Lump Sum	-	-
T Weatherston	Executive Member for Adult Social Care/Depute Convener	4,019	4,132	Pension	9,474	716
				Lump Sum	15,761	418
C Hamilton	Executive Member for Children & Young People	4,019	4,132	Pension	1,388	492
				Lump Sum	-	-
G Turnbull	Executive Member for Community Safety	4,019	4,132	Pension	4,886	584
				Lump Sum	1,575	46
M Rowley	Executive Member for Business & Economic Development	4,019	4,132	Pension	1,388	492
				Lump Sum	-	-
S Mountford	Executive Member for Transformation & HR to 30 November 2019 (also Area Partnership Chair to 24 October 2018)	4,019	3,803	Pension	3,102	499
				Lump Sum	-	-
E Jardine	Executive Member for Culture & Sport	4,019	4,132	Pension	1,388	492
				Lump Sum	-	-
T Miers	Executive Member for Planning & Environment	4,019	4,132	Pension	1,388	492
				Lump Sum	-	-
J Fullarton	Area Partnership Chair	3,334	3,428	Pension	4,662	461
				Lump Sum	1,580	23
R Tatler	Area Partnership Chair to 30 August 2018; Executive Member for Finance from 31 August 2018 (also continuing as Area Partnership Chair)	3,736	4,132	Pension	1,282	490
				Lump Sum	-	-
N Richards	Area Partnership Chair from 31 August 2018	3,220	3,428	Pension	1,111	407
				Lump Sum	-	-
S Hamilton	Area Partnership Chair from 25 October 2018	3,059	3,548	Pension	1,106	421
				Lump Sum	-	-
Total		63,562	65,830			

Notes

- (1) Some Senior Councillors have transferred in previous rights to the Local Government Pension Scheme which has purchased pension in addition to their statutory benefits.

Remuneration Report

Pension Benefits of Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the full year to 31 March 2020.

Name		In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2019	For year to 31 March 2020	Type	As at 31 March 2020	Difference from 31 March 2019
Senior Employees in post as at 01/04/19		£	£		£	£
TM Logan	Chief Executive	21,848	24,463	Pension	51,885	5,291
				Lump Sum	80,367	6,914
JR Dickson	Executive Director (1)	7,682	7,913	Pension	18,492	2,640
				Lump Sum	-	-
KD Robertson	Executive Director	15,937	17,173	Pension	38,835	4,213
				Lump Sum	59,232	4,261
J Craig	Service Director Customer & Communities	15,288	15,747	Pension	38,803	2,803
				Lump Sum	63,042	1,836
C Hepburn	Service Director HR and Communications	13,835	14,539	Pension	16,936	2,216
				Lump Sum	2,689	131
CS Easingwood	Chief Officer Public Protection (appointed 26 September 2018 to 7 October 2018); Interim Service Director Children & Young People (appointed 8 October 2018)	13,182	15,450	Pension	25,801	4,657
				Lump Sum	31,314	4,596
M Joyce	Service Director Assets & Infrastructure	15,557	16,015	Pension	10,347	2,013
				Lump Sum	-	-
J Hedley	Chief Officer Roads (commenced post 13 February 2019)	-	13,900	Pension	24,647	5,923
				Lump Sum	32,077	7,391
JM Holland	Chief Operating Officer SB Cares (from 1 December 2019)	-	13,900	Pension	1,693	1,693
				Lump Sum	-	-
Senior Employees departed post before 01/04/20						
P Barr	Executive Director (2) (left post 31 December 2019)	3,906	3,018	Pension	29,852	2,130
				Lump Sum	23,700	524
GB Frater	Service Director Regulatory Services (left 2 February 2020)	15,288	13,213	Pension	48,584	2,485
				Lump Sum	93,820	2,316
D Girdler	Chief Officer Roads (left 19 April 2019)	13,835	509	Pension	4,146	58
				Lump Sum	-	-
Total		136,358	155,840			

Notes

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

- (1) JR Dickson seconded to Scottish Government. The above figure for in year contributions represents 40% of time employed by SBC.

Remuneration Report

(2) P Barr seconded to SB Cares (subsidiary) from 1 April 2015. The above figure for in year contributions represents 20% of time employed by SBC with the remaining 80% (£15,625) relating to the time spent at SB Cares.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is now required to publish details of Trade Union facility time incurred during the year, both in the financial statements and also on the Council website. The regulations apply from 1 April 2017 and require relevant public sector employers to collect and publish, on an annual basis, a range of information in relation to their usage and spend on trade union (TU) facility time in respect of their employees who are TU representatives. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities as a TU representative.

The regulations require Local Authorities to collate and publish the following information:-

Scottish Borders council has 23 staff members who are TU representatives.

The percentage of working time spent on TU activities by the 23 TU representatives can be broken down as follows:-

Percentage of Time	Number of TU Representatives
1% - 50%	17
51% - 99%	3
100%	3
Total	23

The percentage of the total pay bill spent on facility time is 0.107%

100% of paid facility time hours is spent on trade union activities.

Shona Haslam
Leader
Scottish Borders Council

Rob Dickson
Executive Director
Corporate Improvement
& Economy

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Balances of the General Fund line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked Balances of the General Fund undertaken by the Council. Further detail on the movement in reserves can be found at Note 31 on page 103.

Movement in reserves during 2018/19

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2018	(19,726)	(7,580)	(426)	(1,063)	(28,795)	(62,554)	(91,349)	

Movement in reserves during 2018/19

Total Comprehensive Income & Expenditure	16,933	-	-	-	16,933	13,431	30,364	CI & E
Adjustments between accounting basis & Funding basis under regulations	(14,762)	(1,223)	(21)	(134)	(16,140)	16,140	-	31
(Increase) or Decrease In 2018/19	2,171	(1,223)	(21)	(134)	793	29,572	30,364	
Balance at 31/03/2019 carried forward	(17,555)	(8,803)	(447)	(1,197)	(28,002)	(32,982)	(60,984)	

Movement in reserves during 2019/20

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2019	(17,555)	(8,803)	(447)	(1,197)	(28,002)	(32,982)	(60,984)	

Movement in reserves during 2019/20

Total Comprehensive Income & Expenditure	9,932	-	-	-	9,932	(75,456)	(65,523)	CI & E
Adjustments between accounting basis & Funding basis under regulations	(11,557)	(741)	446	(200)	(12,052)	12,052	-	31
(Increase) or Decrease In 2019/20	(1,624)	(741)	446	(200)	(2,119)	(63,404)	(65,523)	
Balance at 31/03/2020 carried forward	(19,179)	(9,544)	(1)	(1,397)	(30,121)	(96,386)	(126,507)	

Comprehensive Income and Expenditure Statement

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

2018/19			2019/20				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
8,454	(444)	8,010	Culture & Sport	9,164	(791)	8,373	
60,643	(11,284)	49,359	Asset & Infrastructure	65,761	(10,484)	55,277	
4,686	(1,894)	2,792	Economic Development & Corporate Services	4,499	(3,283)	1216	
123,979	(71,653)	52,326	Health & Social Care	136,118	(78,507)	57,611	
114,459	(5,466)	108,993	Children & Young People	117,832	(9,413)	108,420	
42,806	(29,599)	13,207	Customer & Communities	43,328	(26,808)	16,520	
18,349	(431)	17,918	Finance, IT & Procurement	21,151	(3,755)	17,396	
7,046	(460)	6,586	Human Resources	7,291	(681)	6,611	
19,820	(6,315)	13,505	Regulatory Services	20,734	(6,447)	14,287	
7,005	-	7,005	Non-Distributed Costs	3,322	-	3,322	
407,247	(127,546)	279,701	Net Cost of Services	429,201	(140,168)	289,033	
4,374	(4,500)	(126)	Roads Trading Operation (Surplus)/Deficit (External)	5,140	(5,200)	(60)	8
			Other Operating Expenditure				
2,304	(1,606)	698	(Gain)/Loss on Disposal of Assets	2,627	(2,556)	71	
			Financing & Investment Income and Expenditure				
14,366	-	14,366	Interest Payable & Similar Charges	12,756	-	12,756	29
-	(9)	(9)	Interest Receivable & Similar Income	-	(407)	(407)	
19,356	(15,055)	4,301	Net Interest Expense on the Net Defined Benefit Liability	20,249	(15,274)	4,975	20
			Taxation and Non-Specific Grant Income				
-	(169,560)	(169,560)	Revenue Support Grant	-	(171,088)	(171,088)	
-	(32,790)	(32,790)	Non-Domestic Rates Pool for Scotland	-	(36,624)	(36,624)	
-	(54,984)	(54,984)	Council Tax	-	(57,763)	(57,763)	
-	(24,664)	(24,664)	Capital Grants and Contributions	-	(30,961)	(30,961)	28
-	-	-		-	-	-	
447,647	(430,714)	16,933	(Surplus)/Deficit on Provision of Services	469,973	(460,040)	9,932	

Comprehensive Income and Expenditure Statement

2018/19				2019/20			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
447,647	(430,714)	16,933	(Surplus)/Deficit on Provision of Services	469,794	(459,861)	9,932	
		(3,533)	(Surplus)/Deficit on revaluation of Non Current Assets			(763)	
		-	Any Other (Gains) Or Losses			80	
		16,964	Actuarial (gains)/losses on pension assets/liabilities			(74,773)	
		13,431	Other Comprehensive Income and Expenditure			(75,456)	
		30,364	Total Comprehensive (Income)/Expenditure			(65,523)	

Balance Sheet

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

2018/19 £'000		2019/20 £'000	Notes
379,278	Property Plant and Equipment		
18,617	Other Land and Buildings	374,119	12
128,178	Vehicle, Plant, Furniture & Equipment	21,754	}
3,561	Infrastructure	129,942	
21,488	Surplus Assets	4,790	
1,036	Assets Under Construction	26,326	
61	Heritage Assets	1,036	
6,315	Intangible Assets	40	14
	Long Term Debtors	6,647	29
558,534	Long Term Assets	564,654	
14	Intangible Assets - Current	-	14
820	Inventories	951	24
48,463	Short Term Debtors	59,056	30
(11,244)	less Impairment of Receivables	(11,472)	
4,525	Cash and Cash Equivalents	10,488	34
42,578	Current Assets	59,024	
-	Bank Overdrafts	(367)	29
(3,275)	Short Term Borrowing	(4,054)	29
(47,425)	Short Term Creditors	(48,171)	30
(579)	Provisions	(389)	25
(51,279)	Current Liabilities	(52,982)	
(195,846)	Long Term Borrowing	(202,574)	29
(67,322)	Other Long Term Liabilities	(64,182)	17
(685)	Due to Trust Funds and Common Good	(879)	
(3,885)	Provisions	(3,607)	25
(23,509)	Capital Grants Receipts in Advance	(31,343)	
(291,247)	Long Term Liabilities	(302,584)	
258,586	Net Assets excluding pension liability	268,111	
(197,602)	Pension Liability	(141,604)	20
60,984	Net Assets/(Liabilities) including pension liability	126,507	

Balance Sheet

2018/19 £'000	Financed By:	2019/20 £'000	Notes
	Useable Reserves		
(8,803)	Capital Fund	(9,544)	} 31
(17,555)	General Fund Balance	(19,179)	
(447)	Property Maintenance Fund	(1)	
(1,197)	Insurance Fund	(1,397)	
	Unusable Reserves		
(122,348)	Capital Adjustment Account	(137,271)	} 31
6,760	Financial Instruments Adjustment Account	6,441	
(120,329)	Revaluation Reserve	(113,445)	
197,602	Pension Reserve	141,604	
5,333	Employee Statutory Adjustment Account	6,285	
(60,984)	Total Reserves	(126,507)	

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.

David Robertson CPFA
Executive Director
Finance & Regulatory

Cash Flow Statement

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

2018/19 Restated £'000		2019/20		Notes
		£'000	£'000	
16,933	Net (Surplus) or deficit on the provision of services		9,932	
(54,495)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(43,517)		32
23,802	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29,696		32
(13,760)	Net Cash Flows From Operating Activities		(13,821)	
	Investing Activities			
48,426	Purchase of PP&E, investment property and intangible assets	42,496		
(1,606)	Proceeds from PP&E, investment property and intangible assets	(2,556)		
-	Purchase/(Disposal) of short & long term investments	-		
(33,693)	Other Items which are Investing Activities	(38,355)		
13,127	Net Cash Flows from Investing Activities		1,585	
	Financing Activities			
(10,000)	Cash received from loans & other borrowing	(7,500)		
3,035	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,942		
13,036	Repayments of short and long term borrowing	-		
862	Other items which are financing activities	1,266		
6,933	Net Cash Flows from Financing Activities		(3,292)	
6,300	Net (Increase) or Decrease in Cash and Cash Equivalents		(5,596)	
10,825	Cash and Cash Equivalents at the beginning of the reporting period		4,525	
4,525	Cash and Cash Equivalents at the end of the reporting period		10,121	34
6,300	Movement		(5,596)	

Notes to the Core Financial Statements

Accounting Policies

General Principles

The Annual Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Annual Accounts have been prepared on a going concern basis.

Accruals of Income and Expenditure

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

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

Notes to the Core Financial Statements

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

Notes to the Core Financial Statements

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve).

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

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

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

Service cost comprising:

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

Remeasurements comprising:

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

Notes to the Core Financial Statements

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

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

Discretionary Benefits

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

Events after the Reporting Period

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

Two types of events can be identified:

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

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

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

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

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

Financial Instruments

The following policies are the Council's interpretation of the new IFRS 9 requirements according to the financial instruments that the Council hold.

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

Notes to the Core Financial Statements

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amounts at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Notes to the Core Financial Statements

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Fair Value Measurement

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

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

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

Notes to the Core Financial Statements

Government Grants

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

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

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

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

Heritage Assets

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

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

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

Notes to the Core Financial Statements

Intangible Assets

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

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

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

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

Inventories

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

Investment Property

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

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

Leases

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

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

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

Notes to the Core Financial Statements

The Council as Lessee

Finance Leases

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

Notes to the Core Financial Statements

Operating Leases

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

Private Finance Initiative (PFI)

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

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

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

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

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

Property, Plant and Equipment

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

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

The Council has a de minimis limit of £5,000 for single items of expenditure and £20,000 for groups of items costing less than £1,000 each. Items below these amounts are charged to the Comprehensive Income and Expenditure Statement. These limits have been applied in order to exclude individual assets, or works below these amounts, from the asset register.

Notes to the Core Financial Statements

Measurement: assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Core Financial Statements

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

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

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

- Land and Buildings
 - Land is not depreciated
 - Buildings are written off over their estimated life.

- Vehicles, Plant, Furniture and Equipment
 - Historic costs are written off over each asset's estimated life.

- Infrastructure
 - Historic costs are written off over the estimated useful life of the asset.

- Surplus Assets
 - Land is not depreciated
 - Buildings are written off over their estimated life.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the accounts when:

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

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

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

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

Notes to the Core Financial Statements

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

Notes to the Core Financial Statements

Note 1 First Time Adoption of Accounting Standards

There has been no first time adoption of Accounting Standards during 2019/20.

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

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

Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IAS 28 Investments in Associates and Joint Ventures

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

Note 3 Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the authority's balance sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming year is as follows;

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending in repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.

The impact of the current Coronavirus pandemic is not fully known and as a result there continues to be uncertainty surrounding the position of the property market. As a result, less weight can be placed upon previous market evidence for comparison purposes, to inform opinions of value, which therefore gives rise to increased uncertainty over the valuations of the current year of the Council's 5 year rolling valuation programme. It should be noted that the Council's Surveyors did not deem this uncertainty great enough to require the valuations to be issued on the basis of 'material valuation uncertainty' but have since agreed that it would be prudent to note that less certainty can be attached to the valuations than may otherwise be the case.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted process in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include

Notes to the Core Financial Statements

considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Significant changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for both surplus and financial assets.

Information about the valuations techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 12 and 29.

Provisions

The authority has made a provision of £0.268m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the authority or that precedents set by other authorities in the settlement of claims will be applicable. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.027m to the provision needed.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £69.704m. However, the assumptions interact in complex ways. During 2019/20, the authority's actuaries advised that the net pension liability had decreased by £83.391m as a result of estimates being revised and updating assumptions.

Arrears

At 31 March 2020, the authority had Accounts Receivable debtors due of £7.448m, Council Tax debtors of £22.319m and Non Domestic Rate debtors of £3.599m. Provision for bad debts amounted to £1.00m, £10.472m and £3.183m respectively. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, an increase in bad debts of 10% would require an additional £0.100m for Accounts Receivable debtors, £1.047m for Council Tax debtors and £0.318m for Non Domestic Rate debtors.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis

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

		2018/19				2019/20	
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000		£'000	£'000	£'000	
5,949	2,061	8,010	Culture & Sport	5,848	2,525	8,373	
30,844	18,515	49,359	Asset & Infrastructure	36,921	18,356	55,277	
620	2,171	2,791	Economic Development & Corporate Services	368	848	1,216	
51,018	1,308	52,326	Health & Social Care	54,836	2,775	57,611	
111,442	(2,449)	108,993	Children & Young People	106,824	1,596	108,420	
11,535	1,672	13,207	Customer & Communities	14,170	2,350	16,520	
33,115	(15,197)	17,918	Finance, IT & Procurement	31,092	(13,696)	17,396	
6,279	308	6,587	Human Resources	6,149	462	6,611	
6,713	6,792	13,505	Regulatory Services	7,059	7,228	14,287	
-	7,005	7,005	Non Distributed Costs	-	3,322	3,322	
257,515	22,186	279,701	Net Cost of services	263,267	25,766	289,033	
(255,344)	(7,424)	(262,768)	Other Income and Expenditure	(264,971)	(14,130)	(279,101)	
2,171	14,762	16,933	(Surplus) or Deficit on Provision of Services	(1,704)	11,636	9,932	
(19,726)			Opening General Fund Balance	(17,555)			
2,171			Less/Plus (Surplus) or Deficit on General Fund	(1,704)			
-			Transfer (to)/from reserves	80			
(17,555)			Closing General Fund as 31 March	(19,179)			

Notes to the Core Financial Statements

Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Culture & Sport	2,719	-	(132)	2,587	(61)	2,526
Asset & Infrastructure	11,432	3,807	468	15,707	2,648	18,355
Economic Development & Corporate Services	606	248	(4)	850	(2)	847
Health & Social Care	400	2,273	371	3,044	(269)	2,774
Children & Young People	5,702	3,173	396	9,271	(7,676)	1,595
Customer & Communities	201	2,119	54	2,374	(23)	2,351
Finance, IT & Procurement	(14,091)	526	(192)	(13,757)	62	(13,695)
Human Resources	-	420	20	440	22	462
Regulatory Services	678	1,234	16	1,928	5,300	7,227
Non Distributed Costs	3,322	-	-	3,322	-	3,322
	10,969	13,800	996	25,766	-	25,766
Other income and expenditure from the Expenditure and Funding Analysis	(18,329)	4,975	(776)	(14,130)	-	(14,130)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(7,360)	18,775	220	11,636	-	11,636

Adjustments between Funding and Accounting Basis 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Culture & Sport	2,075	-	(7)	2,068	(7)	2,061
Asset & Infrastructure	12,974	2,814	(74)	15,714	2,801	18,515
Economic Development & Corporate Services	2,000	188	(13)	2,175	(4)	2,171
Health & Social Care	406	1,063	(68)	1,401	(93)	1,308
Children & Young People	3,476	2,082	(68)	5,490	(7,940)	(2,450)
Customer & Communities	223	1,553	(75)	1,701	(29)	1,672
Finance, IT & Procurement	(15,394)	360	(160)	(15,194)	(2)	(15,196)
Human Resources	-	328	(17)	311	(3)	308
Regulatory Services	749	890	(124)	1,515	5,277	6,792
Non Distributed Costs	1,017	5,988	-	7,005	-	7,005
	7,526	15,266	(606)	22,186	-	22,186
Other income and expenditure from the Expenditure and Funding Analysis	(13,578)	4,301	1,853	(7,424)	-	(7,424)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(6,052)	19,567	1,247	14,762	-	14,762

Notes to the Core Financial Statements

(Note 1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for those which conditions were satisfied in the year.

(Note 2) Changes for Pension Adjustments

Net change for the removal of pension contributions and addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with the current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

(Note 3) Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** – the other statutory adjustments column recognises adjustment to the General Fund for the timing differences for premiums and discounts.

(Note 4) Other Non-Statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- **For financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for interest income and expenditure and changes in the fair values of investment properties.
- **For taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for un-ring-fenced government grants.

It should be noted that the tables on pages 69 and 70 are analysed as per the Council's management reporting structure.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis (continued)

The Council's Expenditure and Income is analysed as follows:-

Expenditure/Income	2018/19 £'000	2019/20 £'000
Expenditure		
Employee Benefits Expenses	152,434	166,555
Other Service Expenses	227,257	234,444
Support Services Recharges	471	469
Depreciation, Amortisation, Impairment	31,259	32,469
Interest Payments	14,366	12,756
Loss on Disposal of Assets	698	71
Total Expenditure	426,485	446,764
Income		
Fees, Charges and Other Service Income	(127,545)	(139,989)
Interest and Investment Income	(9)	(407)
Income from Council Tax and Non Domestic Rates	(87,774)	(94,387)
Government Grants and Contributions	(194,224)	(202,049)
Total Income	(409,552)	(436,832)
(Surplus) or Deficit on the Provision of Services	16,933	9,932

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations during the year.

Note 7 Prior Year Adjustments

It should be noted that the prior year cash flow statements and group accounts have been restated. The cash flow statements have been restated as a consequence of a cash flow process review undertaken during 2019/20. The group accounts were restated to reflect the removal of two associates, in agreement with our external auditors, on the grounds of materiality.

Note 8 Significant Trading Operation

SBc Contracts is the only 'Significant Trading Operation' at Scottish Borders Council in terms of the Local Government (Scotland) Act 2003. The financial performance is summarised below:

2018/19 £'000		2019/20 £'000	3 Year Cumulative £'000
(4,500)	External Turnover for the Year	(5,200)	(17,636)
(126)	(Surplus) / Deficit	(60)	(95)

Notes to the Core Financial Statements

SBc Contracts undertakes a wide range of activities including:

- Revenue and Capital works for Council Services including
 - Highway and Bridge construction
 - Planned and reactive maintenance
 - Flood Prevention and Repair works
 - Public Realm and Cycleway works
 - Construction and Maintenance works to Council Buildings and Property
- External contracts for other local authorities and the Scottish Government.
- Sub-contractor on a number of public contracts.
- A wide range of external contracts for the private sector.

SBc Contracts employs 130 manual workers and 22 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. The organisation continued to contribute strongly to Council resources both directly and indirectly through:

- Supporting additional high added-value jobs in the Vehicle Maintenance trading operation.
- Maintaining very competitive charge-out rates to offer “Best Value” for Council Revenue and Capital projects.

In 2019/20 SBc Contracts recorded an annual operating surplus of £1.217m against a revised budget target of a £0.699m surplus. After technical adjustments for pension (IAS 19) and Employee benefits accrual the net final position was £0.321m surplus.

In 2019/20 a restructure of the Roads Service and SBc Contracts was implemented, the turnover increased by £9m to £25.6m primarily as a result of SBc Contracts carrying out works previously undertaken by the Roads Service. Of the total, £5.2 million, 20% was generated by external work.

The order book remains strong with major works programmed to continue on Early Years Facilities in Peebles and Innerleithen, Advance Works for Hawick Flood Scheme all for SBC as well as Sergeants Park, Newtown St Boswells and Langhaugh Road, Galashiels for Hart Builders. Road Surface Dressing Framework Agreements for both South Lanarkshire Council and East Lothian Council continue this year. Negotiations are ongoing with the newly appointed South East Trunk Road contractor BEAR and other potential Contracts within the Public and Private sector are being pursued.

SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £7.9 million during 2019/20.

Significant trading operations are required to at least achieve break-even over rolling three-year periods. For the 3 year period ending in financial year 2019/20 SBc Contracts generated a cumulative total surplus of £0.827million.

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2019/20 Scottish Borders Council received £0.359m in commission from Scottish Water as part of the agency agreement. This amount is set in legislation by the new Water Order which came into force in April 2014 covering the period April 2014 to March 2020.

Note 10 Related Parties

The Council is required to disclose material transactions with related parties, that is bodies and individuals that have the potential to control or influence the Council or be controlled and influenced by the Council.

Central Government has effective control over the general operations of the Council by providing the statutory framework in which the Council operates, the majority of the Council's funding by providing grants and prescribes the nature of many of the transactions the Council has with third parties, e.g. Housing Benefit.

Notes to the Core Financial Statements

Members of the Council have direct control over the financial and operating policies of the Council. A review of the interests declared in the Members' Register of Interests confirmed that the Council had no material transactions with any company in which any member had an interest. The total value of transactions between the Council and companies in which members have an interest in 2019/20 was £0 (2018/19: £0m). The Remuneration Report shows the total allowances paid to senior members in 2019/20. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

A review by departments of their registers of interests confirmed that there were no material transactions between the Council and any company in which any officer had an interest. The total value of transactions between the Council and companies in which Officers have an interest is £0.119m.

During 2019/20, the Scottish Borders Council Pension Fund had an average balance of £1.50m (2018/19: £0.62m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.005m (2018/19: £0.004m). In addition the Council charged the Pension Fund £0.343m in respect of expenses incurred in administering the Fund. There are no additional related party transactions that require to be disclosed. The Pension Fund balance due from Scottish Borders Council to the Pension Fund at the balance sheet date and disclosed in the net assets statement is as follows:

	2018/19	2019/20
Due to/ (from) the Scottish Borders Council Pension Fund	(£0.343m)	(0.142m)

The Council provided routine material financial assistance to other bodies in 2019/20 as follows:

- Jedburgh Leisure Facilities Trust £0.115m

The Council works closely with NHS Borders in order to provide a range of services across health and social care pathways. In terms of social care specifically, NHS Borders contributes towards the cost of the services provided in four main ways.

Resource Transfer – a total of £2.555m was transferred from NHS Borders and utilised as follows:

Children's Services	£0.107m
Older People	£1.220m
Adults with Learning Difficulties	£0.945m
People with Mental Health Needs	£0.075m
Support Services	£0.208m

Other funding from NHS Borders in 2019/20 to support services is:

Older people	£7.623m
Adults with Learning Difficulties	£1.673m
People with Mental Health Needs	£0.512m
People with Physical Difficulties	£0.382m
Other Support Services	£2.520m

This includes the additional Scottish Government allocation of Social Care Funding directed by the Health and Social Care Partnership Integration Joint Board during the financial year.

Borders Ability Equipment Store

The Store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure totalled £0.933m in 2019/20 with a contribution from the NHS Borders of £0.443m. The contribution from NHS Borders is now a 50% contribution of spend.

Notes to the Core Financial Statements

Galashiels Resource Centre

This is a day centre run jointly with the NHS Borders for adults with mental health needs. The full time manager of this service is employed by NHS Borders with a recharge of £0.026m to the Council. All other expenditure is incurred by the Council.

Scottish Borders Council is a corporate member of Tweedside NHT 2011 LLP and Bridge Homes LLP, which have been established to assist in the delivery of affordable housing, in accordance with the Scottish Government's National Housing Trust (NHT) initiative. The Council has consent to borrow (from the Scottish Government) to finance loans to Tweedside NHT 2011 LLP and Bridge Homes LLP in respect of housing units.

The Council made no further advances to Tweedside NHT 2011 LLP during 2019/20 and all capital monies have been fully repaid. Tweedside NHT 2011 LLP will be formally wound up during 2020/21.

The Council made no further advances to Bridge Homes LLP during 2019/20. The Council received interest on the advance from Bridge Homes LLP during the year. The Council's net advances to Bridge Homes LLP are shown within long term debtors on the Council's balance sheet. Bridge Homes LLP have been consolidated into the Council's Group Accounts as a Subsidiary.

SB Supports was a registered Limited Liability Partnership between Scottish Borders Council and SBC Nominees. This was established on 1st April 2015 to work in partnership on the provision of adult social care services. In 2019/20 the Council made a contract management payment of £11.482m to SB Supports. SB Supports ceased trading on 30th November 2019, with all operations being re-integrated to Scottish Borders Council on this date.

The Scottish Borders Health and Social Care Integration Board was established on 6th February 2016. This is a partnership between Scottish Borders Council and NHS Borders which has been established to bring about change in the way health and social care services are planned, commissioned and delivered. In 2019/20 the Council made a payment of £55.426m to the Board with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31st March 2020 a debtor of £1.924m and creditor figure of £5.593m between the Board and Scottish Borders Council was outstanding.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. A payment of £6.176m (including management fee of £5.684m) was made to the trust in 2019/20.

Lowood Tweedbank Limited was established on 30 November 2018 to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements. Rental income for 2019/20 due to Lowood Tweedbank Limited amounted to £48k.

Common Good and Trusts

Interest payable to Common Good and Trust Funds in relation to investments in SBC Loans Fund was £4k for 2019/20.

Note 11 Audit Remuneration

In 2019/20 the agreed audit fee for the year was £0.280m in respect of services provided by Audit Scotland (2018/19 £0.275m). Within this fee £6k is in respect of services provided by Audit Scotland in relation to the audit of Scottish Borders Council Common Good and Trust Funds Annual Accounts. (£6k in 2018/19)

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2019/20

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE *	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2019	414,512	62,106	237,218	21,524	3,601	1,036	739,997
Acquisitions & Recognition in the year	5,905	12,132	10,569	13,473	19	-	42,098
Revaluation Increase/(Decrease) To Revaluation Reserve	581	-	-	-	135	-	716
Revaluation Increase/(Decrease) To CIES	15	-	-	-	(1,541)	-	(1,526)
Transfers	4,478	-	-	(7,618)	3,128	-	(12)
Disposals	(417)	(3,232)	-	(36)	(507)	-	(4,192)
Gross book value (GBV) at 31 March 2020	425,074	71,006	247,787	27,343	4,835	1,036	777,081
Cumulative depreciation at 31 March 2019	(35,234)	(43,489)	(109,040)	(36)	(40)	-	(187,839)
Depreciation for the year	(12,444)	(6,838)	(8,250)	-	(51)	-	(27,583)
Revaluation Written Out To Revaluation Reserve	85	-	-	-	227	-	312
Revaluation Written Out To CIES	-	-	-	-	24	-	24
Impairment Losses Recognised In Revaluation Reserve	(266)	-	-	-	-	-	(266)
Impairment Losses Recognised In CIES	(3,369)	(397)	(555)	(1,017)	-	-	(5,338)
Transfers	243	-	-	-	(231)	-	12
Disposals	30	1,472	-	36	26	-	1,564
Cumulative depreciation at 31 March 2020	(50,955)	(49,252)	(117,845)	(1,017)	(45)	0	(219,114)
Net book value at 31 March 2020	374,119	21,754	129,942	26,326	4,790	1,036	557,967
Net book value at 31 March 2019	379,278	18,617	128,178	21,488	3,561	1,036	552,158

* VPFE – Vehicles, Plant, Furniture and Equipment

Notes to the Core Financial Statements

Comparative Movements in 2018/19

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2018	400,199	54,849	224,207	9,807	4,857	1,036	694,955
Acquisitions & Recognition in the year	15,737	7,811	11,116	13,108	9	-	47,781
Revaluation Increase/(Decrease) To Revaluation Reserve	2,040	-	-	-	763	-	2,803
Revaluation Increase/(Decrease) To CIES	(2,780)	-	-	-	(622)	-	(3,402)
Transfers	347	1,932	1,895	(139)	(15)	-	2,768
Disposals	(1,031)	(2,486)	-	-	(1,391)	-	(4,908)
Gross book value (GBV) at 31 March 2019	414,512	62,106	237,218	21,524	3,601	1,036	739,997
Cumulative depreciation at 31 March 2018	(21,671)	(38,452)	(98,208)	-	(115)	-	(158,446)
Depreciation for the year	(12,081)	(5,730)	(9,273)	-	(57)	-	(27,141)
Revaluation Written Out To Revaluation Reserve	1,383	-	-	-	34	-	1,417
Revaluation Written Out To CIES	551	-	-	-	42	-	593
Impairment Losses Recognised In Revaluation Reserve	(503)	-	(184)	-	-	-	(687)
Impairment Losses Recognised In CIES	(2,287)	(504)	(584)	(36)	-	-	(3,411)
Transfers	(703)	(1,289)	(791)	-	15	-	(2,768)
Disposals	77	2,486	-	-	41	-	2,604
Cumulative depreciation at 31 March 2019	(35,234)	(43,489)	(109,040)	(36)	(40)	-	(187,839)
Net book value at 31 March 2019	379,278	18,617	128,178	21,488	3,561	1,036	552,158
Net book value at 31 March 2018	378,528	16,397	125,999	9,807	4,742	1,036	536,509

Notes to the Core Financial Statements

The Council had no investment properties in 2019/20

Community assets are valued on a historical cost basis at nil value as per the Code and include assets such as parks, playing fields, cemeteries, etc. Such assets are all included in Other Land & Buildings.

In accordance with IFRS13 Fair Value Measurement, all Surplus Assets are now valued at highest and best use from market participants perspective. All revaluations fall under Level 1 of the fair value hierarchy.

Capital Commitments

As at 31 March 2020 the Council has entered into a number of commitments for the construction or enhancement of Property, Plant and Equipment in future years, this is budgeted to cost £9.909m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2020 £'000
Culture & Sport	2,563
Asset & Infrastructure	1,400
Economic Development & Corporate Services	1,329
Children & Young People	2,243
Finance, IT & Procurement	2,374
Total	9,909

Valuation and Depreciation

Land and Buildings

- The Council has adopted a 5-year rolling programme of revaluations whereby each individual asset will be examined during that term in line with events and planned capital expenditure. During 2019/20 the fixed assets relating to Common Good & Trusts and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. In accordance with IFRS13 Fair Value measurement, Surplus assets are now valued at highest and best use. Properties were valued by the Council's Estates Manager, N.Hastie MRICS.

Vehicles, Plant, Furniture and Equipment

- All Vehicles and Plant were valued at depreciated historic cost.

Infrastructure

- Infrastructure was valued at depreciated historic cost.

Depreciation

- Land has not been depreciated.
- Buildings and Surplus Properties have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the valuer.
- Vehicles, Plant, etc. have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the Transport Manager.
- Furniture & Fittings are depreciated over 5 years.
- IT equipment is depreciated between 3 and 5 years.
- Roads infrastructure has been depreciated, using the straight-line method, over 25 years.
- IT infrastructure has been depreciated over 5 years.

Depreciation has been directly charged to services.

Notes to the Core Financial Statements

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluation Cycle

The groups of land and buildings revalued in each of the last five years were:

- 1 April 2019 – Common Good, Trust and Surplus Properties
- 1 April 2018 – Planning, Economic Development, and Surplus Properties
- 1 April 2017 – Education & Lifelong Learning and Surplus Properties
- 1 April 2016 – Social Work, Resources and Surplus Properties
- 1 April 2015 – Technical Services and Surplus Properties

Technical Services Properties will be revalued as at 1 April 2020 with the resulting adjustments incorporated into the 2020/21 accounts of the Council.

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	372,866	70,733	247,698	27,343	9,287	1,036	728,963
New Certified Valuation							
1st April 2019	681	-	-	-	(1,155)	-	(474)
1st April 2018	1,194	-	-	-	218	-	1,412
1st April 2017	36,465	-	-	-	(4,178)	-	32,287
1st April 2016	6,126	-	-	-	429	-	6,555
1st April 2015	7,742	273	89	-	234	-	8,338
Gross book value (GBV) at 31 March 2020	425,074	71,006	247,787	27,343	4,835	1,036	777,081

Notes to the Core Financial Statements

Note 13 Heritage Assets

	Museum Collection £'000	Fine Arts Collection £'000	Monuments, Memorials & Statues £'000	Totals Tangible Fixed Assets £'000	Total Heritage Assets £'000
Cost or Valuation at 31 March 2018	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2019	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2020	161	771	104	1,036	1,036

There were no revaluations of heritage assets during the year.

The Council accepts the general principle that it is its responsibility to ensure to the best of its ability that all of the Collections in its care are adequately housed, professionally cared for, conserved and documented in line with their cultural and historic importance to the Communities of the Scottish Borders. The Collection Policy approved in September 2010 can be obtained from the Education & Lifelong Learning Department of the Council.

Museum Collection

This collection is held for display in the various Museum Service venues throughout the Scottish Borders. Those items not on display are held in secure store in various locations.

Fine Arts Collection

This collection is on display at a number of Council owned locations in the Scottish Borders and through loan at other locations containing National Collections. It comprises pictures by leading Border Artists including Tom Scott and Anne Redpath and pictures of Border subjects.

Archive Centre Collection

The collecting policy for the papers and recordings in these growing collections is set out on the Heritage Hub website and a full index of papers held is available at the Archive Centre. All of the material is available for public access and relates to Scottish Borders families, locations and institutions.

Monuments, Memorials and Statues Collection

This collection is recorded in the Property & Facilities Service of the Chief Executive's Department and includes the numerous War Memorials throughout the Borders, the monuments on Council land and the statues located in the parks and streets of the villages and towns of the Borders.

Notes to the Core Financial Statements

Note 14 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounts for as part of the hardware item of Property, Plant and Equipment. Intangible assets in the form of purchased software are amortised on a straight line basis over the estimated useful life of the asset, which is estimated at 3 to 5 years.

2018/19 £'000		2019/20 £'000
1,732	Gross book value (GBV) at 31 March	1,402
52	Prior Period adjustment	-
1,784	Revised Gross book value (GBV) at 31 March	1,402
56	Expenditure in the year	13
(438)	Disposals	-
1,402	Gross book value (GBV) at 31 March	1,415
(1,726)	Cumulative amortisation at 31 March	(1,341)
(52)	Prior Period adjustment	-
(1,778)	Revised Cumulative amortisation at 31 March	(1,341)
(1)	Amortisation for the year	(29)
-	Impairment Losses Recognised in CIES	(5)
438	Disposals	-
(1,341)	Cumulative amortisation at 31 March	(1,375)
61	Net book value at 31 March	40

There were no revaluations of intangible assets in 2018/19 or 2019/20.

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2018/19 or 2019/20.

Note 16 Private Finance Initiatives and Similar Contracts

During 2006/07 the Council entered into a Public Private Partnership (PPP) for the provision of new secondary schools in Earlstoun, Duns and Eyemouth. These assets are recognised on the Council's Balance Sheet. During 2017/18 the Council entered into an agreement for the provision of a new secondary school in Kelso, this has also been recognised as an asset on the Council's Balance Sheet.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2020 are as follows:

Notes to the Core Financial Statements

	Payments for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2020/21	5,401	3,226	2,830	11,457
Payable within two to five years	23,653	11,761	11,083	46,497
Payable within six to ten years	36,607	14,955	12,529	64,091
Payable within eleven to fifteen years	43,863	18,533	9,142	71,538
Payable within sixteen to twenty years	39,446	16,567	4,809	60,822
Payable within twenty one to twenty five years	1,723	2,367	1,878	5,968
Total	150,693	67,409	42,271	260,373

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure they incurred and interest payable.

Note 17 Leases

Council as Lessee

Finance Leases

The net book value of assets held under finance leases at the Balance Sheet date is as follows:

2018/19 £'000		2019/20 £'000
	Net Asset Value	
82,203	Land and buildings	80,070
82,203		80,070

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The balances shown under Land and Buildings above (with the exception of £0.004m in relation to industrial units), relate to the Council's PPP arrangement for the provision of four secondary schools, as detailed in Note 16. The minimum lease payments are made up of the following amounts:

Land & Buildings 2018/19 £'000		Land & Buildings 2019/20 £'000
	Finance Lease Liabilities	
3,027	Not later than 1 year	3,226
11,836	Later than 1 year and not later than 5 years	11,761
55,486	Later than 5 years	52,422
	Finance Costs Payable in Future Years	
2,804	Not later than 1 year	2,830
11,162	Later than 1 year and not later than 5 years	11,083
30,989	Later than 5 years	28,358
115,304	Minimum Lease Payments	109,679

The contingent rental figure, recognised as an expense in 2019/20 in respect of the Council's PPP arrangements, was £1.581m (2018/19 £1.454m).

Notes to the Core Financial Statements

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

2018/19 £'000		2019/20 £'000
291	Not later than 1 year	308
1,233	Later than 1 year and not later than 5 years	1,233
1,722	Later than 5 Years	1,413
3,246	Total	2,954

Council as Lessor

Finance Leases

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2018/19 £'000		2019/20 £'000
1,727	Not later than one year	1,722
1,428	Later than one year and not later than five years	1,423
5,640	Later than five years	6,098
8,795	Total	9,242

Notes to the Core Financial Statements

Note 18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

2018/19		2019/20	
£'000		£'000	
307,567	Opening capital financing requirement		315,352
	Capital Investment		
1,146	Consent to Borrow	-	
-	- Subordinated Debt	304	
47,823	Property , plant and equipment	43,859	
56	Intangible assets	13	44,176
	Sources of Finance		
(1,165)	Capital Receipts	(2,638)	
(28,118)	Government grants and other contributions	(32,945)	
(563)	NHT Repayment of Principal	-	
-	- Subordinated Debt Repayment	(4)	
(11,394)	Loans fund repayments	(10,539)	(46,126)
315,352	Closing Capital Financing Requirement		313,402

2018/19		2019/20	
£'000		£'000	
	Explanation of Movements in Year		
-	Increase in underlying need to borrow (supported by government financial assistance)		-
7,785	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)		(1,950)
7,785	Increase/(Decrease) in capital financing requirement		(1,950)

Note 19 Termination Benefits

During 2019/20 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 6 employees, incurring expenditure of £0.111m - see the Remuneration Report for further detail on the exit packages granted and total cost per band. These packages are attributable to various areas throughout the Council.

Note 20 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two formal pension schemes:

The Local Government Pension Scheme is a funded defined benefit career average salary pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018, as amended. The Pension Fund is

Notes to the Core Financial Statements

subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

The Teachers' Pension Scheme is a defined benefit scheme. However it is accounted for as a defined contribution scheme. Further details can be found at Note 21.

Transactions relating to retirement benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2018/19 £'000	Comprehensive Income and Expenditure Statement	2019/20 £'000
	<i>Cost of Services</i>	
21,019	Current Service Costs	26,850
5,988	Past Service Costs, including curtailments	-
	<i>Financing and Investment Income and Expenditure</i>	
4,301	Net Interest Expense	4,975
31,308	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	31,825
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
(34,341)	Return on plan assets (excluding the amount included in the net interest expense)	21,700
50,289	Actuarial (gains) and losses arising on changes in financial assumptions	(72,466)
-	Actuarial (gains) and losses arising on changes in demographic assumptions	(28,995)
1,016	Other	4,988
16,964	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(74,773)
	<i>Movement in Reserves Statement</i>	
19,567	Reversal of net charges made for retirement benefits in accordance with the Code	27,393
	Actual amount charged against the General Fund Balance for pensions in the year	
10,314	Employers' contributions payable to the scheme	11,670
1,427	Retirement benefits payable to pensioners	1,380
-	Effect Of Business Combinations & Disposals	(8,618)

Notes to the Core Financial Statements

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:-

2018/19 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2019/20 £'000
833,535	Present value of the defined benefit obligation	776,923
(635,933)	Fair value of plan assets	(635,319)
197,602	Sub total	141,604
197,602	Net liability arising from defined benefit obligation	141,604

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. Finance will only be required to cover discretionary benefits when the pensions are actually paid.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2018/19 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2019/20 £'000
594,200	Opening Fair Value of Scheme Assets	635,933
15,055	Interest Income	15,274
	Remeasurement (gains) and losses:-	
34,341	Return on plan assets, excluding the amount included in the net interest expense	(21,700)
-	Other	
11,741	Employer Contributions including unfunded pensions	11,670
3,290	Contributions by Scheme Participants	3,861
(22,694)	Estimated Benefits Paid	(24,019)
-	Effect Of Business Combinations & Disposals	14,300
635,933	Closing Fair Value of Scheme Assets	635,319

Notes to the Core Financial Statements

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2018/19 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2019/20 £'000
755,271	Opening Defined Benefit Obligation	833,535
21,019	Current Service Cost	26,850
19,356	Interest Cost	20,249
3,290	Contributions by Scheme Participants	3,861
-	Effect Of Business Combinations & Disposals	22,918
	Remeasurement (gains) and losses:-	
50,289	Actuarial (gains)/losses arising from changes in financial assumptions	(10,146)
1,016	Other	(3,630)
5,988	Past Service Cost	-
(21,267)	Benefits Paid	(24,019)
(1,427)	Unfunded Pension Payments	(1,380)
833,535	Closing Defined Benefit Obligation	776,923

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2020.

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:-

All scheme assets have quoted prices in active markets other than the managed fund - Multi Assets, which is unquoted.

2018/19 £'000	Local Government Pension Scheme assets comprised:	2019/20 £'000
14,414	Cash and cash equivalents	9,955
	Equity Instruments	
	<i>By industry type</i>	
31,163	Consumer	30,033
34,301	Manufacturing	26,742
5,628	Energy and utilities	19,025
43,527	Financial Institutions	32,022
12,429	Health and Care	20,781
27,708	Information Technology	17,599
1,452	Other	1,908
156,208		148,110
	Investment Funds - Quoted in Active Market	
139,094	Managed Fund - UK Equities Passive	127,114
92,386	Managed Fund - Property	88,939
100,508	Managed Fund - Bonds	119,193
331,988		335,246
	Investment Funds - Not Quoted	
133,323		142,008
635,933	Total Assets	635,319

The risks relating to direct equity instruments in the scheme are also analysed by company size below:

2018/19 £'000	Fair Value of Scheme Assets	2019/20 £'000
	Equity instruments:	
	<i>By company size</i>	
156,208	Large capitalisation	148,110

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary are shown below:

2018/19	Basis for Estimating Assets and Liabilities	2019/20
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
21.60	Men	22.40
24.20	Women	24.00
	- longevity at 65 for future pensioners (years)	
23.30	Men	23.80
26.00	Women	25.50
3.4%	Rate of inflation - RPI	3.2%
2.4%	Rate of inflation - CPI	2.3%
3.5%	Rate of increase in salaries	2.9%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%

The Scheme assets consist of the following categories by proportion and the value of assets held:

2018/19		Category Analysis of the Scheme Assets as at 31 March 2020	2019/20	
%	£'000		%	£'000
46	295,302	Equities	43	275,224
-	-	Gilts	-	-
16	100,508	Other Bonds	19	119,193
15	92,386	Property	14	88,939
2	14,414	Cash	2	9,955
19	121,619	Multi-Asset Fund	14	90,302
-	-	Private Credit	-	-
2	11,704	Infrastructure	8	51,706
100	635,933	Total	100	635,319

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to the Core Financial Statements

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employers Liability £'000
Adjustment to real discount rate - 0.5% decrease	9%
Adjustment to long term salary increase - 0.5% increase	2%
Adjustment to pension increase rate - 0.5% increase	7%
Adjustment to mortality rating assumption - 1 year increase	3-5%

Note 21 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2019/20 the Council paid £10.132m to teachers' pensions in respect of teachers' retirement benefits, representing 17.2% of pensionable pay for the period 1st April to 31st August 2019 and 23% from 1st September 2019 to 31st March 2020 (£7.551mm and 17.2% in 2018/19). The employer's contribution rate has increased as a result of a revaluation of the Scottish Teacher's pension scheme under the Public Service Pensions Act 2013. There were no contributions remaining payable at the year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers' pensions use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside of the terms of the teachers' Scheme. In 2019/20 these amounted to £0.721m representing 1.46% of pensionable pay (£0.713m and 1.62% in 2018/19).

Note 22 Scottish Borders Council Pension Fund

Scottish Borders Council manages and administers this Fund which provides pensions and other benefits to its employees and a further 16 employers in the Scottish Borders. As at 31 March 2020 there were 11,338 members.

The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 (SSI 2010/234) require an administering authority to publish a separate pension fund annual report. This report will include a Fund Account, Net Asset Statement with supporting notes and disclosures prepared in accordance with proper practices.

A copy of this report is available by contacting Scottish Borders Council, Chief Executive's Department, Council Headquarters, Newtown St Boswells, TD6 0SA.

Note 23 Events After the Balance Sheet Date

There were no events to report after the balance sheet date.

Notes to the Core Financial Statements

Note 24 Inventories

2018/19 £'000		2019/20 £'000
677	Balance outstanding at start of year	820
143	Movement during year	132
820	Balance outstanding at year-end	952

Note 25 Provisions

Provisions are recognised in the accounts when:

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

Where it is estimated that a provision will be utilised within 12 months of the Balance Sheet date it is included within current liabilities.

	Contractual Claims £'000	Equal Pay £'000	Voluntary Severance / Early Retirement £'000	Asset Decommissioning £'000	Total £'000
Balance at 1 April 2019	(72)	(268)	(68)	(4,056)	(4,464)
Additional charges to provisions	(17)	-	-	(142)	(159)
Payments made or released	9	-	68	550	627
Balance at 31 March 2020	(80)	(268)	-	(3,648)	(3,996)
Within 12 Months	(80)	(268)	-	(42)	(390)
Over 12 months	-	-	-	(3,606)	(3,606)
Total	(80)	(268)	-	(3,648)	(3,996)

Provision for contractual claims is the anticipated cost for remedial works relating to SBc Contracts.

Equal Pay Provision - Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay.

Provision for asset decommissioning reflect the Council's liability for restoration and ongoing maintenance in respect of the Langlee landfill site. This has been provided for based on the net present value of estimated future costs.

Notes to the Core Financial Statements

Note 26 Contingent Liabilities

The following contingent liabilities are noted:

- The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £320,644, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £0 at the Balance Sheet date.
- There has been a European Court of Justice ruling relating to workers annual leave payment entitlement. The financial implications of this judgement for Scottish Borders Council are unclear at present and therefore this has been included as a contingent liability in this years' annual accounts.
- The Council has a commitment to provide Bridge Homes LLP with a loan facility up to a maximum value of £18.8m in order to allow Bridge Homes LLP to deliver affordable housing in the Scottish Borders in line with the Council's Local Housing Strategy.
- The Council has agreed to act as guarantor for Live Borders with regards to their admission to the Scottish Borders Pension Fund. Should Live Borders be unable to meet their pension obligations, Scottish Borders Council as guarantor would be liable to do so. Our Actuary has provided figures based on the projected bond level that would be needed to be established to reflect these pension fund liabilities, for those employees that transferred over to Live Borders it is £2.937m.
- Legal action has been raised against the Council in respect of a failure to conclude a land sale transaction. The matter is subject to ongoing process in the Court of Session.
- On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. However due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on Scottish Borders Council at this time.
- During 2018/19 there was a part sale of land to Eildon Housing Association. There is a condition attached to the sale that may require Scottish Borders Council to purchase the land back.
- There has been a legal case regarding pension obligations relating to Civil Partnerships, it is too early to assess what the financial implications of this will be on Local Government Pension Schemes.

Note 27 Contingent Assets

The following Contingent Assets are noted:

- The European Commission issued a decision which found that European truck manufacturers had engaged in price fixing and other cartel activities over a 14 year period between 1997 and 2011 in relation to trucks over six tonnes. Scottish Borders Council is joining with other Scottish Local Authorities and public bodies to raise legal actions seeking compensation for losses it has suffered as a result of this illegal activity.

Notes to the Core Financial Statements

Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2019/20.

2018/19 £'000		2019/20 £'000
	Credited to Taxation and Non Specific Grant Income	
(14,432)	General Capital Grant	(16,765)
(9,945)	Other Grants	(13,610)
(287)	Developer Contributions	(586)
(24,664)	Total	(30,961)
	Credited to Services	
(389)	Culture & Sport	(451)
(34)	Asset & Infrastructure	(13)
(1,184)	Economic Development & Corporate Services	(1,779)
(4,144)	Health & Social Care	(3,205)
(4,576)	Children & Young People	(9,209)
(27,060)	Customer & Communities	(24,069)
(116)	Human Resources	(442)
(1,328)	Regulatory Services	(1,985)
-	Finance, IT & Procurement	(89)
(38,831)		(41,242)

Note 29 Financial Instruments

Scottish Borders Council have taken into consideration the requirements of IFRS9 – Financial Instruments and, based on the financial instruments held, do not consider there to be any impact on these Financial Statements or prior year figures.

A financial instrument is any contract which gives rise to a financial asset within one entity and a financial liability within another. The term 'financial instrument' covers both financial liabilities and financial asset.

Fair Value Hierarchy:

Under IFRS 13 (Fair Value Measurement) the authority is required to maximise the use of relevant observable inputs and minimise the use of unobservable inputs. To achieve this objective, local authorities are required to follow the fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into the three levels as listed below:

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

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

Level 3 – unobservable inputs for the asset or liability.

Notes to the Core Financial Statements

Fair Value Hierarchy For Financial Assets And Liabilities That Are Not Measured At Fair Value

	31st March 2020			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(348,466)	-	(348,466)
Market Debt	-	(597)	-	(597)
Other debt	-	(83,227)	-	(83,227)
Total	-	(432,290)	-	(432,290)

	31st March 2019			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(297,656)	-	(297,656)
Market Debt	-	(572)	-	(572)
Other debt	-	(67,553)	-	(67,553)
Total	-	(365,781)	-	(365,781)

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value are shown at their carrying value since this is a reasonable approximation of their value. These are short term assets and liabilities such as accounts payables and receivables.

Notes to the Core Financial Statements

Financial Instruments - Balances

The following categories of financial instrument are carried on the Council's Balance Sheet:

	Long Term		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
Loans and Receivables				
Cash and Cash Equivalents	-	-	4,525	10,488
Debtors	6,315	6,647	37,219	47,584
Total Loans and Receivables	6,315	6,647	41,743	58,072
Borrowings				
Bank Overdraft	-	-	-	(367)
Financial Liabilities (principal amount)	(195,846)	(202,574)	-	(762)
Accrued interest	-	-	(3,275)	(3,292)
Total Borrowings	(195,846)	(202,574)	(3,275)	(4,421)
Other Liabilities				
PPP and finance lease liabilities	(67,322)	(64,182)	(3,027)	(3,226)
Bonds	-	-	(1,400)	(1,465)
Total other long-term liabilities	(67,322)	(64,182)	(4,427)	(4,691)
Creditors				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(42,998)	(43,481)
Total Creditors	-	-	(42,998)	(43,481)

Borrowing is taken principally from the Public Works Loans Board (PWLB), but is also taken from the money market, to meet the Council's overall capital financing requirements.

The following table shows a breakdown of borrowing:

31 March 2019			31 March 2020	
£'000	%		£'000	%
(36,214)	18	Bonds and Mortgages	(36,205)	17
(159,632)	80	Public Works Loan Board	(166,369)	81
(195,846)	98	Long term borrowing (> 1 year)	(202,574)	98
(3,275)	2	Short Term Borrowing repayable within 12 months	(4,054)	2
(199,121)	100	Total Borrowing	(206,628)	100

Notes to the Core Financial Statements

Analysis of Borrowing by Maturity.

2018/19 £'000		2019/20 £'000
(10,774)	Less than 1 year	(4,054)
(2,793)	Between 1 and 2 years	(11,299)
(4,097)	Between 2 and 7 years	(27,520)
(25,500)	Between 7 and 15 years	(7,800)
(155,956)	More than 15 years	(155,955)
(199,120)	Total	(206,628)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	2019/20		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	12,756	-	12,756
Interest payable and similar charges	12,756	-	12,756
Interest Income	-	(407)	(407)
Interest and investment income	-	(407)	(407)
Net (gain) / loss for the year	12,756	(407)	12,350

	2018/19		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	14,366	-	14,366
Interest payable and similar charges	14,366	-	14,366
Interest Income	-	(9)	(9)
Interest and investment income	-	(9)	(9)
Net (gain) / loss for the year	14,366	(9)	14,357

Notes to the Core Financial Statements

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(159,632)	(297,656)	(167,132)	(348,466)
Other debt	(39,490)	(68,125)	(39,495)	(83,824)
Total debt	(199,122)	(365,781)	(206,628)	(432,290)
Creditors	(47,425)	(47,425)	(48,171)	(48,171)
Total financial liabilities	(246,547)	(413,206)	(254,799)	(480,461)

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	4,525	4,525	10,488	10,488
Debtors	37,219	37,219	47,584	47,584
Total loans and receivables	41,743	41,743	58,072	58,072

All of the financial assets were of less than one year duration and therefore the fair value equates to the amortised cost on the balance sheet.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its day to day obligations to make payments.
- **Re-financing risk** – the possibility that the Council may need to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Notes to the Core Financial Statements

- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are determined through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- By approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing
 - its maximum and minimum exposures to fixed and variable rates
 - its maximum and minimum exposures to the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations.

These are required to be reported and approved at or before setting the Council's annual Council Tax budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each financial year, as is a mid-year update.

These policies are implemented by a central treasury team. The Council maintains a strategy for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The annual Treasury Management Strategy for 2019/20 which incorporates the prudential indicators was approved by the Council on 28 February 2019. The key issues within the strategy were:

- The Authorised Limit for 2019/20 was set at £389.0m This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £324.2m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £324.2m and £113.5m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt were as follows:

Period	Minimum	Maximum
Under 12 months	0%	20%
1 to 2 years	0%	20%
2 to 5 years	0%	20%
5 to 10 years	0%	20%
Over 10 years	20%	100%

Notes to the Core Financial Statements

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2019/20 was approved by the Council on 28 February 2019 and is available on the Council's website: <http://www.scotborders.gov.uk/>

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses for non-performance by any of its counterparties in relation to its deposits.

Liquidity Risk

Liquidity risk is the risk that the Council may not have sufficient cash available to meet its day to day obligation to make payments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Notes to the Core Financial Statements

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt, and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, together with the maximum and minimum limits for fixed interest rates maturing in each period, as approved by the Council in the Treasury Management Strategy on 28 February 2019:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31 March 2019 £'000	Actual 31 March 2020 £'000
Less than one year			62,920	20	10,774	4,055
Between one and two years			62,920	20	2,793	11,298
Between two and seven years			62,920	20	4,097	27,520
Between seven and fifteen years			62,920	20	25,500	7,800
More than fifteen years	62,920	20	314,600	100	155,956	155,955
Total					199,120	206,628

Market Risk

There are three main market risks to which the Council is exposed:

(i) **Interest Rate Risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise, and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Notes to the Core Financial Statements

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investment	216
Decrease in fair value of fixed rate borrowing liabilities (No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	78,404

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. However, given the low interest rates currently available on deposits, it may simply mean then that no interest would be available. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

- (ii) **Price Risk** - The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.
- (iii) **Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies at the Balance Sheet date. It therefore has no exposure to loss arising from movements in exchange rates.

Notes to the Core Financial Statements

Note 30 Debtor and Creditor Analysis

The Councils short term debtor and creditor balances can be categorised as follows:

Debtors

2018/19 £'000		2019/20 £'000
21,201	Trade Receivables	23,085
3,361	Prepayments	5,952
23,901	Other Receivable Amounts	30,020
48,463		59,056

Creditors

2018/19 £'000		2019/20 £'000
(13,995)	Trade Payables	(16,094)
(33,431)	Other Payables	(32,077)
(47,425)		(48,171)

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

2018/19 £'000		2019/20 £'000
765	Less Than 2 Months	1,248
442	2 To 4 Months	301
514	4 To 6 Months	651
1,943	6 Months To 1 Year	1,869
21,228	More Than 1 Year	21,850
24,892		25,919

Notes to the Core Financial Statements

Note 31 Movement in Reserves

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

	Balance as at 31 March 2019	Transfers between reserves and funds	Gains or Losses for the Year	Balance as at 31 March 2020
	£'000	£'000	£'000	£'000
Usable Reserves				
General Fund Balances	(17,555)	(11,637)	10,012	(19,179)
Capital Fund	(8,803)	(741)	-	(9,544)
Property Maintenance Fund	(447)	446	-	(1)
Insurance Fund	(1,197)	(200)	-	(1,397)
Unusable Reserves				
Capital Adjustment Account	(122,348)	(11,888)	(3,035)	(137,271)
Financial Instruments Adjustment Account	6,760	(318)	-	6,441
Revaluation Reserve	(120,329)	4,612	2,272	(113,445)
Pensions Reserve	197,602	18,775	(74,773)	141,604
Employee Statutory Adjustment Account	5,333	951	-	6,285
Total	(60,984)	-	(65,523)	(126,507)

Notes to the Core Financial Statements

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

This details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

A summary of all reserves movements are shown below:

Adjustments between accounting basis & funding basis under regulations 2018/19

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(27,141)	-	-	-	(27,141)	27,141	-	12 & 14
Impairment losses (charged to CI&ES)	(3,412)	-	-	-	(3,412)	3,412	-	
Revaluation Losses	(2,809)	-	-	-	(2,809)	2,809	-	
Capital grants and contributions applied	24,664	-	-	-	24,664	(24,664)	-	28
Employee Statutory Adjustments	444	-	-	-	444	(444)	-	
Profit/(Loss) on disposal of assets	(698)	(1,606)	-	-	(2,304)	2,304	-	
Revenue Exp Funded From Capital under Statute	(42)	-	-	-	(42)	42	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	(1,986)	-	-	-	(1,986)	1,986	-	
Net retirement charges per IAS 19	(29,881)	-	-	-	(29,881)	29,881	-	
Loans Fund principal repayments and Statutory premia	11,394	-	-	-	11,394	(11,394)	-	
Capital Expenditure charged to General Fund balance	1,993	-	-	-	1,993	(1,993)	-	
Employers contribution payable to Pension Fund	10,314	-	-	-	10,314	(10,314)	-	
Net Transfers to or (from) other reserves	2,398	384	(21)	(134)	2,626	(2,626)	-	
Total in year adjustments	(14,762)	(1,223)	(21)	(134)	(16,140)	16,140	-	

Notes to the Core Financial Statements

Adjustments between accounting basis & funding basis under regulations 2019/20

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(27,613)	-	-	-	(27,613)	27,613	-	12 & 14
Impairment Losses (charged to CI&ES)	(5,342)	-	-	-	(5,342)	5,342	-	
Revaluation Losses	(1,502)	-	-	-	(1,502)	1,502	-	
Capital grants and contributions applied	30,961	-	-	-	30,961	(30,961)	-	28
Employee Statutory Adjustments	(952)	-	-	-	(952)	952	-	
Profit/(Loss) on disposal of assets	(71)	(2,556)	-	-	(2,627)	2,627	-	
Revenue Exp Funded From Capital under Statute	(1,761)	-	-	-	(1,761)	1,761	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	319	-	-	-	319	(319)	-	
Net retirement charges per IAS 19	(30,445)	-	-	-	(30,445)	30,445	-	
Loans Fund principal repayments and Statutory premia	10,539	-	-	-	10,539	(10,539)	-	
Capital Expenditure charged to General Fund balance	504	-	-	-	504	(504)	-	
Employers contribution payable to Pension Fund	11,670	-	-	-	11,670	(11,670)	-	
Net Transfers to or (from) other reserves	2,138	1,814	446	(200)	4,199	(4,199)	-	
Total in year adjustments	(11,557)	(741)	446	(200)	(12,052)	12,052	-	

Notes to the Core Financial Statements

Usable Reserves

Usable reserves are those that can be applied to fund expenditure or reduce the requirement to raise local taxation.

The General Fund Balances are further analysed as follows:

2018/19	Analysis as at 31 March	2019/20
£'000		£'000
	Earmarked Balances of the General Fund	
(1,159)	Children & Young People - Devolved School Management	(1,160)
	Specific Departmental Reserves	
(64)	Culture & Sport	-
(228)	Asset & Infrastructure	(200)
(93)	Economic Development & Corporate Services	(317)
(70)	Health & Social Care	(32)
(393)	Children & Young People	(1,538)
(629)	Customer & Communities	(919)
(412)	Finance, IT & Procurement	(11)
(231)	Human Resources	(286)
(63)	Revenue Support Grant / Council Tax	-
(4,022)	Regulatory Services/2nd Homes Council Tax	(3,949)
(3,244)	Allocated Reserves - Financial Plan	(2,988)
(10,608)		(11,400)
(6,947)	Non-Earmarked Balances of the General Fund	(7,779)
(17,555)	Total General Fund Reserve	(19,179)

Unusable Reserves

Unusable reserves are those that the Council is not able to use to provide services

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Revaluation Reserve

The Revaluation Reserve contains the gains made by an Authority arising from increases in the value of its Property Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Employee Statutory Adjustment Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at

Notes to the Core Financial Statements

31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Note 32 Cash Flow

2018/19 Restated £'000		2019/20 £'000
	Reconciliation to General Fund Surplus	
16,933	Net (Surplus) or deficit on the provision of services	9,932
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(27,141)	Depreciation	(27,584)
(6,221)	Impairment & Revaluation Loss through I & E	(6,845)
(1)	Amortisation of intangible assets	(29)
(19,567)	Movement in pension liability	(18,775)
(698)	Gain/Loss on carrying amounts of assets disposed	(71)
143	Net movement in inventories charged to I & E	132
(2,798)	Net movement in debtors charged to I & E	10,256
1,978	Net movement in creditors charged to I & E	(520)
(190)	Net movement in provisions charged to I & E	(81)
(54,495)		(43,517)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
24,664	Capital grants received	30,961
(862)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(1,265)
23,802		29,696
(13,760)	Net Cash Outflow / (Inflow) from Operating Activities	(3,889)

Note 33

Impairment & Revaluation Losses

During 2019/20 SBC recognised a net impairment and revaluation loss of £6.845m within the Net Cost of Services. This includes a reversal of £0.022m against losses in previous years.

Note 34

Cash and Cash Equivalents

The balance of the cash and cash equivalents is made up of the following elements:

2018/19 £'000		2019/20 £'000
46	Cash held by officers	40
2,479	Bank current accounts	4,198
2,000	Short term deposits	6,250
4,525	Total	10,488

Supplementary Financial Statements

Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

2018/19			2019/20	
£'000	£'000		£'000	£'000
	(68,275)	Gross Charges Levied		(71,267)
5,140		Less: Council Tax Reduction Scheme	5,201	
5,140			5,201	
7,660		Discounts and Exemptions	7,715	
731		Allowance for Impairment	766	
(240)		Miscellaneous	(178)	
	13,291			13,504
	(54,984)			(57,763)
	(54,984)	Total Income Credited to the Comprehensive Income & Expenditure Statement		(57,763)

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2019

The calculation of the council tax base, ie the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) after providing for non-payment, as an equivalent number of band D dwellings and the level of non-payment provided for.

Band	Number of Properties 2018/19	Number of Properties 2019/20	Proportion	2018/19 £	2019/20 £
A	16,538	16,475	240/360	766.68	797.35
B	12,693	12,748	280/360	894.46	930.24
C	7,098	7,106	320/360	1,022.24	1,063.13
D	6,007	6,054	360/360	1,150.02	1,196.02
E	6,456	6,492	473/360	1,510.99	1,571.44
F	4,856	4,892	585/360	1,868.78	1,943.53
G	4,493	4,542	705/360	2,252.11	2,342.21
H	477	479	882/360	2,817.54	2,930.25
Total	58,618	58,788			

Supplementary Financial Statements

Council Tax Income Account

Note 2 Water and Waste Water Charges

The Council is required to bill and collect water and waste water charges on domestic properties along with Council Tax as part of an agency agreement. These charges were determined by Scottish Water and for 2019/20 the Band D charges were £205.56 for water and £238.68 for waste water.

Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2018/19			2019/20	
Restated				
£'000	£'000		£'000	£'000
	(52,315)	Gross Rates Levied & Contribution in Lieu		(53,016)
	728	Prior Year Adjustments		2,113
15,613		Less: Reliefs and Other Deductions	16,025	
432		Write-offs of uncollectable debts & allowance for impairment	419	
-		Interest paid on overpaid rates	-	
	16,045			16,443
	(35,542)			(34,459)
	(174)	Net General Fund expenditure on discretionary reliefs		(153)
	(35,716)	Net Non-Domestic Rate Income		(34,612)
	-	Adjustment to Previous Years National Non-Domestic Rates		-
	(35,716)	Contribution to National Pool		(34,612)
	32,790	Distribution received from National Pool		36,624
	(32,790)	Income Credited to the Comprehensive Income & Expenditure Statement		(36,624)

Supplementary Financial Statements

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 1 April 2019

Classification	Number	Rateable Value £'000
Shops	1,250	20,668
Public Houses	83	1,508
Offices Including Banks	969	8,150
Hotels Etc	131	4,206
Industrial Subjects Including Factories Warehouses and Stores	2,040	27,339
Leisure, Entertainment Caravans and Holiday Sites	1,083	6,157
Garages and Petrol Stations	213	2,218
Cultural	49	541
Sporting Subjects	1,132	2,155
Education and Training	104	10,838
Public Service Subjects	432	5,715
Communications (Non Formula)	5	16
Quarries Mines Etc	12	675
Petrochemical	5	1,307
Religious	290	1,271
Health Medical	97	4,175
Other	417	2,110
Care Facilities	86	1,993
Advertising	7	13
Undertaking	28	5,246
Total	8,433	106,300

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2019/20 was: 49.0p for properties with a rateable value up to £51,000 and a 2.6p supplement is charged for properties with a rateable value of over £51,000.

Trust Funds

Scottish Borders Council administers numerous charitable trusts and bequests. Elected members of the Council act as Trustees of these charities. Those registered with the Office of the Scottish Charity Regulator (OSCR) are detailed below:

- **Scottish Borders Council Education Trust**
- **Scottish Borders Council Community Enhancement Trust**
- **Scottish Borders Council Welfare Trust**

These three charities were registered with OSCR on April 1 2014 and each contains funds that are restricted by purpose and geographical area.

- **The Scottish Borders Council Charitable Trust** contains 32 separate trusts and bequests as at the Balance Sheet date, which is a reduction from the 76 separate trusts and bequests held in the previous year. Following OSCR approval the move of 7 trusts into the SBC Community and Enhancement Trust and 37 into the SBC Welfare Trust was successfully completed from 1st April 2018
- **The Ormiston Trust for Institute** remains as a separately registered trust with OSCR.

All OSCR registered charities are subject to audit, in line with OSCR requirements and a full set of financial statements compliant with those requirements are published separately. The Council also administers a further 39 non registered charities, a reduction of 7 from the previous year.

Trust Funds

A summary Income and Expenditure Statement and Balance Sheet are detailed below, recognising all registered and unregistered charities administered by the Council.

Comprehensive Income & Expenditure Statements

2018/19		Charitable	Other	2019/20
£'000		£'000	£'000	Total £'000
	Income			
(14)	Donations & Legacies	(3)	(13)	(16)
(122)	Investments	(80)	(44)	(124)
(11)	Charitable Activities	-	(40)	(40)
(18)	Unrealised Gain On Investments	-	-	-
(684)	Recognition Of Fixed Assets & Investments		(0)	(0)
-	Revaluation Of Fixed Assets & Investments	(185)	(447)	(632)
	Expenditure			
98	Raising Funds	55	90	145
728	Charitable Activities	16	56	72
4	Other : Governance Costs	3	1	4
-	Unrealised Loss On Investments	161	149	310
(18)	(Surplus) / Deficit for the Year	(33)	(249)	(282)
(977)	(Surplus) brought forward	(614)	(467)	(1081)
(98)	Funding (brought forward/carried forward) to Revaluation Reserve	130	357	487
12	Transfer to Capital Reserve	(160)	(160)	(320)
(1,081)	(Surplus) carry forward	(677)	(518)	(1,195)

Balance Sheet

2018/19		Charitable	Other	2019/20
£'000		£'000	£'000	Total £'000
	Non-current Assets			
1,594	Tangible Fixed Assets	365	1,717	2,082
1,801	Investments	861	804	1,665
-	Long term Loan	-	-	-
	Current Assets			
540	Short Term Investments	231	246	477
15	Sundry Debtors	4	7	11
	Current Liabilities			
-	Sundry Creditors	-	-	-
3,950	Net Assets	1,461	2,773	4,234
	Financed by			
(1,080)	Revenue Reserve	(677)	(518)	(1,195)
(1,346)	Capital Reserve	(471)	(556)	(1,027)
(1,524)	Revaluation Reserve	(312)	(1,699)	(2,011)
(3,950)		(1,461)	(2,773)	(4,234)

Common Good Funds

The Council administers the Common Good Funds for twelve towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2020, for each of the funds. The accounting policies applied are those as set out in pages 54 to 66.

All funds are invested in the Kames Capital Plc diversified income fund.

The Common Good Financial Statements are presented in line with previous years. A separate set of financial statements is published compliant with OSCR requirements and subject to full external audit.

Comprehensive Income and Expenditure Statements

2018/19		Coldstream	Duns	Eyemouth	Galashiels	Hawick	Innerleithen	Jedburgh	Kelso	Lauder	Melrose	Peebles	Selkirk	Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Income													
(4)	Donations & Legacies	-	-	-	-	(1)	-	(1)	(1)	(1)	-	-	(1)	(5)
(154)	Investments	-	(1)	-	(8)	(23)	-	(46)	(13)	(13)	(1)	(23)	(44)	(172)
(243)	Charitable Activities	-	-	-	-	(268)	-	-	-	(12)	-	(55)	(61)	(396)
(28)	Unrealised Gain On Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
-	Revaluation Of Fixed Assets	(70)	-	-	(28)	(1,005)	(289)	(10)	(283)	(338)	-	(169)	(999)	(3,481)
(1)	Recognition Of Fixed Assets & Investments	-	-	-	-	-	-	-	-	-	(17)	-	-	(17)
(430)		(70)	(1)	-	(226)	(1,297)	(289)	(157)	(297)	(364)	(18)	(247)	(1,105)	(4,071)
	Expenditure													
431	Raising Funds	10	-	-	55	201	31	12	59	34	4	113	165	684
101	Charitable Activities	-	-	-	-	63	-	37	2	15	-	26	28	171
48	Other: Governance Costs	-	1	-	2	13	-	4	2	10	-	9	11	52
-	Unrealised Loss On Investments	-	2	-	25	73	-	143	42	39	2	74	35	435
580		10	3	0	82	350	31	196	105	98	6	222	239	1,342
150	(Surplus) / Deficit carry forward	(60)	2	-	(144)	(947)	(258)	39	(192)	(266)	(12)	(25)	(866)	(2,729)

Common Good Funds

Balance Sheet

Total 2018/19 £'000		2019/20												Total £'000
		Coldstream £'000	Duns £'000	Eyemouth £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Melrose £'000	Peebles £'000	Selkirk £'000	
	Non-current Assets													
10,490	Tangible Assets	276	-	2	682	4,430	514	541	937	1,295	28	852	3,903	13,460
2,780	Investments	-	15	-	135	387	-	767	225	211	8	393	194	2,335
24	Long Term Loan to Third Party	-	-	-	-	-	-	15	-	-	-	40	-	55
	Current Assets													
99	Sundry Debtors	-	-	-	1	28	-	4	1	9	-	5	10	58
155	Short Term Investments	-	1	-	10	138	-	105	39	35	8	13	52	401
	Current Liabilities													
(15)	Sundry Creditors	-	-	-	1	(14)	-	(30)	-	(2)	-	-	(2)	(47)
13,533	Net Assets	276	16	2	829	4,969	514	1,402	1,202	1,548	44	1,303	4,157	16,262
	Financed by													
(3,683)	Restricted Income Funds	(122)	(16)	(1)	(300)	(673)	(135)	(864)	(265)	(256)	(34)	(501)	(275)	(3,442)
(9,850)	Revaluation Reserve	(54)	-	(1)	(529)	(4,296)	(379)	(538)	(937)	(1,292)	(10)	(802)	(3,882)	(12,820)
(13,533)	Total Reserves	(276)	(16)	(2)	(829)	(4,969)	(514)	(1,402)	(1,202)	(1,548)	(44)	(1,303)	(4,157)	(16,262)

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and relevant accounting standards require local authorities to consider all their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiary and associated entities and joint arrangements. The Local Authority group is defined as the Local Authority and its interests in entities which would be regarded as its subsidiaries or associates or joint arrangements were it subject to the Companies Act. The Code requires that group financial statements include the following statements along with the appropriate notes:

- a Group Movement in Reserves Statement
- a Group Comprehensive Income and Expenditure Statement
- a Group Balance Sheet
- a Group Cash Flow Statement

The Group Accounts and Notes are set out on pages 115 to 123.

The Group Accounts for 2018/19 have been restated to reflect the change in consolidation status regarding SB Cares, SB Supports, Lowood Tweedbank Ltd and Jedburgh Leisure Facilities Trust

For the purposes of consolidation and incorporation within the Local Authority group, the Council has consolidated the following entities:

Subsidiaries

Subsidiary entities are those over which the Council has been deemed to have control. The following bodies have been recognised as subsidiaries of Scottish Borders Council:

- Common Good Funds
- Charitable Trust Funds
- Bridge Homes LLP
- Live Borders

The Council is the sole trustee of the Common Good Funds and the Charitable Trust Funds and summary financial results for these entities appear on pages 112 to 114. Bridge Homes LLP, a partnership between the Council and Scottish Futures Trust Investments Ltd, created to invest in residential property and in which the Council is entitled to 99.999% of the profits and equally exposed to 99.999% of the losses, is also treated as a subsidiary body.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Arts, Libraries, Archives, Museums, and Galleries, Sport and Leisure facilities.

Live Borders accounts can be obtained from their Headquarters at Melrose Road, Galashiels, TD1 2DU.

SB Cares and SB Supports LLP both previously consolidated as subsidiaries, ceased trading on 30 November 2019. All operations and functions were re-integrated into Scottish Borders Council on this date.

Lowood Tweedbank Limited which was consolidated as a subsidiary in 2018/19, has been excluded from the Group accounts in 2019/20. This is in relation to the materiality threshold as agreed with Audit Scotland.

Group Accounts

Associates

Associate entities are those over which the Council has been deemed to exercise significant influence. The following body has been recognised as an associate of Scottish Borders Council:

Jedburgh Leisure Facilities Trust, which was consolidated as an associate in 2018/19, has been excluded from the Group accounts in 2019/20. This is in accordance to the materiality threshold as agreed with Audit Scotland.

Joint Arrangements

Joint arrangements can be either joint operations or joint ventures. Joint operations are joint arrangements where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The following body has been recognised as a Joint Venture.

- Scottish Borders Health and Social Care Partnership

The Council commenced a joint arrangement with NHS Borders to establish The Scottish Borders Health and Social Care Partnership on 6th February 2016. This is a partnership set up to bring about change in the way health and social care services are planned, commissioned and delivered from 1st April 2016.

The Board's draft Comprehensive Income & Expenditure Statement show gross expenditure of £192.530m and income of £196.212m for the year of which £68.552m and £70.393m has been consolidated into the Group Accounts. Both the Balance Sheet and Movement in Reserves Statement show a net position of £3.682m for 2019/20.

The financial statements for the Scottish Borders Health and Social Care Partnership are available from the Council Headquarters.

Group Movement In Reserves Statement

Restated Movement in reserves during 2018/19

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2018	(28,795)	(8,388)	(37,183)	(62,553)	(9,202)	(71,755)	(108,938)

Movement in reserves during 2018/19

Total Comprehensive Income & Expenditure	16,933	(643)	16,290	13,431	1,439	14,870	31,160
Adjustments between accounting basis & funding basis under regulations	(16,140)	(370)	(16,510)	16,140	370	16,510	-
Increase or Decrease in 2018/19	793	(1,013)	(220)	29,571	1,809	31,380	31,160
Balance at 31/03/2019 carried forward	(28,002)	(9,401)	(37,403)	(32,982)	(7,393)	(40,375)	(77,778)

Movement in reserves during 2019/20

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2019	(28,002)	(9,401)	(37,403)	(32,982)	(7,393)	(40,375)	(77,778)

Movement in reserves during 2019/20

Total Comprehensive Income & Expenditure	9,932	(657)	9,275	(75,456)	(5,926)	(81,382)	(72,106)
Adjustments between accounting basis & funding basis under regulations	(12,052)	(674)	(12,726)	12,052	674	12,726	-
Increase or Decrease in 2019/20	(2,119)	(1,331)	(3,450)	(63,404)	(5,252)	(68,656)	(72,106)
Balance at 31/03/2020 carried forward	(30,121)	(10,732)	(40,853)	(96,386)	(12,645)	(109,031)	(149,884)

Group Comprehensive Income and Expenditure Statement

2018/19 Restated				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
13,067	(4,788)	8,279	Culture & Sport	14,833	(5,679)	9,154
60,643	(11,284)	49,359	Asset & Infrastructure	65,761	(10,484)	55,277
4,686	(1,894)	2,792	Economic Development & Corporate Services	4,499	(3,283)	1,216
123,979	(71,653)	52,326	Health & Social Care	136,118	(78,507)	57,611
114,459	(5,466)	108,993	Children & Young People	117,832	(9,413)	108,420
42,806	(29,599)	13,207	Customer & Communities	43,328	(26,808)	16,520
18,349	(431)	17,918	Finance, IT & Procurement	21,151	(3,755)	17,396
7,046	(460)	6,586	Human Resources	7,291	(681)	6,611
20,024	(6,554)	13,470	Regulatory Services	20,869	(6,694)	14,175
7,005	-	7,005	Non-Distributed Costs	3,322	-	3,322
580	(247)	333	Common Good	907	(401)	506
830	(25)	805	Trust Funds	220	(56)	164
-	-	-	Share of Operating Results Of Associates & Joint Ventures	68,552	(70,393)	(1,841)
413,475	(132,401)	281,073	Services provided by the Council	504,684	(216,153)	288,531
413,475	(132,401)	281,073	Net Cost of Services	504,684	(216,153)	288,531
4,374	(4,500)	(126)	Roads Trading Operation (Surplus)/Deficit (External)	5,140	(5,200)	(60)
			Other Operating Expenditure			
2,304	(1,606)	698	(Gain)/Loss on Disposal of Assets	2,627	(2,556)	71
			Financing & Investment Income and Expenditure			
14,366	-	14,366	Interest Payable & Similar Charges	12,756	-	12,756
-	(186)	(186)	Interest Receivable & Similar Income	-	(596)	(596)
19,356	(15,055)	4,301	Net Interest Expense on the Net Defined Benefit Liability	20,249	(15,274)	4,975
-	-	-	Share Of Associates & Joint Ventures Interest Payable	-	-	-
			Taxation and Non-Specific Grant Income			
-	(169,560)	(169,560)	Revenue Support Grant	-	(17,1088)	(17,1088)
-	(32,790)	(32,790)	Non-Domestic Rates Pool for Scotland	-	(36,624)	(36,624)
-	(54,984)	(54,984)	Council Tax	-	(57,763)	(57,763)
-	(24,664)	(24,664)	Capital Grants and Contributions	-	(30,961)	(30,961)
		18,128	(Surplus)/Deficit on Provision of Services			9,241

Group Comprehensive Income and Expenditure Statement

2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		18,128	(Surplus)/Deficit on Provision of Services			9,241
		(3,522)	(Surplus)/Deficit on revaluation of Non Current Assets			(5,444)
		(867)	Any Other (Gains) Or Losses			808
		17,421	Actuarial (gains)/losses on pension assets/liabilities			(76,712)
		13,032	Other Comprehensive Income and Expenditure			(81,348)
		31,160	Total Comprehensive (Income)/Expenditure			(72,106)

Group Balance Sheet

2018/19 Restated £'000		2019/20 £'000
400,657	Property Plant and Equipment	399,369
18,694	Other Land and Buildings	21,806
128,178	Vehicle, Plant, Furniture & Equipment	129,942
3,561	Infrastructure	4,790
21,488	Surplus Assets	26,326
1,061	Assets Under Construction	1,061
61	Heritage Assets	40
4,583	Intangible Assets	4,002
-	Long Term Investments	1,841
728	Investments In Associates & Joint Ventures	1,090
579,011	Long Term Debtors	590,267
	Long Term Assets	
14	Intangible Assets - Current	-
865	Inventories	1,009
37,662	Short Term Debtors	59,858
(11,244)	less Impairment of Receivables	(11,472)
5,843	Cash and Cash Equivalents	13,154
33,140	Current Assets	62,550
-	Bank Overdrafts	(367)
(3,275)	Short Term Borrowing	(4,816)
(37,462)	Short Term Creditors	(51,156)
(579)	Provisions	(389)
(41,316)	Current Liabilities	(56,729)
(195,855)	Long Term Borrowing	(201,812)
(67,322)	Deferred Liabilities	(64,182)
(3,885)	Provisions	(3,607)
(23,509)	Capital Grants Receipts in Advance	(31,343)
(290,571)	Long Term Liabilities	(300,943)
280,264	Net Assets excluding pension liability	295,145
(202,486)	Pension Liability	(145,261)
77,778	Net Assets/(Liabilities) including pension liability	149,884

Group Balance Sheet

2018/19 £'000	Financed By:	2019/20 £'000
	Useable Reserves	
(8,803)	Capital Fund	(9,544)
(17,555)	General Fund Balance	(19,179)
(447)	Property Maintenance Fund	(1)
(1,197)	Insurance Fund	(1,397)
(9,401)	Share of Group Entities Usable Reserves	(10,732)
	Unusable Reserves	
(122,348)	Capital Adjustment Account	(137,271)
6,760	Financial Instruments Adjustment Account	6,441
(120,329)	Revaluation Reserve	(113,445)
197,602	Pension Reserve	141,604
5,333	Employee Statutory Adjustment Account	6,285
(7,393)	Share of Group Entities Unusable Reserves	(12,645)
(77,778)	Total Reserves	(149,884)

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.

David Robertson CPFA
Executive Director
Finance & Regulatory

Group Cash Flow Statement

2018/19 Restated £'000		2019/20 £'000 £'000	
18,128	Net (Surplus) or deficit on the provision of services	9,241	
-	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	1,841	
(55,632)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(46,817)	
23,272	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29,696	
(14,232)	Net Cash Flows From Operating Activities		(6,039)
	Investing Activities		
49,968	Purchase of PP&E, investment property and intangible assets	42,818	
(1,606)	Proceeds from PP&E, investment property and intangible assets	(2,556)	
93	Purchase/(Disposal) of short & long term investments	336	
(34,892)	Other Items which are Investing Activities	(38,230)	
13,563	Net Cash Flows from Investing Activities		2,368
	Financing Activities		
(10,012)	Cash received from loans & other borrowing	(7,500)	
3,035	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,942	
13,064	Repayments of short and long term borrowing	19	
862	Other items which are financing activities	1,266	
6,949	Net Cash Flows from Financing Activities		(3,273)
6,280	Net (Increase) or Decrease in Cash and Cash Equivalents		(6,944)
12,125	Cash and Cash Equivalents at the beginning of the reporting period		5,843
5,845	Cash and Cash Equivalents at the end of the reporting period		12,787
6,280	Movement		(6,944)

Notes to the Group Accounts

Note 1 Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 54 to 66.

The Council has accounted for its interest in each subsidiary using the acquisition method of accounting. The Council's interests in associates and joint ventures have been accounted for using the equity method of accounting. Where applicable, consolidation adjustments have been made to eliminate inter-group transactions.

Note 2 Group Cash Flow

A reconciliation between the Group Income and Expenditure Statement and the revenue activities in the Group Cash Flow Statement is provided in the table below:

2018/19 Restated £'000		2019/20 £'000
	Reconciliation to General Fund Surplus	
18,128	Net (Surplus) or deficit on the provision of services	9,241
-	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	1,841
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(27,912)	Depreciation	(28,668)
(6,280)	Impairment & Revaluation Loss through I & E	(7,029)
(1)	Amortisation of intangible assets	(29)
(20,080)	Movement in pension liability	(19,487)
(698)	Gain/Loss on carrying amounts of assets disposed	(71)
128	Net movement in inventories charged to I & E	145
(3,102)	Net movement in debtors charged to I & E	10,424
2,503	Net movement in creditors charged to I & E	(2,021)
(190)	Net movement in provisions charged to I & E	(81)
(55,632)		(46,817)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
24,664	Capital grants received	30,961
(1,392)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(1,265)
23,272		29,696
(14,232)	Net Cash Outflow / (Inflow) from Operating Activities	(7,880)

Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The surplus of £65.5m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group surplus of £72.1m. The net asset position of the Council's single entity Balance Sheet of £126.5m becomes £149.9m on group consolidation. Overall, the Group Balance Sheet position has increased by £72.1m from 2018/19 largely as a result of the decrease in pension liability.

Glossary of Terms

We recognise that financial statements by their nature need to include some technical terms and the purpose of this section is to explain some of the more important ones.

Aggregate External Finance (AEF): this is the term given to the total of funding provided by the Scottish Government. It comprises three parts, which are explained below;

- **Revenue Support Grant (RSG):** this is the largest part of AEF. It is a block grant which helps finance the overall cost of Council services.
- **Non-Domestic Rate Income (NDRI):** local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.
- **Specific Grants:** the final part of AEF. As the name suggests these grants are paid to support specific services/activities and can enable the Scottish Government to more directly influence service provision than with a block grant.

Amortisation: similar to depreciation but applied to intangible assets i.e. the measurement of the value of an asset used during the year.

Budget: the budget sets out what the Council intends to spend and how it will be paid for. Budgets are prepared and approved before the start of a financial year for both revenue and capital expenditure. Each financial year budget is part of a 5 year Revenue or a 10 year Capital Financial Plan.

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Borrowing: this is the element of the Capital Programme not financed by capital and revenue resources (i.e. capital receipts, capital grants and revenue contributions). The capital expenditure will give rise to a borrowing need; however it is important to note that the need may not result in actual external borrowing, and the decision may be taken to finance borrowing from within the Council.

Capital Expenditure: spending on assets of lasting value, whose useful life exceeds the current year. Examples are schools, major road works, improving social work and leisure facilities. Capital expenditure is financed principally from borrowing but can also be funded by capital receipts, grants and revenue contributions (CFCR).

Capital From Current Revenue (CFCR): this is expenditure on capital assets that is financed from the revenue account in the current financial year.

Capital Fund: Established under the Local Government (Scotland) Act 1975. This fund is credited with the receipts of property sales and developer contributions. It can be used to fund capital expenditure or make payments of loan principal.

Capital Grants: grants from bodies such as the European Union and Scottish Government can fund capital projects as can contributions from other organisations.

Capital Receipt: a capital receipt arises when the Council sells a surplus asset, e.g. a piece of land or a building and this can be used to finance further capital expenditure or repay existing debt.

Carrying Amount: the value at which an asset or liability is shown on the Balance Sheet.

Glossary of Terms

Common Good Funds: have been accumulated by former burghs since their foundation from the 12th Century onwards. They are held by the Council as custodian for the benefit of residents of the 12 former burghs, Coldstream, Duns, Eyemouth, Innerleithen, Galashiels, Hawick, Jedburgh, Kelso, Lauder, Melrose, Peebles and Selkirk. They are administered by the Council to have regard to the interest of the inhabitants of the area to which the Common Good formally related. All of the Common Good Funds are presently registered as a single charity with OSCR.

Component Accounting: where fixed assets are valued and depreciated on the basis of individual components i.e. roof, heating system etc, opposed to one overall value.

Contingent Liability: a possible future financial obligation which is reported as a specific note to the annual accounts because it cannot be judged as probable enough to warrant a provision.

Council Tax: the major part of locally raised revenue income, based on a property being classified into one of eight bands. In the interests of consistency all Councils determine their Council Tax at the Band D level and the charges for properties in all other bands are expressed as a proportion of Band D.

Council Tax Reduction Scheme (CTRS): Replaced Council Tax Benefit which stopped on 1 April 2013 as part of the welfare reform programme. CTRS is a reduction on your council tax that you may be entitled to if you are on a low income. Responsibility for assisting those who need help to pay their Council Tax in Scotland now sits with the Scottish Government and Scottish Local Authorities.

Current Assets: assets of a short-term nature, e.g. short term investments, inventories, short term debtors and cash and cash equivalents.

Current Liabilities: liabilities expected to be due within the next year, e.g. short term creditors, short-term borrowing and provisions.

Depreciation: the measure of the value of a fixed asset used during the year.

Fair Value: is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instruments Adjustment Account: an account that enables the effects of accounting for financial instruments to be neutral in terms of Council Tax.

General Fund: the principal usable reserve of the Council that covers most areas of activity, the main exclusions being SBc Contracts and the Pension Fund.

Group Accounts: statements that reflect the Council's interest in any subsidiaries, associates and joint ventures.

Heritage Assets: assets preserved in trust for future generations because of their cultural, environmental or historical association. It applies to assets held and maintained by the authority principally for the contribution to knowledge and culture.

IAS19: the International Accounting Standard (IAS) which lays down the disclosure and reporting requirements for Retirement Benefits paid from our Pension Fund.

IFRS: The Council's accounts are governed by International Financial Reporting Standards.

Impairment: an asset is impaired when its carrying amount exceeds its recoverable amount.

Infrastructure: assets of a general and supporting nature, e.g. the roads and bridges network, car parks, pathways, sea defences and water/drainage systems.

Glossary of Terms

Insurance Fund: a fund that meets the costs of premiums for a range of external insurance cover, meets the cost of claims not covered by external insurance, and receives contributions from Council services.

Interest on Revenue Balances: the Council's loans fund acts as an internal banker and pays interest where it has utilised any internal credit balances, e.g. the General Fund Reserves.

Inventories: materials etc. that have been purchased but not yet consumed in the delivery of Council services.

Loan Charges: sometimes called debt charges, these are the annual repayments of principal, interest and expenses in respect of loans taken to finance capital expenditure.

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds. The Local Government (Scotland) Act 1975 has been replaced by The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

Long-Term Borrowing: are sums borrowed to finance capital expenditure and not yet repaid, nor due to be repaid within one year. The majority of this is borrowed from the Public Works Loan Board and can be for periods of up to 60 years.

Pension Fund: under relevant legislation the Council administers a Pension Fund for its employees (other than teachers, who are members of a national scheme) and employees of certain other 'Admitted Bodies'. It is what is known as a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested.

Provision: a liability of uncertain timing or extent for which an estimate must be included in our annual accounts.

Ratios: financial analysis tools to support the evaluation of the financial health of the organisation.

Rents, Fees and Charges: add in charges for specific service; examples include home care charges, commercial rents, hall lets and library fines.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses/deficits generated by the various funds. They are split between 'usable' and 'unusable' reserves.

Usable Reserves: Capital Fund, General Fund Balance, Property Maintenance Fund and Insurance Fund.

Unusable Reserves: Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and STACA Statutory Mitigation Account.

Revaluation Reserve: the balance represents the difference between the depreciated revalued amount and the depreciated historic cost of fixed assets at 1 April 2007. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure: the day to day recurring costs of providing services. It includes wages and salaries, property costs such as power and light, transport costs and supplies and services. It also includes the annual repayment of loans which have financed capital expenditure. Revenue expenditure is always paid for in full as and when it happens either from Council Tax, rents, fees, charges, grants and Revenue Support Grant (RSG) and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Glossary of Terms

Significant Trading Operations: services provided in a competitive environment and which are charged for on a basis other than a straightforward recharge of costs, e.g. quoted lump sums, fixed rates etc.

Trust Funds: The Council administers 273 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 97 of which have charitable status and have been reorganised into 5 charities registered with the Office of the Scottish Charity Regulator (OSCR).

Virement: because circumstances change, budgets need to remain flexible. Virement is the approved transfer of resources from one area of the budget to another, the creation of new budgets to reflect additional income and related expenditure or the transfer of budget from one financial year to the next.

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Contact us at Suzy Douglas, Financial Services Manager, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk

Scottish Borders Council

Common Good Funds

Charity Registration Number: SC031538

annual report and financial statements

for the year to 31 March 2020



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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity Regulator (OSCR) requires that full audited accounts for this Charity are prepared.

The Charity comprises of the twelve Common Good Funds within Scottish Borders Council, each holding property which it is responsible for maintaining, with many distributing grants to local causes which are eligible within its charitable purpose.

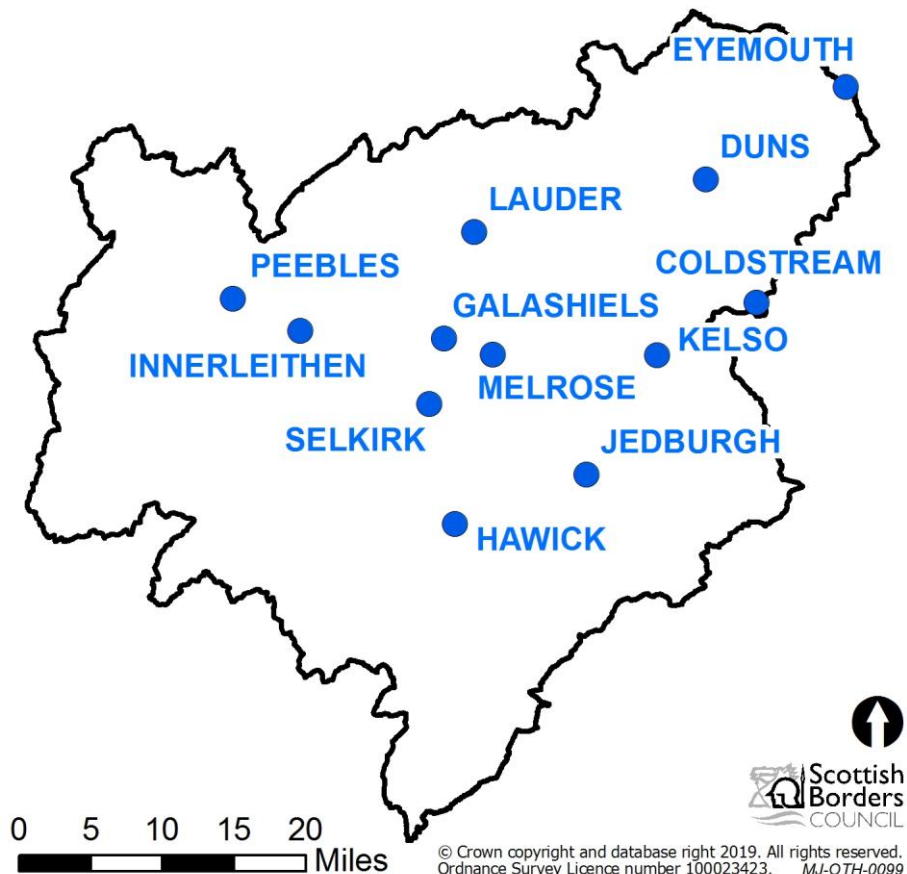
Each Common Good Fund within the charity has financial investments and / or property assets; the operational management of which is overseen by individual Sub-Committees of Elected Members from the relevant ward(s), supported by officers from the Council.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the Financial Statements for the year ended 31 March 2020.

Structure

a) The Charity comprises a number of separate funds for the former Burghs of:



b) Each fund is administered by a Sub-Committee of Elected Members representing the Council wards in which each Burgh is situated.

Charitable Purpose

- The charitable purposes of the Common Good Funds are that, subject to their legal responsibilities in terms of any assets held by the charities, the **funds are operated for the common good of the residents** of the aforesaid former Burghs and may be used to **provide advancement of citizenship or community development**.
- In respect of those funds which have land and property, the Trustees recognise their obligations to ensure that these assets are maintained.

Summary of the Main Activities

- The Charity has taken steps to ensure that the **assets of the Funds are properly managed and accounted for**. Quarterly budget monitoring reports have been prepared for consideration by the Trustees forming the Working Group for each individual Burgh and the minutes of these meetings reported to the full Council in terms of the Code of Governance.
- Maintenance work has been approved and carried out on fixed assets and responses made to applications for financial assistance as detailed in the Notes to the Financial Statements on page 15.
- Most of the individual funds have made donations to eligible beneficiaries in their Burghs with a total of £171,220 being paid out in the year.
- In line with the Accounting Policy-Tangible Fixed Assets and Depreciation, all Common Good assets were revalued as at 1 April 2019 with a net gain of £3,481k showing in the Statement of Financial Activities.

Plans for the Future

- The Common Good Funds will continue to **maintain their heritable assets and will look to maximise their income** from any of these assets which are let commercially. Where assets are used by third parties towards the Common Good of the Burgh then rental levels may reflect this aspect of the tenants' activity.
- Where funds permit, the Common Good Funds will look to make grants to organisations in their Burghs which will provide benefit to the Burgh residents, as approved by the individual Common Good Committees.

Governance and Management

Type of Governing Documents

- a) The overarching governance of the Charity is the principle of statute and common law. The statutory framework is the successive Acts from the Common Good Act 1491 through to the Local Government Scotland Act 1994, with the Local Government (Scotland) Act 1973 provisions still in force, and the Local Government in Scotland Act 2003. Cognisance is also to be taken of the various judicial opinions in case law governing the treatment of Common Goods.
- b) The funds are governed by Trustees in line with the Local Code of Corporate Governance of Scottish Borders Council, consideration being given to:



- c) When considering any action in connection with the Common Good Funds the Trustees have regard to the interests of the inhabitants of the area to which the Common Good formerly related.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102 (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, i.e. those wards covering former Burgh areas and in terms of the Council's Code of Governance.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all financial obligations in respect of properties owned by the charity, where relevant, and
- all support and governance costs.

At 31 March 2020, the reserves of the Common Good Funds amounted to:

- Restricted Income Funds - £3,442k
- Revaluation Reserves - £12,820k

Investments

Per the Council's Common Good and Trust Fund investment strategy the main balance of funds are invested in the Kames Capital Diversified Income Fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Common Good Funds

Charity registration number SC031538

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2020 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Kevin Drum (to 7 March 2020)	Gordon Edgar
Jim Fullarton	John Greenwell	Carol Hamilton
Scott Hamilton	Shona Haslam	Euan Jardine
Helen Laing	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Chief Executive During the period of these financial statements, the Chief Executive of Scottish Borders Council was Tracey Logan; at the date the audited accounts are authorised for issue, the Executive Director Finance & Regulatory, David Robertson, and the Executive Director Corporate Improvement & Economy, Rob Dickson, are covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Common Good Funds which is recognised within *Other: governance costs* in the financial statements. All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Galashiels.

Shona Haslam
Trustee
Scottish Borders Council Common Good Funds

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity and within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2020

2018/19 £'000		2019/20 £'000	Notes
	Income from:		
4	Donations and legacies	5	1
154	Investments	172	2
243	Charitable activities	396	3
401	Total Income	573	
	Expenditure on:		
(431)	Raising funds	(684)	
(101)	Charitable activities	(171)	
(48)	Other: governance costs	(52)	5
(580)	Total Expenditure	(907)	4
28	Gains / (losses) on investment assets – unrealised	(435)	7, 12
(151)	Net Income / (Expenditure)	(769)	
	Other Recognised Gains / (Losses)		
0	Gains on Revaluation of Fixed Assets	3,481	6
1	Recognition of Investments	17	
(150)	Net Movement in Funds	2,729	
	Reconciliation of Funds		
13,683	Total funds brought forward	13,533	
13,533	Total Funds Carried Forward	16,262	12, 13

BALANCE SHEET as at 31 March 2020

as at 31 March 2019			as at 31 March 2020		Notes
£'000	£'000		£'000	£'000	
		Long Term Assets			
		Tangible fixed assets:			6
10,465		- Land & buildings	13,435		
25		- Heritage assets	25		
2,780		Investments	2,335		7
24		Long term loan to third party	55		8
	13,294	Total Long Term Assets		15,850	
		Current Assets			
99		Debtors	58		9
155		Short term investment in SBC loans fund	401		10
	254	Total Current Assets		459	
		Current Liabilities			
		Creditors:			
	(15)	Amounts falling due within 1 year		(47)	11
	239	Net Current Assets		412	
	13,533	Total Net Assets		16,262	
		The Funds of the Charity			
	(3,683)	Restricted income funds		(3,442)	12
	(9,850)	Revaluation reserve		(12,820)	13
	(13,533)	Total Charity Funds		(16,262)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 12 and 13 and the Notes on pages 14 to 18 form part of these Financial Statements.

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.

David Robertson CPFA
Executive Director, Finance & Regulatory

Shona Haslam
Trustee
Scottish Borders Council Common Good Funds

CASH FLOW STATEMENT as at 31 March 2020

The Cash Flow Statement shows how the Common Good Funds generate and use cash as classified into operating, investing and financing activities. The amount of cash held by Common Good Funds at the year-end is always nil, as all surplus cash is invested in the short term, in the SBC Loans Fund.

as at 31 March 2019			as at 31 March 2020		Notes
£'000	£'000		£'000	£'000	
	(176)	Cash Flows from Operating Activities			
		Net cash provided by / (used in) operating activities		95	
		Cash flows from Investing Activities			
154		Dividends and Interest	172		
0		(Purchase) of tangible fixed assets	0		
(93)		(Purchase)/Disposal of investments	10		
104		Movement in short term investments	(246)		
	165	Net Cash Flows from Investing Activities		(64)	
		Cash flows from Financing Activities			
11		Cash Received from Loans	(31)		
	11	Net Cash Flows from Financing Activities		(31)	
	0	Net Movement in Cash		0	

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when the activity they relate to takes place, regardless of when applications are approved.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets and Depreciation

Tangible fixed assets, comprising land & buildings and heritage assets, with a value greater than £5,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Where purchased, Heritage assets are held at acquisition cost, and for donations the initial valuation is used as the deemed cost, removing the need for subsequent valuations. These Heritage assets are deemed to have indeterminable lives and accordingly depreciation is not charged.

Land is held at current valuation and is not depreciated. All land and buildings are subject to revaluation every five years, with the last revaluation being undertaken in 2019/20. Depreciation is charged on all tangible fixed assets other than land and heritage assets at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year, the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Donations and Legacies

2018/19 £'000		2019/20 £'000
0	Coldstream	0
0	Duns	0
0	Eyemouth	0
0	Galashiels	0
1	Hawick	1
0	Innerleithen	0
1	Jedburgh	1
1	Kelso	1
0	Lauder	1
0	Melrose	0
0	Peebles	0
1	Selkirk	1
4		5

2 Income from Investments

2018/19 £000		2019/20 £'000
2	Bank Interest Receivable from SBC Loans Fund	2
152	Income from Investment Portfolio	170
154		172

3 Analysis of Charitable Income

Charitable income is comprised of rental income for properties which are owned by Common Good Funds and let commercially; as well as income from the sale of trees from the Burgh Woodlands in Hawick of £164k causing a large increase from the prior year.

2018/19 £'000		2019/20 £'000
0	Coldstream	0
0	Duns	0
0	Eyemouth	0
0	Galashiels	0
115	Hawick	268
0	Innerleithen	0
0	Jedburgh	0
0	Kelso	0
11	Lauder	12
0	Melrose	0
56	Peebles	55
61	Selkirk	61
243		396

4 Analysis of Charitable Expenditure

2018/19 Total £'000		Activities Undertaken Directly £'000	Support and Governance Costs £'000	Property Cost & Depreciation £'000	2019/20 Total £'000
9	Coldstream	0	0	10	10
0	Duns	0	1	0	1
0	Eyemouth	0	0	0	0
39	Galashiels	0	2	55	57
151	Hawick	63	13	201	277
17	Innerleithen	0	0	31	31
31	Jedburgh	37	4	12	53
47	Kelso	2	2	59	63
27	Lauder	15	10	34	59
3	Melrose	0	0	4	4
73	Peebles	26	9	113	148
183	Selkirk	28	11	165	204
580		171	52	684	907

5 Governance Costs

Governance costs are comprised of a recharge from SBC and reflect the cost of the proportionate administration, finance, and legal time spent on Common Good funds. The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the Common Good Funds, recognised under Governance Costs. This fee amounted to £3,500 in 2019/20. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

6 Tangible Fixed Assets

The change in the value of tangible fixed assets has been driven by the following movements:

As at 31 March 2019 Total £'000		As at 31 March 2020		
		Surplus/(Loss) on Revaluation £'000	Depreciation £'000	Total £'000
216	Coldstream	70	10	276
0	Duns	0	0	0
2	Eyemouth	0	0	2
518	Galashiels	218	54	682
3,518	Hawick	1,005	93	4,430
256	Innerleithen	289	31	514
442	Jedburgh	110	11	541
713	Kelso	283	59	937
983	Lauder	338	26	1,295
32	Melrose	0	4	28
766	Peebles	169	83	852
3,044	Selkirk	999	140	3,903
10,490		3,481	511	13,460

Tangible fixed assets are broken down between Land & buildings and Heritage assets as follows:

As at 31 March 2019		As at 31 March 2020		
		Land & Buildings at Net Book Value £'000	Heritage Assets £'000	Total Long Term Assets £'000
Total				
£'000				
216	Coldstream	276	0	276
0	Duns	0	0	0
2	Eyemouth	2	0	2
518	Galashiels	682	0	682
3,518	Hawick	4,427	3	4,430
256	Innerleithen	514	0	514
442	Jedburgh	541	0	541
713	Kelso	918	19	937
983	Lauder	1,295	0	1,295
32	Melrose	28	0	28
766	Peebles	850	2	852
3,044	Selkirk	3,902	1	3,903
10,490		13,435	25	13,460

7 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2020 all investments were with the Kames Capital plc Diversified Monthly Income Fund. As a result of the COVID-19, global markets across most asset classes have seen a drop, resulting in an unrealised loss for 2019/20. Investment amounts and unrealised losses on these investments at 31 March 2020, per Common Good Fund are detailed below:

As at 31 March 2019		As at 31 March 2020		
		Additional Investments / (Disinvestment) £'000	Kames Unrealised Loss £'000	Total Investment £'000
Total Investment				
£'000				
0	Coldstream	0	0	0
17	Duns	0	(2)	15
0	Eyemouth	0	0	0
160	Galashiels	0	(25)	135
460	Hawick	0	(73)	387
0	Innerleithen	0	0	0
910	Jedburgh	0	(143)	767
267	Kelso	0	(42)	225
250	Lauder	0	(39)	211
0	Melrose	10	(2)	8
447	Peebles	20	(74)	393
269	Selkirk	(40)	(35)	194
2,780		(10)	(435)	2,335

8 Long Term Loan to Third Party

Balance at 31 March 2019 £'000		Advances paid out £'000	Repayments received £'000	Balance at 31 March 2020 £'000
21	Jedburgh	0	6	15
3	Lauder	0	3	0
0	Peebles	40	0	40
24		40	9	55

9 Debtors

2018/19 £'000		2019/20 £'000
30	Trade debtors	35
67	Prepayments and accrued income	11
2	Other debtors	12
99		58

10 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

11 Creditors: amounts falling due within 1 year

2018/19 £'000		2019/20 £'000
0	Grants payable	30
15	Accruals and deferred income	17
15		47

12 Restricted Income Funds

The funds held with the Charity are restricted by area, purpose or both.

Balance at 31 March 2019 £'000		SOFA Surplus / (Loss)	Unrealised movement on investment assets	Balance at 31 March 2020 £'000
122	Coldstream	0	0	122
18	Duns	0	(2)	16
1	Eyemouth	0	0	1
320	Galashiels	5	(25)	300
638	Hawick	108	(73)	673
135	Innerleithen	0	0	135
1,002	Jedburgh	5	(143)	864
297	Kelso	10	(42)	265
302	Lauder	(7)	(39)	256
18	Melrose	18	(2)	34
562	Peebles	13	(74)	501
268	Selkirk	42	(35)	275
3,683		194	(435)	3,442

13 Revaluation Reserve

Balance at 31 March 2019 £'000		Gain on Revaluation of Fixed Assets £'000	SOFA Surplus / (Loss) £'000	Balance at 31 March 2020 £'000
94	Coldstream	70	(10)	154
0	Duns	0	0	0
1	Eyemouth	0	0	1
365	Galashiels	218	(54)	529
3,384	Hawick	1,005	(93)	4,296
121	Innerleithen	289	(31)	379
439	Jedburgh	110	(11)	538
713	Kelso	283	(59)	937
980	Lauder	338	(26)	1,292
14	Melrose	0	(4)	10
716	Peebles	169	(83)	802
3,023	Selkirk	999	(140)	3,882
9,850		3,481	(511)	12,820

14 Reconciliation of net income/(expenditure) to net cash flow from Operating Activities

2018/19 £'000		2019/20 £'000
(150)	Net income/(expenditure) for the year ended 31 March	2,729
	<i>Adjustments for:</i>	
275	Depreciation charges	511
(28)	(Gains) / losses on Investments	435
(154)	Dividends and interest	(172)
(45)	(Increase) / decrease in debtors	41
(74)	Increase / (decrease) in creditors	32
0	Other non-cash item (revaluation of fixed assets)	(3,481)
(176)	Net cash provided by / (used in) operating activities	95

15 Contingent Assets

The charity granted a secured grant to Jedburgh Golf Club in 2004 to purchase land. The grant is to be written down over 20 years. If during this period the land is sold the balance of the remaining funds are to be returned to the charity.

16 Related Party Transactions

Due to the nature of the operations and composition of the Common Good Funds (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	2,094
Service Charge paid for central administrative support	(48,832)

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

The impact of the current Coronavirus pandemic is not fully known and as a result there continues to be uncertainty surrounding the position of the property market. As a result, less weight can be placed upon previous market evidence for comparison purposes, to inform opinions of value, which therefore gives rise to increased uncertainty over the valuations of the current year of the Council's 5 year rolling valuation programme. It should be noted that the Council's Surveyors did not deem this uncertainty great enough to require the valuations to be issued on the basis of 'material valuation uncertainty' but have since agreed that it would be prudent to note that less certainty can be attached to the valuation than may otherwise be the case.

INDEPENDENT AUDITOR'S REPORT

to the trustees of Scottish Borders Council Common Good Funds and the Accounts Commission for Scotland

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Common Good Funds for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Asset valuation

I draw attention to Note 17 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes that less certainty can be attached to valuations, due to the Coronavirus pandemic, declared by the valuer for property valuations. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

ADDITIONAL INFORMATION

Contact Details

For further information on the Common Good Funds, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

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Scottish Borders Council Welfare Trust

Charity Registration Number: SC044765

annual report and financial statements

for the year to 31 March 2020



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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Welfare Trust, the "Trust", which was established for the purpose of:

- a) The prevention or relief of poverty;
- b) The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage; or
- c) The advancement of health, including the advancement of education in health.

By among other things, the payment of grants and/or loans to such charities or other organisations or to such individuals who are deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purposes of either the prevention or relief of poverty or the relief of those in need or the advancement of health, as appropriate.

During 2017/18 further work on the reorganisation of charity funds continued and on 21st December 2017, Scottish Borders Council approved the reorganisation, in consultation with OSCR, for a number of funds to be amalgamated into this Trust on 1st April 2018.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2020.

Structure

On 21 December 2017, Scottish Borders Council approved the delegation of authority to the Services Director of Customer and Communities for the following:

1. Approve applications for funding up to the value of £500 from the SBC Community Enhancement Trust and SBC Welfare Trust;
2. Approve applications for grants from £501 to £2,500 to the SBC Welfare Trust, subject to the agreement of at least 50% of the Members in the relevant Wards; and
3. Approve applications for grants from £501 to £5,000 to the SBC Community Enhancement Trust, subject to the agreement of at least 50% of the Members in the relevant Wards.

Grants over £5,000 require approval by the Executive Committee of Scottish Borders Council.

Charitable Purpose

- The prevention or relief of poverty
- The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage or
- The advancement of health, including the advancement of education in health
- By among other things, the payment of grants and/or loans to such charities or other organisations or to such individuals who are deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purposes of either the prevention or relief of poverty or the relief of those in need or the advancement of health, as appropriate.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity made donations totalling £1,620 during the financial year to 31 March 2020.
- Criteria and revised governance structure approved by Scottish Borders Council on 21st December 2017, following public consultation.
- Approval given by Scottish Borders Council and where required OSCR for a number of Trusts and Bequests to be amalgamated into the Trust from 1st April 2018.

Plans for the Future

- The fund will be promoted via Scottish Borders Council web site and continue to grant awards to recipients who may be eligible for disbursement of funds under the eligibility restrictions of the funds.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the newly established Charity.
- b) In terms of the Trustee's governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21 May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.

The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2020, the reserves of the SBC Welfare Trust amounted to:

- Restricted Income Funds - £660,089

Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Kames Capital plc in a diversified income fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Welfare Trust

Charity registration number SC044765

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2020 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Kevin Drum (to 7 March 2020)	Gordon Edgar
Jim Fullarton	John Greenwell	Carol Hamilton
Scott Hamilton	Shona Haslam	Euan Jardine
Helen Laing	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Chief Executive During the period of these financial statements, the Chief Executive of Scottish Borders Council was Tracey Logan; at the date the audited accounts are authorised for issue, the Executive Director Finance & Regulatory, David Robertson, and the Executive Director Corporate Improvement & Economy, Rob Dickson, are covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Welfare Trust. All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Galashiels.

Shona Haslam
Trustee
Scottish Borders Council Welfare Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2020

2018/19 £		2019/20 £	Notes
	Income From:		
500	Donations and legacies	500	3
36,459	Investments	33,254	1
36,959	Total Income	33,754	
	Expenditure on:		
0	Raising funds	0	
(233)	Charitable activities	(1,620)	2
(500)	Other: Governance costs	(500)	3
(733)	Total Expenditure	(2,120)	
6,301	Gain / (loss) on investment assets	(98,389)	
42,527	Net Income / (Expenditure)	(66,755)	
	Other Recognised Gains / (Losses)		
574,589	Recognition of Investments	0	
617,116	Net Movement in Funds	(66,755)	
	Reconciliation of Funds		
109,728	Total funds brought forward	726,844	
726,844	Total Funds Carried Forward	660,089	8

BALANCE SHEET as at 31 March 2020

as at 31 March 2019			as at 31 March 2020		Notes
£	£		£	£	
624,488	624,488	Fixed Assets			
		Investments	526,629		4
				526,629	
2,643	102,356	Current Assets			
		Debtors	2,437		5
99,713		Short term investment in SBC loans fund	131,023		6
				133,460	
		Current Liabilities			
	0	Creditors:			
		Amounts falling due within 1 year		0	7
	102,356	Net Current Assets		133,460	
	726,844	Total Net Assets		660,089	
		The Funds of the Charity			
(726,844)		Restricted income funds	(660,089)		8
	(726,844)	Total Charity Funds		(660,089)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 13, form part of these Financial Statements.

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.

David Robertson CPFA
Executive Director, Finance & Regulatory

Shona Haslam
Trustee
Scottish Borders Council Welfare Trust

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2018/19 £		2019/20 £
417	Bank Interest Receivable	531
36,042	Income from Investment Portfolio	32,723
36,459		33,254

2 Charitable Activities

The charitable activities during 2019/20 are shown in note 8 by individual fund within the charity.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the SBC Welfare Trust, recognised under Governance Costs. This fee amounted to £500 in 2019/20. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2020 all investments were with the Kames Capital Diversified Monthly Income Fund. As a result of the COVID-19, global markets across most asset classes have seen a drop, resulting in an unrealised loss for 2019/20.

5 Debtors

2018/19 £		2019/20 £
2,643	Prepayments and accrued income	2,437
2,643		2,437

6 Short Term Investments in SBC Loans Fund

All surplus cash is invested on behalf of the charity with Scottish Borders Council

7 Creditors: amounts falling due within 1 year

2018/19 £		2019/20 £
0	Grants payable	0
0		0

8 Restricted Funds

The funds held with the Charity are restricted by area, purpose or both. Expenditure includes the unrealised loss on the Kames Capital plc investment during the year.

The restrictions for each are shown in the table below. The purpose of these funds are:

- a) The prevention or relief of poverty
- b) The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage or
- c) The advancement of health, including the advancement of education in health

2018/19 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	2019/20 Balance
£	£	£	£	£	£
224,100	Berwickshire	a&b	9,793	30,358	203,535
125,047	Galashiels & District	a&b	5,960	18,695	112,312
22,464	Hawick, Denholm & Hermitage	a&b	975	3,017	20,422
43,513	Jedburgh & District	a&b	1,899	5,885	39,527
9,318	Leaderdale & Melrose	a&b	398	1,229	8,487
7,500	Tweeddale East & West	a&b	327	1,013	6,814
764	Tweeddale East & West	Unrestricted	33	103	694
59,841	Mid & East Berwickshire	a&b	2,463	7,566	54,738
26,790	Hawick & Hermitage	c	1,170	3,626	24,334
584	Hawick & Hermitage	a&b	25	79	530
7,165	Hawick Denholm	a&b	314	974	6,505
21,660	Jedburgh & District	c	1,200	2,861	19,999
7,219	Kelso & District	a&b	315	976	6,558
89,185	Selkirkshire	a&b	3,886	12,042	81,029
16,897	Lauder	a&b	745	2,432	15,210
7,713	Melrose & District	a&b	342	1,060	6,995
56,758	Tweeddale	a&b	3,895	8,549	52,104
326	Bowden	a&b	14	44	296
726,844			33,754	100,509	660,089

9 Related Party Transactions

Due to the nature of the operations and composition of the SBC Welfare Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	531

INDEPENDENT AUDITOR'S REPORT

to the trustees of Scottish Borders Welfare Trust and the Accounts Commission for Scotland

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Welfare Trust for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable

the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Welfare Trust, please contact:

Kirsty Robb	Telephone: 01835 – 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

Scottish Borders Council
Education Trust

Charity Registration Number: SC044762

annual report and financial statements

for the year to 31 March 2020



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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Education Trust, the “Trust”, in 2014/15. Investigative work commenced in 2015/16 to identify further “Educational” trusts which could be integrated into this Charity. This work has been ongoing throughout the year and a further report will be submitted to Scottish Borders Council during 2020/21 around the possible amalgamation of educational based trusts and bequests into the SBC Education Trust.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and Financial Statements for the year ended 31 March 2020.

Structure

Following the establishment of the Trust, Scottish Borders Council on 21 May 2015 approved the delegation of authority to the Service Director Young People, Engagement and Inclusion for the following:

1. Make payments to individuals from educational trusts and SBC Education Trust according to set criteria.

Charitable Purpose

- To advance and/or promote cultural exchange by, among other things, the payment of grants and/or loans, the award of bursaries, the award of prizes, payment towards cultural exchanges that further an educational purpose both within Scottish Borders area and further afield (including abroad), to such educational institutions, charities or other organisations or to such individuals deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purpose of the advancement of education and/or promotion of cultural exchange.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity has not made any donations during the year to 31 March 2020.

Plans for the Future

- The fund will be promoted via Scottish Borders Council web site and continue to grant awards to recipients who may be eligible for disbursement of funds under the eligibility restrictions of the funds.
- The ongoing reorganisation work undertaken by Scottish Borders Council officers, including further refinement of existing disbursement criteria, will result in the OSCR approved amalgamation of other registered and non-registered trusts and bequests into the SBC Education Trust in 2020/21.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the Charity.
- b) In terms of the Trustees' governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21 May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs

At 31 March 2020, the reserves of the SBC Education Trust amounted to:

- Restricted Income Funds - £6,648

Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Kames Capital plc in a diversified income fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Education Trust

Charity registration number SC044762

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2020 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Kevin Drum (to 7 March 2020)	Gordon Edgar
Jim Fullarton	John Greenwell	Carol Hamilton
Scott Hamilton	Shona Haslam	Euan Jardine
Helen Laing	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Chief Executive During the period of these financial statements, the Chief Executive of Scottish Borders Council was Tracey Logan; at the date the audited accounts are authorised for issue, the Executive Director Finance & Regulatory, David Robertson, and the Executive Director Corporate Improvement & Economy, Rob Dickson, are covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Education Trust. All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Galashiels.

Shona Haslam
Trustee
Scottish Borders Council Education Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2020

2018/19 £		2019/20 £	Notes
	Income from:		
500	Donations and legacies	500	3
553	Investments	540	1
1,053	Total Income	1,040	
	Expenditure on:		
0	Raising funds	0	
(50)	Charitable activities	0	2
(500)	Other : Governance costs	(500)	3
(550)	Total Expenditure	(500)	
51	Gain / (loss) on investment assets - unrealised	(797)	
554	Net Income / (Expenditure)	(257)	
	Other Recognised Gains / (Losses)		
0	Recognition of Investments	0	
554	Net Movement in Funds	(257)	
	Reconciliation of Funds		
6,351	Total funds brought forward	6,905	
6,905	Total Funds Carried Forward	6,648	7

BALANCE SHEET as at 31 March 2020

as at 31 March 2019			as at 31 March 2020		Notes
£	£		£	£	
5,060	5,060	Fixed Assets			
		Investments	4,267		4
				4,267	
22	1,845	Current Assets			
1,823		Debtors	20		5
		Short term investment in SBC loans fund.	2,361		6
		Total Current Assets		2,381	
	6,905	Total Net Assets		6,648	
	(6,905)	The Funds of the Charity			
		Restricted income funds		(6,648)	7
	(6,905)	Total Charity Funds		(6,648)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 13 form part of these Financial Statements.

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.

David Robertson CPFA
Executive Director, Finance & Regulatory

Shona Haslam
Trustee
Scottish Borders Council Education Trust

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2018/19 £		2019/20 £
8	Bank Interest Receivable	10
545	Income from Investment Portfolio	530
553		540

2 Charitable Activities

The charity has not provided any grants to eligible beneficiaries during the year to 31 March 2020.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the SBC Education Trust, recognised under Governance Costs. This fee amounted to £500 in 2019/20. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2019 all investments were with the Kames Capital Diversified Monthly Income Fund. As a result of the COVID-19, global markets across most asset classes have seen a drop, resulting in an unrealised loss for 2019/20.

5 Debtors

2018/19 £		2019/20 £
22	Prepayments and accrued income	20
22		20

6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council.

7 Restricted Income Funds

The funds held with the Charity are restricted by area, purpose or both. Expenditure includes the unrealised loss on the Kames Capital plc investment during the year.

2018/19 Balance	Restricted by Area	Income	Expenditure	2019/20 Balance
£	£	£	£	£
1,992	Borders Wide	368	419	1,941
4,913	Peeblesshire	672	878	4,707
6,905		1,040	1,297	6,648

8 Related Party Transactions

Due to the nature of the operations and composition of the SBC Education Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	10

INDEPENDENT AUDITOR'S REPORT

to the trustees of Scottish Borders Council Education Trust and the Accounts Commission for Scotland

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Education Trust for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Education Trust, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

Scottish Borders Council
Community Enhancement Trust
Charity Registration Number: SC044764

annual report and financial statements

for the year to 31 March 2020



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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Community Enhancement Trust, the "Trust", which was established from 10 funds held by Scottish Borders Council. The purpose of the trust is as follows:

- a) The advancement of community development;
- b) The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets;
- c) The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; or
- d) The advancement of environmental protection or improvement.

During 2017/18 further work on the reorganisation of charity funds continued and on 21st December 2017, Scottish Borders Council approved the reorganisation, in consultation with OSCR, for a number of funds to be amalgamated into this Trust on 1st April 2018.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2020.

Structure

On 21 December 2017, Scottish Borders Council approved the delegation of authority to the Services Director of Customer and Communities for the following:

1. Approve applications for funding up to the value of £500 from the SBC Community Enhancement Trust and SBC Welfare Trust;
2. Approve applications for grants from £501 to £2,500 to the SBC Welfare Trust, subject to the agreement of at least 50% of the Members in the relevant Wards; and
3. Approve applications for grants from £501 to £5,000 to the SBC Community Enhancement Trust, subject to the agreement of at least 50% of the Members in the relevant Wards.

Grants over £5,000 require approval by the Executive Committee of Scottish Borders Council.

Charitable Purpose

- The advancement of Community Development;
- The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets;
- The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; or
- The advancement of environmental protection or improvement.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity made donations totalling £2,357 during the financial year to 31 March 2020.
- Criteria and revised governance structure approved by Scottish Borders Council on 21st December 2017, following public consultation.

Plans for the Future

- The fund will be promoted via Scottish Borders Council web site and continue to grant awards to recipients who may be eligible for disbursement of funds under the eligibility restrictions of the funds.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the Community Enhancement Trust.
- b) In terms of the Trustees' governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21 May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2020, the reserves of the SBC Community Enhancement Trust amounted to:

- Restricted Income Funds - £172,011.

Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Kames Capital plc in a diversified income fund.

Reference and Administrative Information

Charity Name	Scottish Borders Council Community Enhancement Trust
Charity registration number	SC044764
Business Address	Council HQ Newtown St Boswells Melrose Scottish Borders

Trustees

The Trustees of this charity for the year to 31 March 2020 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Kevin Drum (to 7 March 2020)	Gordon Edgar
Jim Fullarton	John Greenwell	Carol Hamilton
Scott Hamilton	Shona Haslam	Euan Jardine
Helen Laing	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Chief Executive During the period of these financial statements, the Chief Executive of Scottish Borders Council was Tracey Logan; at the date the audited accounts are authorised for issue, the Executive Director Finance & Regulatory, David Robertson, and the Executive Director Corporate Improvement & Economy, Rob Dickson, are covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Community Enhancement Trust. All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Galashiels.

Shona Haslam
Trustee
Scottish Borders Council Community Enhancement Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2020

2018/19 £		2019/20 £	Notes
	Income from:		
500	Donations and legacies	500	3
11,461	Investments	8,910	1
30	Charitable activities	30	
11,991	Total Income	9,440	
	Expenditure on:		
(6)	Raising funds	0	
(1,269)	Charitable activities	(2,357)	2
(500)	Other : Governance Costs	(500)	3
(1,775)	Total Expenditure	(2,857)	
1,786	Gain / (loss) on investment assets - unrealised	(27,969)	
12,002	Net Income / (Expenditure)	(21,386)	
	Other Recognised Gains / (Losses)		
109,007	Recognition of Investments	0	
121,009	Net Movement in Funds	(21,386)	
	Reconciliation of Funds		
72,388	Total funds brought forward	193,397	
193,397	Total Funds Carried Forward	172,011	7

BALANCE SHEET as at 31 March 2020

as at 31 March 2019			as at 31 March 2020		Notes
£	£		£	£	
177,521	177,521	Fixed Assets			
		Investments	149,703	149,703	4
751	15,876	Current Assets			
15,125		Debtors	693		5
		Short term investment in SBC loans fund	21,615		6
				22,308	
	193,397	Total Net Assets		172,011	
(193,397)		The Funds of the Charity			
		Restricted income funds	(172,011)		7
	(193,397)	Total Charity Funds		(172,011)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 13 form part of these Financial Statements.

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.

David Robertson CPFA
Executive Director, Finance & Regulatory

Shona Haslam
Trustee
Scottish Borders Council Community
Enhancement Trust

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2018/19 £		2019/20 £
109	Bank Interest Receivable	80
11,352	Income from Investment Portfolio	8,829
11,461		8,909

2 Charitable Activities

The charitable activities during 2019/20 are included in note 8 by individual fund within the charity. All expenditure incurred was for direct charitable activities.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the SBC Community Enhancement Trust, recognised under Governance Costs. This fee amounted to £500 in 2019/20. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2020 all investments were with the Kames Capital Diversified Monthly Income Fund. As a result of the COVID-19, global markets across most asset classes have seen a drop, resulting in an unrealised loss for 2019/20.

5 Debtors

2018/19 £		2019/20 £
751	Prepayments and accrued income	693
751		693

6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

7 Restricted Income Funds

The funds held with the Charity are restricted by area, purpose or both. Expenditure includes the unrealised loss on the Kames Capital plc investment during the year.

The restrictions for each are shown in the table below. The purpose of these funds are:

- a) Advancement of Community Development

- b) The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets
- c) The provision of recreational facilities, or the organisation of recreational activities are primarily intended, or
- d) Advancement of environmental protection or improvement

2018/19 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	2019/20 Balance
£			£	£	£
1,707	Cheviot	Allerley Well Park	77	232	1,552
1,592	Borders Wide	b	71	215	1,448
21,853	Hawick, Denholm & Hermitage	b	974	3,687	19,140
34,356	Mid & East Berwickshire	b	1,852	5,712	30,496
7,281	Hawick, Denholm & Hermitage	b&d	331	998	6,614
15,376	Berwickshire	Unrestricted	699	2,108	13,967
556	Berwickshire	Henderson Park & War Memorial	29	87	498
1,574	Selkirk	Unrestricted	80	247	1,407
17,637	Earlston	Unrestricted	801	2,419	16,019
1,042	Earlston	b	75	157	960
7,723	Galashiels & District	b	385	1,178	6,930
445	Hawick, Denholm & Hermitage	c	22	66	401
21,677	Hawick, Denholm & Hermitage	Unrestricted	1,113	3,304	19,486
235	Hawick Denholm	b	12	36	211
419	Hawick & Hermitage	b	21	64	376
1,747	Jedburgh & District	b	82	249	1,580
860	Kelso & District	b	43	130	773
1,523	Melrose	b	76	231	1,368
10,891	Selkirk & District	b	543	1,660	9,774
3,245	Selkirkshire	b	89	137	3,197
6,496	Tweeddale	b	309	938	5,867
356	Berwickshire	c	17	53	320
34,806	Lauder & District	b	1,739	6,918	29,627
193,397			9,440	30,826	172,011

8 Related Party Transactions

Due to the nature of the operations and composition of the SBC Community Enhancement Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	80

INDEPENDENT AUDITOR'S REPORT

to the trustees of Scottish Borders Council Community Enhancement Trust and the Accounts Commission for Scotland

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Community Enhancement Trust for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable

the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Community Enhancement Trust, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

Scottish Borders Council

Ormiston Trust for Institute

Charity Registration Number: SC019162

annual report and financial statements

for the year to 31 March 2020



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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Due to the Ormiston Institute containing heritable assets it has not been included in the new Charities recently established by Scottish Borders Council following a reorganisation of a number of trusts, in consultation with OSCR. The Ormiston Institute remains a single registered charity.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and Financial Statements for the year ended 31 March 2020.

Structure

The Charity is a single standalone charity for the Ormiston Institute in Melrose and is registered with OSCR.

Charitable Purpose

- The fund is to be used to provide and maintain the property known as the Ormiston Institute in Melrose to provide recreational and educational rooms in the town for the inhabitants of the Town and district.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for.
- The funds generated during 2019/20 have been fully utilised during the year. The funds are expended on behalf of the Charity by Live Borders who manages the facility on behalf of the Trustees.
- In line with the Accounting Policy-Tangible Fixed Assets and Depreciation, all fixed assets belonging to the Ormiston Trust for Institute were revalued as at 1 April 2019 with a net gain of £184,500 showing in the Statement of Financial Activities.

Plans for the Future

- Scottish Borders Council will continue to manage the service on behalf of Trustees ensuring access to the services and building is provided.
- An ongoing project, led by the Trimontium Trust aims to expand and improve the Trimontium Museum, located in the Ormiston Institute.

Governance and Management

Type of Governing Documents

- a) The charity came to be administered by the Council during local government reorganisation in 1996. A Trust Disposition and settlement by the late Charles Walker Ormiston was requested with the books of Council and Session 13 February 1882. The present Council are the statutory successors to that body.
- a) The funds are governed by Trustee's in line with the Local Code of Corporate Governance of Scottish Borders Council, consideration being given to:

Financial
Regulations

Code of
Corporate
Governance

Procedural
Standing
Orders

Scheme of
Administration

Scheme of
Delegation

- c) When considering any action in connection with the Charity the Trustees must act in the interest of the Charity Funds.
- b) The financial statements comply with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, i.e. those wards covering former Burgh areas and in terms of the Council's Code of Governance.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs

At 31 March 2020, the reserves of the Ormiston Trust for Institute amounted to:

- Restricted Income Funds - £372,672

Investments

Per the Council's Common Good and Trust Fund investment strategy, the main balance of funds are invested with Kames Capital plc in a diversified income fund.

Reference and Administrative Information

Charity Name	Scottish Borders Council Ormiston Trust for Institute
Charity registration number	SC019162
Business Address	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2020 were the duly elected members of the Leaderdale and Melrose ward of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

David Parker Tom Miers Kevin Drum (to 7 March 2020)

Chief Executive During the period of these financial statements, the Chief Executive of Scottish Borders Council was Tracey Logan; at the date the audited accounts are authorised for issue, the Executive Director Finance & Regulatory, David Robertson, and the Executive Director Corporate Improvement & Economy, Rob Dickson, are covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Ormiston Trust for Institute. All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Galashiels.

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2020

2018/19 £		2019/20 £	Notes
	Income from:		
500	Donations and legacies	500	4
545	Investments	488	1
1,045	Total Income	988	
	Expenditure on:		
(25,500)	Raising funds	(55,000)	2
(545)	Charitable activities	(488)	3
(500)	Other : Governance costs	(500)	4
(26,545)	Total Expenditure	(55,988)	
	Other Recognised Gains/(Losses)		
0	Gains on Revaluation of Fixed Assets	184,500	
98	Gain / (loss) on investment assets - unrealised	(1,545)	
(25,402)	Net Movement in Funds	127,955	
	Reconciliation of Funds		
270,119	Total funds brought forward	244,717	
244,717	Total Funds Carried Forward	372,672	10

BALANCE SHEET as at 31 March 2020

as at 31 March 2019			as at 31 March 2020		Notes
£	£		£	£	
		Fixed Assets			
234,500		Tangible assets	364,000		5
9,806		Investments	8,269		6
	244,306			372,269	
		Current Assets			
41		Debtors	38		7
582		Short term investment in SBC loans fund.	555		8
	623	Total Current Assets		593	
		Current Liabilities			
		Creditors:			
	(212)	Amounts falling due within 1 year		(190)	9
	411	Net Current Assets		403	
	244,717	Total Net Assets		372,672	
		The Funds of the Charity			
(244,717)		Restricted income funds	(372,672)		10
	(244,717)	Total Charity Funds		(372,672)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 10 and 11 and the Notes on page 12 and 13 form part of these Financial Statements.

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.

David Robertson CPFA
Executive Director, Finance & Regulatory

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets and Depreciation

Tangible fixed assets, with a value greater than £5,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the last revaluation being undertaken in 2019/20. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2018/19 £		2019/20 £
4	Bank Interest Receivable	3
541	Income from Investment Portfolio	485
545		488

2 Expenditure on Raising Funds

Expenditure on Raising Funds includes a depreciation charge for the use of the asset and is funded from the Restricted Funds. This is not a cash transaction.

3 Charitable Activities during 2019/20

A single grant is made to Live Borders to maintain the property and provide the services required under the Charity terms.

4 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the Ormiston Institute, recognised under Governance Costs. This fee amounted to £500 in 2019/20. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

5 Tangible Fixed Assets

The charity has a fixed asset of the Ormiston Institute building and land at Greenyards in Melrose.

The movement in the value of Tangible Fixed Assets has been driven by the following movements:

	£
Opening Balance at 1 April 2019	234,500
Gain on Revaluation	184,500
Depreciation for year	(55,000)
Closing Balance at 31 March 2020	364,000

6 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2020 all investments were with the Kames Capital Diversified Monthly Income Fund. As a result of the COVID-19, global markets across most asset classes have seen a drop, resulting in an unrealised loss for 2019/20.

7 Debtors

2018/19 £		2019/20 £
41	Prepayments and accrued income	38
41		38

8 Short term investment in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council.

9 Creditors: amounts falling due within 1 year

2018/19 £		2019/20 £
212	Grants payable	190
212		190

10 Restricted income funds

The funds held with the Charity are restricted by area, purpose or both. Income includes the gain from revaluation of fixed assets; expenditure includes the unrealised loss on the Kames investment during the year.

2018/19 Balance £	Trust Fund £	Income £	Expenditure £	2019/20 Balance £
238,689	Ormiston Trust Institute	151,885	55,981	334,593
6,028	Greenyards Trust	33,603	1,552	38,079
244,717		185,488	57,533	372,672

11 Related Party Transactions

Due to the nature of the operations and composition of the SBC Ormiston Trust for Institute (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	3

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

The impact of the current Coronavirus pandemic is not fully known and as a result there continues to be uncertainty surrounding the position of the property market. As a result, less weight can be placed upon previous market evidence for comparison purposes, to inform opinions of value, which therefore gives rise to increased uncertainty over the valuations of the current year of the Council's 5 year rolling valuation programme. It should be noted that the Council's Surveyors did not deem this uncertainty great enough to require the valuations to be issued on the basis of 'material valuation uncertainty' but have since agreed that it would be prudent to note that less certainty can be attached to the valuation than may otherwise be the case.

INDEPENDENT AUDITOR'S REPORT

to the trustees of Scottish Borders Council Ormiston Trust for Institute and the Accounts Commission for Scotland

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Ormiston Trust for Institute for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Asset valuation

I draw attention to Note 12 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes that less certainty can be attached to valuations, due to the Coronavirus pandemic, declared by the valuer for property valuations. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going

concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

ADDITIONAL INFORMATION

Contact Details

For further information on the Ormiston Trust for Institute, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

Scottish Borders Council Charitable Trusts

Charity Registration Number: SC043896

annual report and financial statements

for the year to 31 March 2020



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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

In late 2012/13 the charitable status of 76 various funds was formally recognised under a single Charity registration.

Work commenced in 2014/15 to re-organise a number of the other registered Charities managed by Scottish Borders Council into three new Charities covering Welfare, Community Enhancement and Education. Following public consultation meetings and discussion with OSCR during 2017 a report was presented to Scottish Borders Council on 21 December 2017 recommending the transfer of a number of the restricted funds to the Scottish Borders Council Welfare Trust and Scottish Borders Council Community Enhancement Trust. The formal submission requests were submitted to OSCR during February 2018 for approval; following receipt of this approval from OSCR, the transfer took place on 1 April 2018 leaving 32 various funds remaining within this Charity. A further report will be submitted to Scottish Borders Council for the remaining Funds during 2020/21.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and Financial Statements for the year ended 31 March 2020.

Structure

Following the transfer on 1 April 2018 of 7 funds to the Scottish Borders Council Community Enhancement Trust and 37 funds to the Scottish Borders Council Welfare Trust, the Charity currently comprises 32 charitable funds originally established for a variety of purposes - their charitable status was regulated by OSCR at the end of 2012/13.

Charitable Purpose

- The charitable purpose of this charity is to hold funds for each Trust, Endowment or bequest comprising the Charity. Each of these funds have their own purpose related to the general purpose of the prevention or relief of poverty by reason of age, ill-health, disability, financial hardship or other disadvantage.

Summary of the Main Activities

- A number of the funds have made donations to eligible beneficiaries during the year to 31 March 2020 totalling £11,871 including contributions through area based Education Trusts for Further Education including overseas study and travel as well as music and dance expenses. This expenditure is included within the Charitable activities figure in the Statement of Financial Activities, which is detailed further in Notes 2 and 8 to the Financial Statements.

Plans for the Future

- Approval to transfer a number of Funds to the Scottish Borders Council Welfare Trust and Scottish Borders Council Community Enhancement Trust was given by OSCR and resulted in a number of funds transferring their full reserve balances from the SBC Charitable Trusts from 1 April 2018. The remaining 32 funds continue to be reviewed in conjunction with all stakeholders, including OSCR.

Governance and Management

Type of Governing Documents

- a) Since this Charity was originally formed as a holding charity for some 76 individual funds there is no overall governance document. 44 of these funds have now been successfully amalgamated into other SBC Trusts. An ongoing review is being undertaken into each of the remaining constituent funds with a view to further amalgamation into existing SBC Trusts.
- b) In terms of the Trustees' governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21 May 2015 and have been reflected in its governance codes. The Local Code of Corporate Governance of Scottish Borders Council covers the governance of the Charity and is comprised of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs

At 31 March 2020, the reserves of the SBC Charitable Trust Funds amounted to:

- Restricted Income Funds - £247,785

Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Kames Capital plc in a diversified income fund.

Reference and Administrative Information

Charity Name	Scottish Borders Council Charitable Trusts
Charity registration number	SC043896
Business Address	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2020 were the duly elected members of Scottish Borders Council (the Council), a local authority constituted under the Local Government (Scotland) Act 1994, at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Kevin Drum (to 7 March 2020)	Gordon Edgar
Jim Fullarton	John Greenwell	Carol Hamilton
Scott Hamilton	Shona Haslam	Euan Jardine
Helen Laing	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Chief Executive During the period of these financial statements, the Chief Executive of Scottish Borders Council was Tracey Logan; at the date the audited accounts are authorised for issue, the Executive Director Finance & Regulatory, David Robertson, and the Executive Director Corporate Improvement & Economy, Rob Dickson, are covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Charitable Trusts. All financial transactions go through the Council's books of account and their Bankers are the Bank of Scotland, Galashiels.

Shona Haslam
Trustee
Scottish Borders Council Charitable Trusts

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements; and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2020

2018/19 £		2019/20 £	Notes
	Income from:		
500	Donations and legacies	500	3
26,793	Investments	36,672	1
27,293	Total Income	37,172	
	Expenditure on:		
(386,125)	Charitable activities	(11,871)	2
0	Raising funds	0	
(500)	Other : Governance Costs	(500)	3
(386,625)	Total Expenditure	(12,371)	
2,045	Gain / (loss) on investment assets - unrealised	(31,931)	
(357,287)	Net Movement in Funds	(7,130)	
	Reconciliation of Funds		
612,202	Total funds brought forward	254,915	
254,915	Total Funds Carried Forward	247,785	8

BALANCE SHEET as at 31 March 2020

as at 31 March 2019			as at 31 March 2020		Notes
£	£		£	£	
202,673	202,673	Fixed Assets			
		Investments	170,913		4
				170,913	
858	52,242	Current Assets			
51,384		Debtors	791		5
		Short term Investment in SBC loans fund	76,081		6
		Total Current Assets		76,872	
		Current Liabilities			
	0	Creditors:			
		Amounts falling due within 1 year		0	7
	52,242	Net Current Assets		76,872	
	254,915	Total Net Assets		247,785	
(254,915)		The Funds of the Charity			
		Restricted income funds	(247,785)		8
	(254,915)	Total Charity Funds		(247,785)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 13 form part of these Financial Statements.

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.

David Robertson CPFA
Executive Director, Finance & Regulatory

Shona Haslam
Trustee
Scottish Borders Council Charitable Trusts

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2018/19 £		2019/20 £
291	Bank Interest Receivable from SBC Loans Fund	245
26,502	Income from Investment Portfolio	36,427
26,793		36,672

2 Charitable Activities

The charitable activities during 2019/20 are included in note 8 by individual fund within the charity. All expenditure incurred was for direct charitable activities.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the SBC Charitable Trust, recognised under Governance Costs. This fee amounted to £500 in 2019/20. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2020 all investments were with the Kames Capital Investment Diversified Monthly Income Fund. As a result of the COVID-19, global markets across most asset classes have seen a drop, resulting in an unrealised loss for 2019/20.

5 Debtors

2018/19 £		2019/20 £
858	Prepayments and accrued income	791
858		791

6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

7 Creditors: amounts falling due within 1 year

2018/19 £		2019/20 £
0	Grants payable	0
0		0

8 Restricted Funds

The funds held with the Charity are restricted by area, purpose or both. Expenditure includes the unrealised loss on the Kames Capital plc investment during the year.

2018/19 Balance	Fund	Income	Expenditure	2019/20 Balance
£		£	£	£
934	Andrew, Agnes & John Kyle	107	120	921
8,061	Berwickshire Educational Trust	861	1,735	7,187
352	C W Dunnet Award	36	43	345
913	Campbell Calderhead Prize	72	100	885
3,411	Col. Jem Richard Prize Fund	256	380	3,287
1,019	Coldstream Guards Prize	111	243	887
1,587	Dr Milne Memorial Fund	116	179	1,524
20,609	Geoffrey Simpson Bequest	2,307	2,378	20,538
617	Hans D Langmack Prize Fund	59	142	534
2,906	J Purves Bequest	273	403	2,776
26,165	J A S Henderson Memorial Scholarship	5,940	3,223	28,882
1,184	James Robertson Trust	94	129	1,149
1,547	Jane Grieve Endowment	119	171	1,495
2,013	Jean Kincaid Grieve Endowment	148	226	1,935
1,603	Jedburgh Public Library Fund	70	217	1,456
736	John Jamieson Prize Fund	53	84	705
653	Kelso Library Book Fund	29	88	594
704	Kennedy Medal Fund	55	77	682
1,755	Kenneth Cochrane Library Fund	77	237	1,595
5,205	F W Dobson VC	516	1,208	4,513
963	Mary Dickson Prize Fund	87	114	936
921	Mr & Mrs W F Johnstone Fund	63	108	876
1,085	Mrs Clelland Memorial Prize	79	123	1,041
3,380	Murray Medal Fund	296	405	3,271
274	Peebles Public Library	13	40	247
23,234	Peeblesshire Educational Trust	3,211	3,777	22,668
112,012	Roxburghshire Educational Trust	14,109	18,443	107,678
1,341	Special Air Service Reg. Fund	130	309	1,162
3,759	Selkirk Library Fund	164	508	3,415
11,702	Selkirkshire Educational Trust	1,754	3,498	9,958
12,843	Sir Walter Leitch Scholarship	5,865	5,431	13,277
1,427	Walter Geddes Prize Fund	102	163	1,366
254,915		37,172	44,302	247,785

9 Related Party Transactions

Due to the nature of the operations and composition of the SBC Charitable Trusts (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	245

INDEPENDENT AUDITOR'S REPORT

to the trustees of Scottish Borders Council Charitable Trusts and the Accounts Commission for Scotland

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Charitable Trusts for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable

the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Asif A Haseeb OBE
4th Floor
102 West Port Edinburgh
EH3 9DN

Asif A Haseeb OBE is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Charitable Trusts, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

annual report and financial statements

Bridge Homes LLP

for the year to 31 March 2020

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MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2020.

Reference and Administrative Information

Company Name	Bridge Homes LLP
Company Registration Number	SO304775
Registered Office	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Designated Members

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

Scottish Borders Council

Scottish Future Trust Investments Limited

Scottish Borders Council has two votes and Scottish Futures Trust has one vote as per the Members Agreement resulting in Scottish Borders Council having controlling share of the LLP.

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

Auditor	KPMG LLP 20 Castle Terrace Saltire Court Edinburgh EH1 2EG
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Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore remain in office.

Professional support

The Council provides the Administrative, Legal and Financial support and advice to Bridge Homes.

Principal Activity

The principal activity of Bridge Homes during the year was investment in mid-market residential property for domestic rental to meet an identified social need within the Scottish Borders.

Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members

1. Cash received by Bridge Homes, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any accrued interest charges on loan advances, thirdly to reimburse any amounts paid out under the Scottish Government guarantee (see below) and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above payments will be held to apply in early repayment of loan advances. Such balances will not be distributed without the unanimous approval of members and where any payment under the Facility Agreement (between Bridge Homes and Scottish Borders Council) has not been made in accordance with its terms.
2. Cash received from property disposals will be allocated firstly to reimburse any amounts paid out under the Scottish Government guarantee, secondly to pay any operating costs relating to the property disposed, thirdly in payment of any accrued interest charges on loan advances, fourthly to establish and maintain the Reserve Account balance, fifthly to repay any loan principal, sixth to pay any residual disposal proceeds to Scottish Borders Council and finally, following disposal of the final property, to repay the initial capital.

Business Review

Background

Scottish Borders Council (the Council) in partnership with Scottish Futures Trust Investments Ltd (SFT) have established a Council Led House Building Programme (National Housing Trust (NHT) Local Authority (LA) Variant in order to deliver more affordable housing in the Scottish Borders in line with the Local Housing Strategy. This NHT LA Variant, Bridge homes LLP aims to deliver up to 200 homes for mid-market rent.

Bridge Homes is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £18.8m along with a £3.3m contribution from the Councils' Affordable Housing Investment Budget.

The Scottish Government provides a guarantee of rent to cover the loan of up to a maximum of £3,000 per housing unit, for each unit that remains within the NHT LA Variant at any one time, subject to a maximum amount of £600,000.

SFT monitors the projects as a result of the Scottish Government guarantee for the loans.

Governance

The Bridge Homes Board has been established with 2 Council Senior Officers and 1 SFT Senior Officer on the Board. The Board meets quarterly and the financial viability of projects require to be signed off by all 3 Directors.

A Project Board, supported through the Council, has been established and meets regularly to oversee the development and delivery of the initiative. A Project Team, consisting of officers from the Council, has also been established to identify properties, secure property management service providers, develop systems and deliver the project.

Activity Summary

Bridge Homes was legally established in 2014/15 as a Limited Liability Partnership between Scottish Borders Council and Scottish Futures Trust in order to provide additional affordable housing for mid-market rent via the National Housing Trust / Local Authority Variant Initiative. By 31 March 2018 Bridge Homes owned 45 homes at Castle View Ayton, Queen Elizabeth Drive Galashiels,

Standalane Way Peebles, Croft Field Court Denholm, Henderson's Court Kelso, and Waverley Road Innerleithen.

During 2018/19 Bridge Homes acquired an additional 4 flats at Hydro Gardens Peebles and 5 houses at Washington Avenue Kelso. Therefore by year end 31 March 2019 Bridge Homes owned 54 affordable homes across Scottish Borders. These final 9 acquisitions effectively brought an end to the development or acquisition phase of Bridge Homes activity. The 31 March 2019 was also the extended initiative deadline for completed homes delivery agreed between the Council and Scottish Government. In August 2018, Bridge Homes agreed to extend the existing 3 year Managing Agent contract by a further 2 years on the same terms and conditions. This was done on the basis of option conditions set out within the original contract. During 2019/20, there have been subsequent discussions between the parties with a view towards further extending the contract.

Existing response repairs reporting to the Managing Agent and repairs delivery by Borders Property Maintenance, and Key Performance Indicator reporting arrangements continue as per the contract. The Covid-19 pandemic has prompted concerns regarding potentially adverse impact on the response repairs and rent collection performance. These will be closely monitored in 2020/21. The latter has potential impact for triggering the Scottish Government rental guarantee so Scottish Futures Trust has developed and implemented an additional standard monthly rent monitoring template which has been implemented by all the LLPs established through the National Housing Trust / Local Authority Initiative.

The National Housing Trust / Local Authority Variant model is predicated on the disposal of Bridge Homes properties sometime between their fifth and tenth year anniversaries in order to repay the loan capital to the Council. Council Officers have met with the Scottish Government More Homes Division and Scottish Futures Trust counterparts in order to identify a preferred way forward for a potential disposal strategy. This has been made more complex given the numbers of other LLPs established elsewhere in Scotland.

David Robertson CPFA
Designated Member
Scottish Borders Council
XX October 2020

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of 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.

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 jurisdiction

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2020

2018/19		2019/20	Notes
£		£	
239,485	Turnover	247,809	1
(46,601)	Cost of Sales	(50,609)	2
192,884	Gross Profit	197,200	
(98,749)	Administrative Expenses	(12,253)	3
(58,686)	Revaluations	(72,843)	
35,449	Operating Profit	112,104	
(100,639)	Interest Payable & Similar Expenses	(111,213)	4
(65,190)	Profit For The Financial Year Available For Discretionary Division Among Members	891	
(11,314)	Other Comprehensive Income Revaluation (Loss)/Gain on Property	567,843	
(76,504)	Total Comprehensive Income	568,734	

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

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 15 form part of these financial statements.

BALANCE SHEET as at 31 March 2020

2018/19		2019/2020		Notes
£		£	£	
7,242,889	Fixed Assets			
	Property, Plant and Equipment		7,737,889	5
	Current Assets			
14,512	Debtors	52,874		6
213,448	Cash at Bank	204,327		
227,960		257,201		
	Creditors			
(70,665)	Amounts falling due within 1 year	(26,173)		7
157,295	Net Current Assets		231,028	
7,400,184	Net Assets attributable to Members		7,968,917	
	Represented By:			
5,611,982	Loans and Other Debts due to Members		5,611,982	8
	Members' Other Interests			9
894,002	Capital Account	894,002		
(9,235)	Profit and Loss Reserve	(8,346)		
903,436	Revaluation Reserve	1,471,279		
7,400,184	Total Members' Interests		7,968,917	

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 15 form part of these Financial Statements.

These financial statements were approved by the members and authorised for issue on XX October 2020 and are signed on their behalf by:

David Robertson CPFA
Designated Member
Scottish Borders Council
XX October 2020

Company Registered Number: SO304775

CASH FLOW STATEMENT for the year ended 31 March 2020

2018/19 £		2019/20 £
	Reconciliation of Profit to Net Cash Flow from Operating Activities	
(65,190)	Profit for the Financial Year	891
159,325	Adjustments to Profit for Non Cash Movements	184,055
99,673	(Increase)/Decrease in Debtors	(38,362)
(3,233)	Increase/(Decrease) in Creditors due within 1 year	(44,492)
190,575	Net Cash Inflow from Operating Activities	102,092

2018/19 £		2019/20 £
	Cash Flow Statement	
190,575	Net Cash Inflow from Operating Activities	102,092
	Investing Activities	
(1,147,281)	Purchase of Property, Plant & Equipment	0
(1,147,281)	Net Cash Inflow/(Outflow) from Investing Activities	0
	Financing Activities	
135,000	Capital Received	0
1,011,380	Cash received from loans and other borrowing	0
(100,639)	Interest Payable	(111,213)
(1,045,741)	Net Cash Inflow/(Outflow) from Financing Activities	(111,213)
89,035	Increase in Cash	(9,121)
89,035	Movement in Cash in Period	(9,121)

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 15 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2020

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2019	894,002	(9,235)	903,436	5,611,982	7,400,184
Profit For The Year Available for Discretionary Division Among Members	0	891	0	0	891
Revaluations	0	0	567,843	0	567,843
Balance at 31 March 2020	894,002	(8,344)	1,471,279	5,611,982	7,968,917

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2018	759,002	55,955	914,750	4,600,602	6,330,309
Profit For The Year Available for Discretionary Division Among Members	0	(65,190)	0	0	(65,190)
Loan Funding Provided By Members	0	0	0	1,011,380	1,011,380
Revaluations	0	0	(11,314)	0	(11,314)
Capital Introduced By Members	135,000	0	0	0	135,000
Balance at 31 March 2019	894,002	(9,235)	903,436	5,611,982	7,400,184

The Accounting Policies on pages 11 and 12 and the Notes on page 13 to 15 form part of these financial statements.

ACCOUNTING POLICIES

Bridge Homes LLP (the LLP) is a limited liability partnership registered and incorporated in Scotland. The registered number is SO304775 and the address of the registered office is Council Headquarters, Newtown St. Boswells, Melrose, TD6 0SA.

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2019) issued by the CCAB (Consultative Committee of Accountancy Bodies).

Going Concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Members' report on page 3. Bridge Homes is 99.999% owned by Scottish Borders Council and is financed under a Facility Agreement with the Council to borrow up to £18.8m along with a £3.3m contribution from the Councils' Affordable Housing Investment Budget. As at 31 March 2020 £5.612m has been drawn down. Each drawdown is due to be repaid no later than ten years after the date of drawdown or upon disposal of each housing unit purchased which may occur no earlier than five years after the date of purchase. The first drawdown and associated housing unit purchase occurred in 2014. The Members intend to dispose of all units five years after the date the last property was purchased in 2019, repaying the facility in full in 2024.

The Members have undertaken a going concern assessment. This assessment has taken account of the current and anticipated impact of COVID-19, which to date has had little impact on the LLP, and possible changes in trading performance including reasonably possible downsides. These downsides include reduced or delayed rental income cash inflows, which, whilst not impacting results to date, could arise due to the ongoing Covid-19 pandemic and a future economic downturn. A severe but plausible downside is considered to be that where rental income is restricted to the maximum amount guaranteed by the Scottish Government. Even under this scenario the LLP is forecast to have adequate working capital to execute its operations over the next 12 months from the date of approval of the financial statements.

As such, the Members consider that the LLP has adequate resources to continue in operational existence for the foreseeable future. As a result, the Members continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Accruals of Income and Expenditure

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

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Interest payable on capital advances is accounted for based on the applicable 4^{1/2} - 5 year PWLB (Public Works Loan Board) fixed interest rate applicable at the date the borrowing was initially incurred.

ACCOUNTING POLICIES (CONTINUED)

Accruals of Income and Expenditure (Continued)

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

Turnover

Turnover represents invoiced rental income from tenanted properties. This rental income is exempt from value added tax.

Property, Plant and Equipment

Property, Plant and Equipment, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised. Property, Plant and Equipment held by the LLP are held for the sole purpose of providing high quality affordable rental properties and not, for investment purposes.

Property, Plant and Equipment consists of Land and Buildings. Land and Buildings are initially measured at cost, and are subsequently held under the revaluation model, being fair value at the revaluation date less any subsequent accumulated impairment losses. Under the revaluation model, Land and Buildings are subject to revaluation annually, with a desktop review or full valuation performed by qualified experts as deemed appropriate by the Members. In the current year, Land and Buildings were subject to a desktop valuation as at 23 March 2020 by Shepherd Chartered Surveyors, Independent Valuers.

Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in the revaluation reserve, in respect of that asset. Any excess is recognised in profit or loss.

Cash and Liquid Assets

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

Inventories

Any inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Support Services

The costs of support services provided by Scottish Borders Council are charged to Bridge Homes LLP in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP).

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

2018/19 £		2019/20 £
239,485	Rental Income	247,809
239,485		247,809

2 Cost of Sales

2018/19 £		2019/20 £
44,022	Management Charges	47,905
2,030	Insurance	1,841
89	Landlord Registration	0
0	Other	541
460	Utilities	322
46,601		50,609

3 Administrative Expenses

2018/19 £		2019/20 £
6,249	Accountancy and Legal	1,013
600	Professional Fees	0
7,900	Audit	11,240
84,000	Provision for Bad Debt	0
98,749		12,253

4 Interest Payable & Similar Charges

2018/19 £		2019/20 £
766	Bank Charges	85
100,563	Interest Payable to Local Authority	111,128
100,639		111,213

5 Property, Plant and Equipment

(Property, Plant and Equipment consists of Land and Buildings)

2018/19 £		2019/20 £
6,165,609	NBV at 31 March 2019	7,242,889
1,147,281	Additions at Cost	0
(58,686)	Revaluation Losses charged to the Profit & Loss Account	(72,843)
(11,314)	Revaluation Gains/(losses) charged to the Revaluation Reserve	567,843
7,242,889	NBV at 31 March 2020	7,737,889

The historic cost of Land & Buildings as at 31 March 2020 is £6.361m (2018/19 £6.361m).

6 Debtors

2018/19 £		2019/20 £
5,059	Unpaid Rental Income	43,180
9,411	Grant for Central Support Costs	9,694
42	Other Debtors	0
14,512		52,874

7 Creditors: Amounts Falling Due Within One Year

2018/19 £		2019/20 £
515	Rent Prepayment	0
395	Management Charges	7,065
0	Utilities	295
7,000	Audit	9,120
2,349	Accountancy	2,419
3,046	Legal Fees	3,140
4,015	Miscellaneous	4,134
53,345	Interest Payable to Local Authority	0
70,665		26,173

8 Loans & Other Debts Due To Members

2018/19 £		2019/20 £
5,611,982	Loan from Local Authority (refer to Note 10)	5,611,982

In the event of liquidation of the LLP, Loans & other debts due to Members will be repaid following settlement of other unsecured creditors, including reimbursement of amounts paid out under the Scottish Government Guarantee in respect of any Interest Payment Shortfalls, projected costs of liquidation and payment of accrued interest charges per Paragraph 6 Part 6 of the Members Agreement.

9 Members' Capital

2018/19 £		2019/20 £
1	Initial Capital - Scottish Borders Council	1
1	Initial Capital – Scottish Futures Trust Investments Ltd	1
894,000	Capital Grant - Scottish Borders Council	894,000
894,002		894,002

10 Related Party Transactions

During the year, Bridge Homes entered into the following transactions with Scottish Borders Council:

	Transaction £	Debtor/ (Creditor) At 31 March 2020 £
Loan	0	(5,611,982)
Capital Grant	2	2
Revenue Grant	9,694	9,694
Service Charge	(9,694)	(9,694)
Loan Interest	(111,128)	0
	(111,126)	(5,611,980)

11 Taxation

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

12 Ultimate Controlling Party

Bridge Homes LLP is controlled by the Scottish Borders Council as detailed on page 3.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIDGE HOMES LLP

Opinion

We have audited the financial statements of Bridge Homes LLP ("the LLP") for the year ended 31 March 2020, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 company 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.

Going concern

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the LLP will continue in operation.

Other information

The members are responsible for the members' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion 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 members' report;

- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 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
- certain disclosures of directors' remuneration specified by law are not made; 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 6, 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.

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 LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

XXXX

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

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

[Date]

CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

Suzy Douglas	Telephone: 01835 – 825881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Suzy Douglas, Financial Services Manager, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk

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Scottish Borders Council
Lowood Tweedbank Limited
Charity Registration Number: SC615148

members' report and financial statements

for the year ended 30 March 2020

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Reference and Administrative Information

Company Name Lowood Tweedbank Limited

Company Registration Number SC615148

Registered Office Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Designated Members

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

Scottish Borders Council

Professional support

The Council provides the Administrative, Legal and Financial support and advice to Lowood Tweedbank Limited.

Principal Activity

Lowood Tweedbank Limited was established on 30 November 2018. It's principal activity is to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements.

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2020

	2019/20	Notes
Turnover	48,000	1
Cost of Sales	(48,000)	2
Gross Profit	0	
Operating Profit	0	

BALANCE SHEET as at 31 March 2020

	2019/2020		Notes
	£	£	
Fixed Assets		0	
Current Assets			
Debtors	7,046		3
Cash at Bank	38,090		
Creditors			
Amounts falling due within 1 year	(45,135)		4
Net Current Assets		1	
Net Assets attributable to Members		1	
Represented By:			
Capital Account	1		5
Profit and Loss Reserve	0		
Total Members' Interests		1	

The Accounting Policies on page 5 and the Notes on page 6 form part of these Financial Statements.

These financial statements were approved for signature by the Council as it`s meeting on 5 November 2020.

**David Robertson CPFA
Designated Member
Scottish Borders Council
5 November 2020**

Company Registered Number: SC615148

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2017) issued by the CCAB (Consultative Committee of Accountancy Bodies).

Accruals of Income and Expenditure

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

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

Turnover

Turnover represents invoiced rental income from tenanted residential properties.

Cash and Liquid Assets

Cash comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

	2019/20 £
Rental Income	48,000
	48,000

2 Cost of Sales

	2019/20 £
Rental Income paid to Scottish Borders Council	(43,050)
Property Repairs and Maintenance Costs	(4,940)
Bank Charges	(10)
	(48,000)

3 Debtors

	2019/20 £
Unpaid Rental Income	7,045
Share Issue	1
	7,046

4 Creditors: Amounts Falling Due Within One Year

	2019/20 £
Unpaid Rental Income due to Scottish Borders Council	(45,135)
	(45,135)

5 Members' Capital

	2019/20 £
Initial Capital - Scottish Borders Council	1
	1

CONTACT INFORMATION

For further information on Lowood Tweedbank Limited, please contact

Suzy Douglas

Financial Services Manager

Scottish Borders Council

Telephone: 01835 – 825881

E-mail: sdouglas@scotborders.gov.uk

Council Headquarters

Newtown St Boswells

MELROSE

TD6 0SA

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Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk

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ANNUAL ASSURANCE STATEMENT 2019/20 TO THE SCOTTISH HOUSING REGULATOR

Report by Service Director Customer and Communities

AUDIT AND SCRUTINY COMMITTEE

22 October 2020

1 PURPOSE AND SUMMARY

- 1.1 This report proposes that the Audit and Scrutiny Committee considers and approves an Annual Assurance Statement 2019/20 of the Service Director Customer and Communities 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 Section 8 of the Annual Assurance Statement 2019/20 of the Service Director Customer and Communities, at Appendix 1, is designed to meet this requirement of the Scottish Housing Regulator.
- 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 2019/20 of the Service Director Customer and Communities 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 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.
- 3.3 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.
- 3.5 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 2019/20 IN RESPECT OF LANDLORD SERVICES PROVIDED BY THE COUNCIL

- 4.1 Section 8 of the Service Director Customer and Communities’ Annual Assurance Statement 2019/20, at Appendix 1, has been added to the standard template for Service Directors Annual Assurance Statement to meet this requirement of the Scottish Housing Regulator. It confirms the Council’s level of compliance with all of the relevant requirements set out at Chapter 3 of the Regulatory Framework, to include:
 - a) 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
 - b) legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.
- 4.2 Section 8 of the Service Director Customer and Communities’ Annual Assurance Statement 2019/20 is informed by the self-assessment of compliance against the Regulatory Framework by the Homelessness Services Manager, and the work of Audit and Inspection bodies.
- 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.
- 4.4 For 2020/21 onwards the intention is to present the assurance statement required by the Scottish Housing Regulator’s revised Regulatory Framework

¹ CIPFA guidance note for local authorities ‘Audit Committee (18)
Page 498
Audit and Scrutiny Committee 22 October 2020

to the Audit and Scrutiny Committee at the same meeting as the Chief Executive's 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 2019/20 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 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, not a new or revised policy or strategy for decision and, as a result, completion of an integrated impact assessment is not an applicable consideration.

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 Executive Director Finance & Regulatory, Chief Legal Officer (and Monitoring Officer), Service Director HR & Communications, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been incorporated.

Approved by

Jenni Craig

Service Director Customer and Communities

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 25 November 2019

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SCOTTISH BORDERS COUNCIL

2019/20

SERVICE DIRECTOR CUSTOMER AND COMMUNITIES ASSURANCE STATEMENT ON INTERNAL CONTROL AND GOVERNANCE

To: **Chief Executive**

- 1 I am aware of the requirement to review the effectiveness of existing internal control and governance arrangements on an annual basis and to publicise the Annual Governance Statement to reinforce good Corporate Governance practice, and as part of that process that the Executive/Service Directors sign an annual statement on the internal control and corporate governance arrangements in place in their directorates.
- 2 I can confirm that I have considered my area of responsibility to deliver the services and meet Council objectives and priorities. I have reviewed the risks associated with the achievement of those objectives, the performance management and compliance frameworks, and the roles, responsibilities and delegated powers of me as Service Director Customer & Communities to deliver the specific services.
- 3 The assurance I provide on the standard of governance arrangements relates to the seven core principles of good governance within the CIPFA/SOLACE 'Delivering Good Governance in Local Government' (the 'Framework' 2016 Edition), which the Council fully supports in its Local Code of Corporate Governance, namely:
 - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - B. Ensuring openness and comprehensive stakeholder engagement;
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
 - F. Managing risks and performance through robust internal control and strong public financial management; and
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 4 The assurance I provide also relates to my responsibilities set out with the Council's Financial Regulations for ensuring the security, custody and control of all resources including employees, plant and equipment, buildings and furnishings, materials, cash and stores appertaining to my area of responsibility including, where appropriate, but not limited to:
 - i. Financial Planning and Budgetary Control – Revenue and Capital
 - ii. Income
 - iii. Grant Applications and Claims
 - iv. Risk Management

- v. Prevention of Fraud, Theft or Corruption
- vi. Asset Management, and Security
- vii. Contracts and Procurement of Goods, Services & Works
- viii. Payment of Invoices
- ix. Salaries, Wages, Travel, Subsistence and Other Expenses
- x. Imprest Accounts
- xi. Private Property and Voluntary Funds
- xii. Trading Organisations

5 My opinion is based upon my knowledge of the extent of compliance with the seven core principles of Corporate Governance and Financial Regulations in my area of responsibility, the nature of findings and recommendations arising from relevant Internal Audit reviews and Management action taken to address the issues, and the findings and recommendations made by External Audit and other Inspection Agencies that relate to services provided by my Service Directorate either directly, or jointly through partnership working, or indirectly through contracting and procurement arrangements.

6 My opinion takes into account the changes associated with the Corporate Management Team structure in place from January 2020, including areas of responsibility that are new to me and the handover / transition arrangements that have been / are being undertaken.

7 Having done that I can confirm that, to the best of my knowledge, internal control and governance arrangements in my Service Directorate are satisfactory. There are, in my opinion, no significant matters arising which would require to be specifically mentioned in the assurance I am required to provide.

8 This assurance statement also covers my responsibilities 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.

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:

- gypsy travellers' provisions.

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

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

Signed

Name Jenni Craig, Service Director Customer & Communities

Date 13 May 2020

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INTERNAL AUDIT WORK TO SEPTEMBER 2020
Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE
22 October 2020

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 1 to 30 September 2020 associated with the delivery of the approved Internal Audit Annual Plan 2020/21 is detailed in this report. A total of 5 final Internal Audit reports have been issued. There were a total of 2 recommendations made associated with 1 of the reports (2 Medium Risk).
- 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 1 to 30 September 2020 associated with the delivery of the approved Internal Audit Annual Plan 2020/21; 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 2020/21 was approved by the Audit and Scrutiny Committee on 9 March 2020. Internal Audit has carried out the following work in the period from 1 to 30 September 2020 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:
- Contract Management Strategic Contracts
 - Performance Management Local Government Benchmarking Framework (LGBF)
 - Social Work Localities Payments
 - Business Support Grants
 - Benefits Assessment - Scottish Welfare Fund
- 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 2020/21 consists of the following:

Audit Area	Audit Stage
Treasury Management	Drafting the report
EU Funded Programmes LEADER and EMFF	Testing underway
Community Equipment Service	Testing underway
Integrated People, Financial and Business Planning	Testing underway
Foster and Kinship Carer Payments	Testing 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:
- Provide 'critical friend' internal challenge and quality assurance through engagement in meetings of programmes and projects involving major change (Fit for 2024, Information Governance Group) and attendance at the Contract and Supplier Management Implementation Group, and Social Work Performance Board.
 - Learning and development during the research stage of new audit areas for all Internal Audit team members and through joining virtual meetings of SLACIAG Chief Auditors Group meeting (Chief Officer Audit & Risk), CIIA Practitioners Forum (Principal Internal Auditor) and Computer Audit Sub-Group (Senior Auditor/Internal Auditor). The Chief Officer Audit & Risk and Principal Internal Auditor have also joined various virtual internal audit forums hosted by CIIA and EY.
 - Provision of Internal Audit service to the Pension Fund and to the Health and Social Care Integration Joint Board as part of the Council's contribution to partnership working.

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:

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

- 3.8 The table below summarises the number of Internal Audit recommendations made during 2020/21:

	2020/21 Number of Recs
High	0
Medium	2
Low	0
Sub-total reported this period	2
Previously reported	0
Total	2
Recommendations agreed with action plan	2
Not agreed; risk accepted	0
Total	2

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 2020/21 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.

4.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017). It does not relate to new/amended policy/strategy and as a result an integrated impact assessment is not an applicable consideration.

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 direct result of this report, though one recommendation within one of the Internal Audit reports contained therein refers to the need for Management to make enhancements to the Scheme of Administration relating to Agreements and to Significant Contracts. It is anticipated that this will form part of a separate report relating to proposed revisions to the Scheme of Administration presented for approval to Council in due course.

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, Executive Director Finance & Regulatory, Chief Legal Officer (and Monitoring Officer), Service Director HR & Communications, Clerk to the Council, and Communications team have been consulted and any comments received 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 28 September 2020

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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: Contract Management – Strategic Contracts</p> <p>No: 002/011</p> <p>Date issued: 06 October 2020 Draft; 13 October 2020 Final</p> <p>Level of Assurance: Limited</p>	<p>The purpose of the audit was to review 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 sports trusts and strategic arrangements with third parties.</p> <p>The Major Contracts Governance Group (MCGG) is tasked with having an oversight of any significant contracts and agreements with Trusts as defined in the Council's Scheme of Administration. In 2019 there has been one presentation each by CGI (June 2019) and Live Borders (September 2019) and in 2020 to date, though noting the Covid-19 emergency recess, one presentation by CGI (September 2020). The effectiveness of scrutiny of any significant contractual or agreement obligations could be enhanced by more regular presentations to Members.</p> <p>We consider that we are able to provide 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 unacceptable risk of not demonstrating best value.</p> <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • A regular schedule of reports from Live Borders and CGI to the Major Contract Governance Group (MCGG) should be developed to enable MCGG to fulfil its oversight of Agreements and of Significant Contracts as defined in the Council's Scheme of Administration. (Medium) • The functions referred for MCGG within the Scheme of Administration relating to Agreements and to Significant Contracts should be expanded and be more explicit to set out the associated contract monitoring responsibilities for the committee, similar to those relating to SB Contracts rather than the current single function referred in each case. (Medium) 	0	2	0	Management have accepted the factual accuracy of the report and its findings, and agreed to the implementation of the audit recommendations within reasonable timescales to enhance the oversight and scrutiny of these strategic contracts.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Subject: Performance Management Local Government Benchmarking Framework (LGBF)</p> <p>No: 016/014</p> <p>Date issued: 14 August 2020 Draft; 07 October 2020 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to validate the Council's Performance Indicators which are reported on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework (LGBF).</p> <p>The LGBF brings together a wide range of information about how all Scottish Councils perform in delivering better services to local communities. The data is from all Scottish Councils which represent very diverse communities in terms of geography, population, deprivation levels and community needs.</p> <p>We tested the 11 PIs figures for the 2019/20 submission under 4 headings (Corporate; Corporate Assets; Culture & Leisure; and Environment) to ensure the LGBF guidance was followed, that arrangements are in place to collect the required data, and that data gathered could be agreed back to source systems.</p> <p>Our validation testing found anomalies with data provided for 5 of the indicators. Queries raised associated with 4 of the indicators were subsequently corrected and the LGBF return was updated prior to submission to the Improvement Service by the 31 August 2020 deadline. The fifth anomaly required a slight amendment to the indicator which has subsequently been adjusted on the LGBF 2019/20 return.</p> <p>Internal Audit considers the final figures for the 11 performance indicators provided and reported in the LGBF return 2019/20 to be reasonable and accurate, after noted amendments, and is able to provide substantial assurance. The individual data collection methods applied by the Services are adequate though there is scope for improvement in the process and Management oversight (specifically implementation of the outstanding recommendation from the previous year) to ensure data is complete, accurate and provided on time.</p>	0	0	0	<p>Management have accepted the factual accuracy of the report and its findings.</p> <p>The draft Internal Audit Report findings and recommendations were discussed by Corporate Management Team on 19 August 2020 alongside the associated draft LGBF return prior to submission.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Social Work Locality Payments</p> <p>No: 076/008</p> <p>Date issued: 08 October 2020 Draft; 09 October 2020 Final</p> <p>Level of Assurance: Comprehensive</p>	<p>The specific scope of the audit changed from that originally planned following discussions with Senior Management to reflect the changes made to ways of working and provision of services in response to the COVID-19 pandemic.</p> <p>The purpose of the review was to assess the internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources, including evaluation of the systems and processes.</p> <p>This review focused on the policies, procedures and processes required for the administration of allpay cards for Social Work (SW) Localities as a result of the COVID-19 pandemic.</p> <p>The following good practice was found:</p> <ul style="list-style-type: none"> • The service have adapted an existing, and successful method of payment to suit their clients during the new circumstances with the COVID pandemic. • Staff reacted quickly to a unique fast changing situation in order to continue making payments to clients. <p>Examination of a sample of payments within the Council for providing financial support to both Corporate Appointees and recipients of Section payments found no areas of concern; there is recognition of the shift from cash to electronic methods which is still progressing.</p> <p>Internal Audit are able to provide comprehensive assurance. Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some system enhancements in a few, relatively minor, areas had been identified and were being explored by Management. No recommendations were made.</p>	0	0	0	Management have accepted the factual accuracy of the report and its findings.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	

<p>Audit Plan Category: Contingency</p> <p>Subject: Business Support Grants</p> <p>No: 084/999/001</p> <p>Date issued: 05 October 2020 Draft; 09 October 2020 Final</p> <p>Level of Assurance: Substantial</p>	<p>This review was added to the Plan to carry out assurance work on new risks associated with the COVID-19 emergency response.</p> <p>The Scottish Government Coronavirus Business Support Fund is administered by Scottish Borders Council to provide grant support to help businesses deal with the impact of COVID-19. The intention is to protect jobs, prevent business closure and promote economic recovery.</p> <p>The purpose of the review was to ensure that applications are made in accordance with current Scottish Government legislation and payments are made in a timely manner.</p> <p>The legislation surrounding these grants was very complex and intricate and introduced over a number of phases which brought about changes that had to be incorporated into processes quickly to allow payments to be made in a timely manner.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • Procedures and policies were documented and updated as legislation changed. • There were no issues with the handover from Business Gateway to Customer Services. • Staff reacted quickly to a unique, fast changing situation to allow payments to be made to businesses in need. • Community Councils were provided with funds to assist households in immediate need to buy food and essential items. <p>Examination of a sample of payments and of the monitoring and reporting to Scottish Government found no areas of concern.</p> <p>Internal Audit are able to provide substantial assurance. Largely satisfactory risk, control, and governance systems are in place. Lessons learned from the business support grant process have been shared during the audit to show where improvements could be made around the consistency of decision-making and the completion of documentation to support these decisions.</p>	0	0	0	<p>Management have accepted the factual accuracy of the report and its findings including the lessons learned.</p>
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Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Benefits Assessment – Scottish Welfare Fund</p> <p>No: 085/010</p> <p>Date issued: 07 October 2020 Draft; 09 October 2020 Final</p> <p>Level of Assurance: Comprehensive</p>	<p>The purpose of the review was to assess the adequacy of operational processes in place to administer the payment of Crisis Grants and Community Care Grants for the Scottish Welfare Fund (SWF) and that they are effective, appropriate and consistent. Discretionary Housing Payment (DHP) policy, processes and payments were also reviewed as part of this audit.</p> <p>The following good practice was found:</p> <ul style="list-style-type: none"> • Policies and procedures are well documented and complied with. • Payments made to applicants for SWF and DHP are timely and accurate. • Monitoring and reporting to Scottish Government is completed as required. <p>The SWF is a national scheme, underpinned by law and delivered on behalf of the Scottish Government by local authorities. It aims to provide a safety net to people on low incomes through the provision of Crisis Grants and Community Care Grants. DHP provides existing housing benefit claimants with further financial assistance, in addition to other welfare benefits.</p> <p>Sample testing of claims and payments from 2019/20 and 2020/21 (to end July 2020) raised no areas of concern. Policies and procedures are followed in line with current guidance and legislation to ensure eligibility of claims, timeliness and accuracy of payment made.</p> <p>Internal Audit are able to provide 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 such as the consistent completion of system notes have been shared during the audit. No recommendations were made.</p>	0	0	0	Management have accepted the factual accuracy of the report and its findings.

AUDIT AND SCRUTINY COMMITTEE ANNUAL REPORT 2019/20

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

22 October 2020

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide members with the Audit and Scrutiny Committee Annual Report 2019/20 which presents the Committee's performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose.**
- 1.2 It is important that the Council's Audit and Scrutiny Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance for the Council.
- 1.3 The CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) includes the production of an annual report on the performance of the Audit and Scrutiny Committee against its remit (Audit functions) for submission to the Council. The Audit and Scrutiny Committee Annual Report 2019/20 (Appendix 1) is presented for consideration. Scottish Borders Council continues to be a lead authority in adopting this best practice.
- 1.4 The Audit and Scrutiny Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during the Informal Session on 9 March 2020 facilitated by the Chief Officer Audit & Risk. The self-assessments are appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Effectiveness) for consideration. The outcome of the self-assessments was a high degree of performance against the good practice principles and a high degree of effectiveness, with areas of further improvement identified.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
- a) Approves the Audit and Scrutiny Committee Annual Report 2019/20 (Appendix 1) which incorporates its self-assessments (Appendices 2 and 3) using the CIPFA Audit Committees Guidance; and**
 - b) Agrees that the Audit and Scrutiny Committee Annual Report 2019/20 should be presented to the Council and then published on the Council's website.**

3 BACKGROUND

- 3.1 It is important that the Council's Audit and Scrutiny Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition (hereinafter referred to as CIPFA Audit Committees Guidance). It incorporates CIPFA's 2018 Position Statement: Audit Committees in Local Authorities and Police which sets out CIPFA's view of the role and functions of an Audit Committee.
- 3.3 The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit and Scrutiny Committee against its remit for submission to the Council. The Audit and Scrutiny Committee Annual Report 2019/20 (Appendix 1) is presented for consideration. Scottish Borders Council continues to be a lead authority in adopting this best practice.
- 3.4 The Audit and Scrutiny Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during the Informal Session on 9 March 2020 facilitated by the Chief Officer Audit & Risk. The self-assessments are appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Effectiveness) for consideration.
- 3.5 The outcome of the self-assessments for the Committee was a high degree of performance against the good practice principles and a high degree of effectiveness, the latter which recognises improvements which were implemented during the year. The Committee has identified the following further improvements to its effectiveness (Audit functions):
- ensure appropriate governance, risk, control and assurance arrangements to support the achievement of sustainable outcomes; and
 - support the development of robust arrangements for ensuring value for money through monitoring progress with Best Value Action Plan delivery.
- 3.6 The Audit and Scrutiny Committee Annual Report 2019/20 is designed both to provide assurance to full Council and to provide some further actions for the Committee to improve its effectiveness (Audit functions).

4 IMPLICATIONS

4.1 Financial

There are no direct financial implications associated with this report.

4.2 Risk and Mitigations

- (a) The role of the Audit and Scrutiny Committee (Audit functions) includes the high level oversight of the effectiveness of the Council's systems of internal financial control, internal control and governance, including risk management.
- (b) There is a risk that the Audit and Scrutiny Committee does not fully comply with best practice guidance thus limiting its effectiveness as a scrutiny body (Audit functions) as a foundation for sound corporate governance. The completion of the annual self-assessment and identification and implementation of improvement actions as evidenced through this Annual Report will mitigate this risk.

4.3 **Integrated Impact Assessment**

This is a routine good governance report for assurance purposes, not a new or revised policy or strategy for decision and, as a result, completion of an integrated impact assessment is not an applicable consideration.

4.4 **Acting Sustainably**

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

4.5 **Carbon Management**

There are no direct carbon emissions impacts 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 to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

5 **CONSULTATION**

- 5.1 The Executive Director Finance & Regulatory, Chief Legal Officer (and Monitoring Officer), Service Director HR & Communications, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been incorporated.

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

Background Papers:

Previous Minute Reference: Audit and Scrutiny Committee 25 June 2019; Scottish Borders Council 29 August 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

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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE
ANNUAL REPORT FROM THE CHAIRMAN – 2019/20**

This annual report has been prepared to inform the Scottish Borders Council of the work carried out by the Council's Audit and Scrutiny Committee during the financial year. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Guidance 2018 to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

Meetings

The Audit and Scrutiny Committee has met 6 times during the financial year relating to its Audit functions which included meetings on 13 May, 25 June, 23 September, 25 November 2019, 10 February and 9 March 2020 to consider reports pertinent to the audit cycle, and sometimes to consider Scrutiny and Other business. In line with best practice the Audit business meetings include an Informal Session, without Management present, to enable the members of the Committee to meet privately and separately with the auditors to raise any matters with the auditors pertinent to the annual audit cycle of reporting. For Scrutiny business, the Committee also met on 18 April, 22 August, 24 October 2019 to cover its Scrutiny Programme of Work.

The remit of the Audit and Scrutiny Committee (Audit functions) is to have high level oversight of the Council's and the Pension Fund's framework of internal financial control, corporate governance, risk management systems and associated internal control environment. To fulfil this remit, it sought assurance on the adequacy and effectiveness of Council's and the Pension Fund's systems of corporate governance and internal control for efficient operations and for the highest standards of probity and public accountability. It did this through material it received from Internal Audit, External Audit, other external scrutiny, audit and inspection agencies, and assurances from Management. It focused entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and other stakeholders.

The Committee scrutinised the Annual Report and Accounts of the Council and of the Pension Fund at appropriate times in accordance with its terms of reference, which also includes promotion of the highest standards of conduct and professional and ethical behaviour. The Audit Committee also reviewed the Annual Governance Statement in order to assess whether it properly reflects the risk environment and whether the content is consistent with its evaluation of the internal controls and governance arrangements based on evidence received during the year.

The Committee approved the terms of reference for Internal Audit (Internal Audit Charter) and the Internal Audit Strategy and Annual Plan. It considered Internal Audit's executive summaries of reports findings, audit opinions, good practice and recommendations and monitored their implementation on a regular basis. It monitored Internal Audit's performance including progress against the annual plan, conformance with Public Sector Internal Audit Standards 2017 (PSIAS), and quality assurance and improvement plan (QAIP) within Internal Audit mid-term performance and annual assurance reports, and considered the statutory annual audit opinion within the Internal Audit Annual Assurance Report.

It also reviewed the External Audit Strategies and Plans including arrangements for effective liaison between External and Internal Audit, considered External Audit reports including the Annual Reports to Members and the Controller of Audit on the annual audits of the Council and of the Pension Fund, reviewed the main issues arising from the External Audit of the Council's statutory accounts and those of the Pension Fund, and monitored the implementation of agreed actions arising.

The Committee considered the effectiveness of the risk management process throughout the Council by way of an Annual Report which set out the risk management activity and the next steps to refine practices. It received presentations by Service Directors, as part of a scheduled programme with a new format, on the strategic risks facing their Services and the internal controls and governance in place to manage those risks to demonstrate how risk management is embedded within Services.

The Committee considered the adequacy and effectiveness of the Council’s counter fraud arrangements by way of an Annual Report, which set out the counter fraud activity and progress with improvement actions, and received assurances from the Auditors on fraud risks and controls.

The Committee undertook the scrutiny role for the development of future Treasury Management strategy prior to its presentation to Council for approval. It also received mid-term and annual reports on the extent of compliance with the approved Treasury Management strategy and an analysis of the performance against the targets set. During the year it recommended the Treasury Management strategy and performance monitoring reports for Council approval.

The Minutes of Audit and Scrutiny Committee meetings were presented for approval by the Council, and any exceptional items or recommendations were referred to the Council in accordance with the remit of the Committee.

Membership

The Membership of the Audit and Scrutiny Committee is part of the approved Scottish Borders Council’s Scheme of Administration (approved 28 September 2017; amended 29 May 2020) namely “Nine members of the Council not on the Executive Committee” and “....considering Audit matters (for that part of the meeting only) two additional members appointed from an external source as non-voting members. Two non-voting external members were appointed from the community to October 2021, one as a reappointment, following a recruitment and selection process carried out during autumn 2018 approved by the Council. This enhances the independence of the Audit and Scrutiny Committee’s role in the scrutiny process of internal controls and governance and complies with best practice on independence as set out in CIPFA ‘Audit Committees’ Guidance (2018).

The Committee membership during the year was Councillors S Bell (Chairman), H Anderson, K Chapman, J Fullerton, S Hamilton (Vice Chairman), N Richards, H Scott, S Scott, E Thornton-Nicol, Ms H Barnett and Mr M Middlemiss.

The attendance by each member at the meetings which considered Audit matters was as follows:

Member	13 May 2019	25 Jun 2019	23 Sep 2019	25 Nov 2019	10 Feb 2020	9 Mar 2020
Cllr S Bell (Chair)	√	√	√	√	√	√
Cllr H Anderson	√	√	√	√	√	√
Cllr K Chapman		√	√			
Cllr J Fullerton	√		√		√	√
Cllr S Hamilton		√	√	√	√	√
Cllr N Richards	√		√	√	√	√
Cllr H Scott	√	√	√	√	√	√
Cllr S Scott	√		√	√		√
Cllr E Thornton-Nicol		√	√		√	√
Ms H Barnett	√	√	√	√		
Mr M Middlemiss	√		√	√	√	√

Every meeting of the Audit and Scrutiny Committee in 2019/20 which considered Audit matters was quorate (i.e. at least four Elected Members present).

The Executive Director Finance and Regulatory, the Chief Officer Audit & Risk, and external auditors attend all Committee meetings; other senior officers attend Committee meetings on request. The Democratic Services section has provided a Committee Officer as the minute secretary.

Skills and Knowledge

Given the wider corporate governance remit of Audit and Scrutiny Committees within local government and the topics now covered by the external and internal audit functions, it is noteworthy that there is a range of skills, knowledge and experience that Audit and Scrutiny Committee members bring to the committee to fulfil its Audit functions, not limited to financial and business management. This enhances the quality of scrutiny and discussion of reports at the meetings. No one committee member would be expected to be expert in all areas.

Briefings and seminars have been delivered as part of the Informal Sessions to help Committee members extend their knowledge. For example:

- 23 September 2019 – The main focus was an opportunity for Members to discuss matters with the External Auditors (Audit Scotland) in private and to obtain feedback on its performance from the External Auditors; the latter was an area of improvement identified during the Committee's self-assessment 2018/19.
- 25 November 2019 – Refresher Informal Briefing Seminar on 'Borrowing and Treasury Management in Councils' which covered the following headings from the Audit Scotland Scrutiny checklist for councillors (Treasury management strategy and related reports; Borrowing and other financing decisions; Affordability and sustainability; Performance and benchmarking).

Self-Assessment of the Committee

The annual self-assessment was carried out by members of the Audit and Scrutiny Committee on 9 March 2020 during an Informal Session facilitated by the Chief Officer Audit & Risk using the 'Good Practice Principles Checklist' and 'Evaluation of Effectiveness Toolkit' from the CIPFA 'Audit Committees Guidance'. This was useful for Members to ensure the Committee can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance for the Council.

The outcome of the self-assessments for the Committee was a high degree of performance against the good practice principles and a high degree of effectiveness, the latter which recognises improvements which were implemented during the year. The Committee has identified the following further improvements to its effectiveness:

- ensure appropriate governance, risk, control and assurance arrangements to support the achievement of sustainable outcomes; and
- support the development of robust arrangements for ensuring value for money through monitoring progress with Best Value Action Plan delivery.

Assurance Statement to the Council

The Audit and Scrutiny Committee provides the following assurance to the Council:

- The Council has received the Minutes of the Audit and Scrutiny Committee meetings throughout the year.
- The Audit and Scrutiny Committee has operated in accordance with its agreed terms of reference, and accordingly with the audit committee principles in CIPFA Position Statement relating to its Audit functions.
- It did this through material it received from Internal Audit, External Audit, other audit and inspection bodies, and assurance from Management. It focussed entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and its stakeholders.
- For all audit reports, the Audit and Scrutiny Committee considered whether it was satisfied that an adequate Management response was in place to ensure action would be taken to manage risk and address concerns on internal controls and governance arrangements. The

Committee acknowledges that there is a system in place of on-going follow-up by Internal Audit and External Audit, as appropriate, with reporting thereon.

- There is effective engagement of committee members including challenge and questions relating to the business on the agendas. Recommendations are made by the Audit and Scrutiny Committee which are monitored through an Action Tracker to ensure these are acted upon within reasonable timescales to address concerns raised by the Committee.
- The Audit and Scrutiny Committee has received and considered material to fulfil its scrutiny role on treasury management activity in advance of the treasury management strategy and monitoring reports being presented for Council approval.
- The Audit and Scrutiny Committee reviewed the unaudited Annual Reports and Accounts 2019/20 of the Council and of the Pension Fund at its meeting on 23 June 2020 and will review these final audited documents in due course alongside External Audit reports on their annual audits 2019/20 in order to decide whether to recommend to the Council that they be adopted.
- The Audit and Scrutiny Committee has reflected on its performance during the year in respect of its Audit functions, and has identified areas for further improvements to its effectiveness.

Recommendation of amendments to the Terms of Reference for the Audit and Scrutiny Committee

None.

Councillor Stuart Bell
Chairman of Audit and Scrutiny Committee
August 2020

CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 9 March 2020

Audit committee purpose and governance	Yes/Partly /No	Comments
Does the authority have a dedicated audit committee?	Yes	Scheme of Administration approved by the Council 28 September 2017 (amended 14 January 2020) includes the remit of the Audit and Scrutiny Committee.
Does the audit committee report directly to full council?	Yes	Council approves Minute of each Audit and Scrutiny Committee meeting.
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Yes	Review has been completed by Chief Officer Audit & Risk against CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 (CIPFA guidance 2018 'audit committees').
Is the role and purpose of the audit committee understood and accepted across the authority?	Yes	Scheme of Administration is published on the shared X:drive. References to Audit and Scrutiny Committee role and reports are made to Senior Officers at Management Team meetings on a regular basis and to Corporate Management Team in advance of each Audit and Scrutiny Committee meeting by Chief Officer Audit & Risk.
Does the audit committee provide support to the authority in meeting the requirements of good governance?	Yes	<p>The Audit and Scrutiny Committee is a key part of the Council's governance framework as outlined in the SBC Local Code of Corporate Governance approved by the Council on 28 June 2018.</p> <p>The Audit and Scrutiny Committee Annual Report is presented to and approved by the Council each year. SBC continues to adopt this best practice. As part of its annual self-assessment 2019/20 the Audit and Scrutiny Committee has evaluated the improvements implemented during the year to enhance its scrutiny and challenge role.</p>
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Yes	<p>The Audit and Scrutiny Committee annually reviews its terms of reference as part of it carrying out an annual self-assessment of performance against best practice checklists.</p> <p>The Audit and Scrutiny Committee Annual Report is presented to the Council. It sets out the activities to enable stakeholders to understand how the Audit and Scrutiny Committee has discharged its duties and identifies areas of improvement to fulfil its remit. SBC continues to adopt this best practice.</p>

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Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 9 March 2020

Functions of the committee	Yes/Partly /No	Comments
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		
<ul style="list-style-type: none"> • good governance 	<input type="text" value="Yes"/>	Included in Audit functions nos. 1, 3, 10 & 11
<ul style="list-style-type: none"> • assurance framework, including partnerships and collaboration arrangements 	<input type="text" value="Yes"/>	Implicit in all aspects of Audit functions. Explicit references to service delivery models/supply chain in Audit functions 1, 2 & 3
<ul style="list-style-type: none"> • internal audit 	<input type="text" value="Yes"/>	Included in Audit functions nos. 5, 6 & 7
<ul style="list-style-type: none"> • external audit 	<input type="text" value="Yes"/>	Included in Audit functions nos. 8 & 9
<ul style="list-style-type: none"> • financial reporting 	<input type="text" value="Yes"/>	Included in Audit functions nos. 4 & 12
<ul style="list-style-type: none"> • risk management 	<input type="text" value="Yes"/>	Included in Audit function no. 2
<ul style="list-style-type: none"> • Value for money or best value 	<input type="text" value="Yes"/>	Included in Audit functions nos. 3 & 11 (implicit in 11 e.g. assurance of effective and efficient operations)
<ul style="list-style-type: none"> • Counter-fraud or corruption 	<input type="text" value="Yes"/>	Included in Audit functions nos. 1 & 11
<ul style="list-style-type: none"> • Supporting the ethical framework 	<input type="text" value="Yes"/>	Ethics references included in Audit functions nos. 3 & 6

CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 9 March 2020

Functions of the committee (cont'd)	Yes/Partly /No	Comments
Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes	The Audit and Scrutiny Committee annually reviews its terms of reference as part of it carrying out an annual self-assessment of performance against best practice checklists.
Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Yes	The Audit and Scrutiny Committee reviews and monitors treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice (Audit function no. 10).
Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes	The Assurance Framework and the Audit Cycle that define the programme of work for the Audit and Scrutiny Committee are included in the Induction training pack along with Essential Questions for the Committee members to ask those charged with governance when considering the relevant reports as part of the Audit Cycle (under the three topics of Internal Control, Risk Management, and Governance).
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes	The Committee conducts its business as reflected in Scheme of Administration through its membership and functions referred.

CIPFA ‘audit committees’ Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 9 March 2020

Membership and support	Yes/Partly /No	Comments
<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • consideration has been given to the inclusion of at least one independent member 	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Yes</div>	<p>The membership of the Audit and Scrutiny Committee, set out in the Council’s Scheme of Administration, comprises nine members of the Council not on the Executive Committee, and (for part of the meetings considering Audit matters) two non-voting additional members appointed from an external source. The latter helps to enhance the robustness and independence of the Audit and Scrutiny Committee’s operations.</p>
<p>Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Yes</div>	<p>There is an open recruitment and selection process to appoint external members of the Audit and Scrutiny Committee outwith the cycle of local elections to facilitate continuity management of membership (Selection Committee and appointment for 3 years to October 2021 approved by Council).</p>
<p>Does the chair of the committee have appropriate knowledge and skills?</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Yes</div>	<p>The Chair of the Audit and Scrutiny Committee is an experienced elected member and meets regularly with the Chief Officer Audit & Risk.</p>
<p>Are arrangements in place to support the committee with briefings and training?</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Yes</div>	<p>There is a comprehensive Induction Programme for those appointed to the Audit and Scrutiny Committee including: Outline of Corporate Governance; role of the Audit and Scrutiny Committee; role of Internal and External Audit; Assurance Framework; and Audit Cycle. Briefings and seminars have been delivered as part of the Informal Sessions to coincide with the Audit Cycle to help Committee members to extend their knowledge or to meet privately with the Auditors.</p>
<p>Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Yes</div>	<p>A formal assessment against the Knowledge and Skills Framework was carried out as part of the previous year’s self-assessment in March 2019 with the conclusion of satisfactory skills and knowledge.</p>
<p>Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Yes</div>	<p>Members, in particular the Chair of the Audit and Scrutiny Committee, utilise opportunities as required to meet with the key people involved in the Council’s governance e.g. Leader of the Council, Chief Executive, Executive Director Finance & Regulatory, External Auditor and Chief Officer Audit & Risk.</p>
<p>Is adequate secretariat and administrative support to the committee provided?</p>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Yes</div>	<p>A Committee Officer is assigned to the Audit and Scrutiny Committee.</p>

CIPFA ‘audit committees’ Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 9 March 2020

Effectiveness of the committee	Yes/Partly/No	Comments
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Yes	Feedback from external auditors, Audit Scotland, was obtained during the Informal Session September 2019 on how the committee is performing and those directors who’d presented to the Committee during the year provided feedback on its performance.
Are meetings effective with a good level of discussion and engagement from all members?	Yes	As reflected in the Minutes of the Committee.
Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	Service Directors are requested to attend the Audit and Scrutiny Committee as appropriate for the business being considered by the Committee to ensure action findings and action plans are acted upon. Service Directors have made presentations to the Committee on the risks and mitigations associated with their areas of responsibility.
Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes	Recommendations are made by the Committee to Council in accordance with the business considered by the Committee. An Action Tracker is used to monitor that these are implemented satisfactorily.
Has the committee evaluated whether and how it is adding value to the organisation?	Yes	As part of its annual self-assessment 2019/20 it evaluated how effectively it had fulfilled its Audit functions using the toolkit ‘Evaluating the Effectiveness of the Audit Committee’ (CIPFA guidance 2018 ‘audit committees’).
Does the committee have an action plan to improve any areas of weakness?	Yes	Improvements have been implemented during the year. As part of its annual self-assessment 2019/20 the Committee has recognised where it could further improve.
Does the committee publish an annual report to account for its performance and explain its work?	Yes	The Audit and Scrutiny Committee Annual Report is presented to the Council each year. It sets out the activities to enable stakeholders to understand how the Committee has discharged its duties. SBC continues to adopt this best practice.

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Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key below
1. Promoting the principles of good governance and their application to decision making	Supporting the development of a local code of governance. Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members/governors to improve their understanding of the AGS and their contribution to it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	Committee is aware the Local Code of Corporate Governance is used for annual self-assessment, and scrutinised AGS prior to its inclusion in Annual Report and Accounts. Chair met regularly with Chief Executive / Executive Director Finance & Regulatory. Committee supports the role of audit in improving internal control and governance. Committee considers national reports and uses self-assessment toolkits. Chair met Audit Committees' Chairs of IJB and NHS Borders to support improvement.	5 (2018/19 4)
2. Contributing to the development of an effective control environment.	Actively monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Committee received periodic progress reports from Auditors e.g. follow-up activity. Committee recommended (November 2019) that CMT determine an escalation process to address those Audit recommendations not completed within the agreed timescale. Action Tracker used to monitor completion of Committee recommendations.	5 (2018/19 5)
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	Committee considered update on Risk Management activity within Annual Report. Committee received presentations by various Service Directors on their key risks and mitigations to hold Management to account.	5 (2018/19 4)

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key below
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	Committee considered Annual Strategies, Plans and Reports received from Auditors and have highlighted areas for assurance, and received national reports for assurance. Committee seeks information on how internal and external audit interact with each other.	4 (2018/19 4)
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement programme (QAIP) of internal audit.	Committee approved the Internal Audit Charter, noting PSIAS requirements. Committee approved the Internal Audit Strategy and Plan, and considered regular Reports raising queries and endorsing recs. Committee received QAIP and PSIAS conformance within Internal Audit mid-term performance and annual assurance reports.	5 (2018/19 4)
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing how the governance arrangements support the achievement of sustainable outcomes. Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	Auditors provided assurance reports on governance arrangements for transformation (including Fit for 2024 Programme), sustainability, and performance management, including lessons learned and best practice. Reliance placed on the Executive Committee that fulfils performance-monitoring role.	4 (2018/19 3)
7. Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Auditors provided assurance on value for money arrangements e.g. transformation, sustainability, and performance management. AGS sets out the Governance Framework including arrangements for best value. Council agreed Committee would monitor progress with Best Value Action Plan delivery.	4 (2018/19 4)

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key below
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.	Committee considered update on Counter Fraud improvements within Annual Report. Auditors provided assurance reports on fraud risks and counter fraud controls. Committee considered national reports on fraud risks and mitigations.	4 (2018/19 4)
9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee.	Committee scrutinised annual accounts and reports prior to publication and audit, and commented on the format/content for users. Chair met Audit Committees' Chairs of IJB and NHS Borders to understand assurance arrangements to avoid duplication. Committee's Annual Report presented to Council and published on website.	5 (2018/19 5)

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Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

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SCOTTISH WELFARE FUND AND DISCRETIONARY HOUSING PAYMENTS

Report by Service Director Customer and Communities

AUDIT & SCRUTINY COMMITTEE

22 October 2020

1 PURPOSE AND SUMMARY

- 1.1 This report provides an overview and summary of the performance of both the Scottish Welfare Fund and Discretionary Housing Payments in the Scottish Borders from 1 April 2019 to 31 August 2020.**
- 1.2 The budget provided by the Scottish Government for Scottish Welfare Fund for 2019/20 was £546,737. The amount spent during 2019/20 was £541,298.78.
- 1.3 The budget provided for Scottish Welfare Fund for 2020/21 was initially £587,921 following commencement of the current pandemic, this was increased to £952,921. As at 31 August 2020, Crisis Grants totalling £48,399.32 have been made and a total of £188,032.73 has been awarded in Community Care Grants leaving a balance of £716,488.95 to spend over the remaining 7 months.
- 1.4 The Discretionary Housing Payments budget for 2019/20 (not including under-occupancy funding) was £144,095. A total of £120,639.82 of this budget was spent during 2019/20.
- 1.5 The Discretionary Housing Payment budget for 2020/21 (not including under-occupancy funding) was £180,177, however due to the current pandemic, this was increased to £217,641. At 31 August 2020, there was a commitment to spend £71,796.71 up to 31 March 2021.
- 1.6 The Scottish Government reimburse Scottish Local Authorities with 100% of Discretionary Housing Payments for applications paid in respect of under-occupancy.

2 RECOMMENDATIONS

- 2.1 I recommend that Audit and Scrutiny Committee notes the performance of the Scottish Welfare Fund and Discretionary Housing Payments in the Scottish Borders.**

3 BACKGROUND

- 3.1 Local Authorities administer Community Care Grants and Crisis Grants which jointly comprise the Scottish Welfare Fund (hereafter referred to as SWF) on behalf of the Scottish Government. Scottish Borders Council does this through a team within Customer Advice & Support Service. Further guidance, including the qualifying conditions and exclusions can be found at <https://www.gov.scot/publications/scottish-welfare-fund-statutory-guidance-2019/>
- 3.2 A Community Care Grant can be given to help someone start to live or carry on living a settled life in the community. A Crisis Grant can be given to cover the costs of an emergency or disaster. To get either of these grants, the person making the application needs to be on a low income either temporarily or longer term. Applications are accepted online or by telephone respectively.
- 3.3 Discretionary Housing Payments are also administered on behalf of the Scottish Government by the same team. If a tenant is in receipt of Housing Benefit or housing element of Universal Credit, they may be eligible for a Discretionary Housing Payment (hereafter referred to as DHP) to make up the shortfall between their Housing Benefit or Universal Credit and their rent or to help pay removal costs or a rent deposit. Applications can be made online.
- 3.4 Following the introduction of the under-occupancy restrictions in Housing Benefit (commonly known as the bedroom tax) from April 2013, the Scottish Government provides Local Authorities with additional DHP funding with the intention of fully mitigating the under-occupancy restrictions of Housing Benefit.
- 3.5 During 2019/20, awards of DHP were distributed as indicated in Table 1 below :

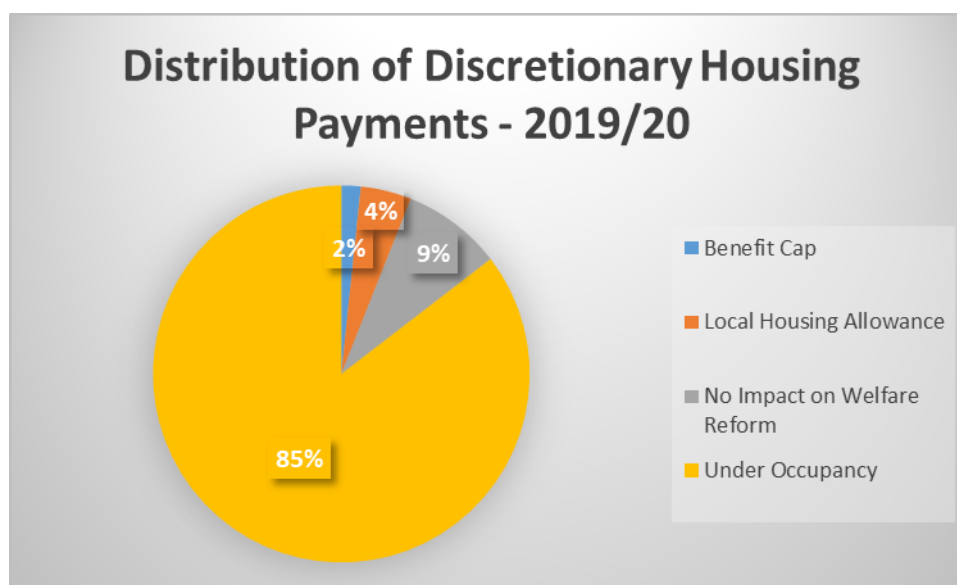


Table 1

- 3.6 It is clear that the largest area of DHP awards made are in respect of the under-occupancy restrictions (commonly known as the bedroom tax). As we are reimbursed 100% of awards made under this category, I have not included detailed analysis of under occupancy within this report. However some figures are included from section 5.10 onwards.
- 3.7 During August and September 2020 SBC Internal Audit carried out a review and reported on the Scottish Welfare Fund processing arrangements which will be commented upon separately to this meeting. The purpose of the review was to assess the adequacy of operational processes in place to administer the payment of Crisis Grants and Community Care Grants for the Scottish Welfare Fund (SWF) and that they were effective, appropriate and consistent. Discretionary Housing Payment (DHP) policy, processes and payments were also reviewed as part of that audit. In summary the outcome was that a number of areas of good practice were highlighted and no areas of concern were found.

4 SCOTTISH WELFARE FUND PERFORMANCE

- 4.1 The budget available for SWF during 2019/20 was £546,737. The amount spent on Crisis Grants was £87,195.05 and £454,103.73 was spent on Community Care Grants. The budget for SWF for 2020/21 is £952,921. As at 31 August 2020, awards totalling £48,399.32 on Crisis Grants have been made and £188,032.73 on Community Care Grants leaving a balance of £716,488.95 to spend over the remaining 7 months.
- 4.2 Table 2 below shows how many Crisis Grant applications were received each month and how many were paid during 2019/20 and 2020/21 to 31 August 2020.

Crisis Grants						
Month	2019/20			2020/21		
	Received	Awarded	% awarded	Received	Awarded	% awarded
April	195	94	48	286	204	72
May	151	60	40	204	119	58
June	170	67	39	183	116	63
July	191	99	52	183	131	72
August	235	134	57	175	118	67
September	183	113	62			
October	209	150	72			
November	208	145	70			
December	186	103	55			
January	231	166	72			
February	240	168	70			
March	314	227	72			

Table 2

- 4.3 It is clearly visible that the number of crisis grants applications received and awarded increased substantially during March 2020, April and May in response to COVID-19. From June the number of applications received have been similar to that of last year and although there is not yet any published national data for comparison, anecdotally this seems to be a pattern that other Local Authorities are seeing.

- 4.4 Between April 2020 and August 2020, Scottish Borders have paid out 66.7% of Crisis Grant applications made in comparison with 48.2% during the same period of 2019/20. This is an increase of 18.5% awards. We have increased awareness on the schemes eligibility to ensure applicants and those assisting them are aware of the qualifying criteria of Crisis Grants.
- 4.5 The awards made between April and August 2020 totalled £48,399.32 in comparison to £23,888.64 during the same period of last year which is an increase of 102.6%.
- 4.6 The table below shows how many Community Care Grant applications were received each month and how many were paid during 2019/20 and 2020/21 to date.

Community Care Grants						
Month	2019/20			2020/21		
	Received	Awarded	% awarded	Received	Awarded	% awarded
April	95	39	41	55	31	56.4
May	65	37	56.9	51	27	52.9
June	53	23	43.4	60	44	73.3
July	74	35	47.3	83	47	56.7
August	63	28	44.4	83	37	44.6
September	61	34	55.7			
October	76	43	56.6			
November	76	35	45.1			
December	57	24	42.1			
January	78	52	66.7			
February	81	43	53.1			
March	88	53	60.2			

Table 3

- 4.7 Between April 2020 and August 2020, Scottish Borders have paid out 56% of Community Care Grant applications made in comparison with 46% during the same period of 2019/20. We have increased awareness on the schemes eligibility to ensure applicants and those assisting them are aware of the qualifying criteria of Community Care Grant.
- 4.8 There was a decrease in applications for Community Care Grants during April and May due to the COVID-19 pandemic and a reduction in the number of people moving. These picked up again during the summer months and are likely to remain higher provided there is no further lockdown.
- 4.9 Other sources of assistance were put in place during the COVID-19 such as the Furlough scheme. Given the anticipated cessation of the Furlough scheme and the general increase in unemployment it is anticipated there will be increased numbers of application for assistance from October 2020 onward and promotion of the financial support is planned to ensure awareness of the scheme is maintained.
- 4.10 When comparing how we performed during 2019/20, (which is the most recent data available from the Scottish Government) against neighbouring

Scottish Local Authorities and Local Authorities with a similar benefit caseload, it is evident that we are making a similar amount of awards based on the applications we received. The table below demonstrates this.

	CCG applications received	% CCG awarded	CG applications received	% CG awarded
Angus	1230	51	3630	68
Midlothian	995	47	4525	64
Perth & Kinross	1370	55	4605	60
Scottish Borders	890	51	2495	60
West Lothian	2820	51	8645	58

Table 4

4.11 The most common reason for applications for Community Care Grants over the whole of Scotland during 2019/20 was to help people stay in the community with 36% of applications being made for this reason. 35% of applications were made as a result of families facing exceptional pressure. In the Scottish Borders, 35% of applications were made as a result of families facing exceptional pressure.

4.12 In Scotland, 89% of Crisis Grant applications were made as a result of an emergency situation. 50% of these emergencies were a result of the applicant spending their benefits/income. 14% of these emergencies were due to the applicant having an unexpected expense. In the Scottish Borders, 85% of applications were made as a result of an emergency situation.

4.13 Over the whole of Scotland, 45% of applications for Community Care Grants are refused with the most common reason for refusal during 2019/20 being a result of the applicant not meeting the conditions for an award. 62% of applications were rejected for this reason. When comparing the level of refusals in Scotland with the Scottish Borders, we refused 49% of applications which is a similar rate to Scotland and neighbouring/similar Local Authorities which can be seen in Table 3.

4.14 In Scotland 36% of Crisis Grant applications were refused during 2019/20. The most common reason for a Crisis Grant being refused in Scotland during this period was due to the applicant being excluded as a result of previous application history. 31% of applicants were refused for this reason, closely followed by 23% of applicants being refused as they do not meet the conditions for an award. When comparing the level of refusals in Scotland with the Scottish Borders, we refused 40% of applications which is a similar rate to Scotland and neighbouring/similar Local Authorities which can be seen in Table 3.

5 DISCRETIONARY HOUSING PAYMENT PERFORMANCE

5.1 The budget available for DHP during 2019/20 (not including under-occupancy funding) was £144,095. A total of £120,639.82 was spent during 2019/20. Under occupancy is funded at 100%, non under occupancy is capped at the level of spend. The DHP budget for 2020/21 (not including under-occupancy funding) was £180,177. However, to support tenants

financially affected by the COVID-19 outbreak to sustain their tenancies, this was increased by £73,546 making our total budget available for 2020/21 £253,723.

5.2 At 31 August 2020 we have committed to spend £71,796.71 up to 31 March 2021 which is 28.3% of this year's budget. This is a reduction of 16.4% compared to the same period of 2019/20 when we had committed to spend 44.7% of the budget. This spend is dependent upon qualifying applications being received. As expected, demand for DHP has not increased to date as house moves have been limited during the COVID-19 pandemic.

5.3 The table below shows a breakdown of the reasons for Discretionary Housing Payment applications received during 2019 and 2020 and the percentage of applications awarded during each year.

	No impact on Welfare Reform	LHA Reforms	Benefit Cap	Total received	% of applications awarded
2019	397	119	20	536	62.6%
2020	136	127	6	269	63.5%

Table 5

5.4 The following table shows a further breakdown of those applications received where the reason was that there was no impact on Welfare Reform.

	Help to secure & move to alternative accommodation, e.g. rent deposit	Short term rental costs until secure alternative accommodation	Short term rental costs until secure employment	Short term rental costs for other reasons
2019	272	8	2	115
2020	27	1	0	108

Table 6

5.5 The following table below shows a further breakdown of applications received where the reason the application was made was as a result of LHA reforms.

	Help to secure & move to alternative accommodation, e.g. rent deposit	Short term rental costs until secure alternative accommodation	Short term rental costs until secure employment	Short term rental costs for other reasons
2019	7	3	2	107
2020	2	0	0	125

Table 7

5.6 From the 269 applications received between 1 April and 23 September 2020, 36.5% of them were refused. The table below shows a breakdown of the reason these applications were refused as well as a breakdown of the 37.4% refused for 2019/20.

	Failure to provide information	No financial hardship demonstrated	No current Housing Benefit/Universal Credit entitlement	No shortfall in rent	Other/no reason recorded
2019	47	42	23	49	39
2020	27	14	18	28	11

- 5.7 The most common reasons for an application being refused are due to the customer failing to provide information or there not being a shortfall between their rent and their Housing Benefit/Universal Credit Housing Element.
- 5.8 When comparing how we performed during 2019/20, (which is the most recent data available from the Scottish Government) against neighbouring Scottish Local Authorities and Local Authorities with a similar benefit caseload, it is evident that we are making a similar amount of awards based on the determinations made. The table below demonstrates this.

	DHP applications determined	Number of awards	% DHP awarded
Angus	1835	1375	75
Midlothian	1720	1525	88
Perth & Kinross	1850	1725	93
Scottish Borders	1935	1655	85
West Lothian	5550	5155	92.8

Table 9

- 5.9 During 2019/20 Scottish Borders were allocated funding of £627,972 in relation to under-occupancy. This amount increased to £702,254 for 2020/21 based on Scottish Borders spend the previous year.
- 5.10 The table below shows the number of DHP awards made as a result of under-occupancy from 1 April 2019 to 31 August 2020, how much was paid during 2019/20 and what we have committed to spend from 1 April to 31 March 2021.

	Number of Awards Made	Paid/Committed
2019	1411	£707,727.53
2020	1112	£698,572.98

Table 10

- 5.11 As previously mentioned, we are reimbursed 100% for awards made as a result of under-occupancy. A review is carried out each April to ensure each household in receipt of DHP due to under-occupancy still meets the criteria and the award is continued for a further year. It is unlikely that we will make the same number of awards during 2020/21 that we did in 2019/20 as a result of the COVID-19 pandemic and a reduction in the number of people moving in to properties.

6 SELF-ISOLATION SUPPORT GRANTS

- 6.1 The Scottish Government has committed to providing a grant of £500 to individuals in employment or self-employment, who are in receipt of low income benefits and lose income as a result of being required to self-isolate to prevent the spread of COVID-19.
- 6.2 The Scottish Welfare Fund will be the legislative and delivery mechanism for Self-Isolation Support Grants in the form of Crisis Grants, as they are

designed to provide occasional support to people facing immediate financial need which poses risk to their health and wellbeing.

- 6.3 Scottish Borders Council are developing a process to enable payments to be made to those affected in our area.

7 IMPLICATIONS

7.1 Financial

There are no further financial implications other than those within the body of this report.

7.2 Risk and Mitigations

Based on current budgets and predictions it looks likely that the funding available will meet the level of demand. However, as no further funding has been provided for administration of these funds, there may be a requirement to move resources from other areas to support the team. This may impact on other work streams.

7.3 Integrated Impact Assessment

There are no equalities issues associated with this report

7.4 Acting Sustainably

There are no immediate effects

7.5 Carbon Management

There are no effects on carbon emissions.

7.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required to the Scheme of Administration

8 CONSULTATION

- 8.1 The report is to provide information to the Audit and Scrutiny Committee on the performance of Scottish Welfare Fund and Discretionary Housing Payment therefore no consultation is required.

Approved by

Jenni Craig
Service Director Customer and Communities
Signature

Author(s)

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Background Papers: N/A

Previous Minute Reference: N/A

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Customer Advice & Support

Development Team can also give information on other language translations as well as providing additional copies.

Contact us at CASSDevelopmentTeam@scotborders.gov.uk, 0300 100 1800 ext 8294

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