

# Public Document Pack



## AUDIT AND SCRUTINY COMMITTEE TUESDAY, 29 JUNE 2021

A MEETING of the AUDIT AND SCRUTINY COMMITTEE will be held VIA MICROSOFT TEAMS on TUESDAY, 29 JUNE 2021 at 10.15 am

J. J. WILKINSON,  
Clerk to the Council,

22 June 2021

BUSINESS		
1.	<b>Apologies for Absence.</b>	
2.	<b>Order of Business.</b>	
3.	<b>Declarations of Interest.</b>	
4.	<b>Minute.</b> (Pages 5 - 8)  Minute of Meeting of the Audit and Scrutiny Committee held on 3 June 2021 to be approved and signed by the Chairman. (Copy attached.)	5 mins
5.	<b>Action Tracker</b> (Pages 9 - 10)  Note progress made on the Action Tracker. (Copy attached.)	5 mins
AUDIT BUSINESS		
6.	<b>Follow-Up Review of Completed Internal Audit Recommendations</b>  Consider report by Chief Officer Audit & Risk. (Copy attached.)	15 mins
7.	<b>Internal Audit Work to May 2021</b> (Pages 11 - 20)  Consider report by Chief Officer Audit & Risk on findings from recent work carried out by Internal Audit. (Copy attached.)	15 mins
8.	<b>Accounts Commission Report - Local Government in Scotland Overview 2021</b> (Pages 21 - 70)  Consider report by Chief Officer Audit & Risk. (Copy attached.)	15 mins
9.	<b>Work Programme 2021/22 for the Auditor General for Scotland and The Accounts Commission</b> (Pages 71 - 74)  Consider a report by Chief Officer Audit & Risk. (Copy attached.)	15 mins
10.	<b>Unaudited Reports and Accounts 2020/21 for Scottish Borders Council</b> (Pages 75 - 78)	30 mins

	Consider various unaudited Annual Reports and Accounts by Executive Director Finance & Regulatory prior to their submission to the External Auditors. (Copy covering report attached.)	
	(a) <b>Scottish Borders Council (Copy to follow)</b>	
	(b) <b>SBC Common Good Funds (Copy attached.)</b> (Pages 79 - 100)	
	(c) <b>SBC Charitable Trusts</b> (Pages 101 - 180)  1.SBC Welfare Trust; 2.SBC Education Trust; 3.SBC Community Enhancement Trust; 4.Ormiston Institution; and 5.SBC Charity Funds.  (Copies attached.)	
	(d) <b>Bridge Homes LLP (Copy attached.)</b> (Pages 181 - 198)	
	(e) <b>Lowood Tweedbank Ltd (Copy attached.)</b> (Pages 199 - 208)	
11.	<b>Unaudited Report and Accounts 2020/21 for Scottish Borders Council Pension Fund</b> (Pages 209 - 298)  Consider report by Executive Director Finance & Regulatory. (Copy attached.)	15 mins
12.	<b>Any Other Audit Items Previously Circulated.</b>	
13.	<b>Any Other Audit Items which the Chairman Decides are Urgent.</b>	
	<b>SCRUTINY BUSINESS</b>	
14.	<b>Tackling Child Poverty - Update</b> (Pages 299 - 344)  Consider joint report by Service Director Customer & Communities and Service Director Young People, Engagement & Inclusion. (Copy attached.)	15 mins
15.	<b>Scrutiny Work Programme</b> (Pages 345 - 348)  Update by Clerk to the Council. (Copy attached.)	5 mins
16.	<b>Any Other Scrutiny Items Previously Circulated.</b>	
17.	<b>Any Other Scrutiny Items which the Chairman Decides are Urgent.</b>	

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

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Please direct any enquiries to Fiona Walling  
Tel: 01835 826504 Email: [fwalling@scotborders.gov.uk](mailto:fwalling@scotborders.gov.uk)

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## SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTE of Meeting of the AUDIT AND SCRUTINY COMMITTEE held via Microsoft Teams on Thursday, 3 June 2021 at 10.00 am

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Present:- Councillors S. Bell (Chairman), H. Anderson, J.A. Fullarton, J. Greenwell, N. Richards, E. Robson H. Scott and S. Scott.

Apologies:- Councillor E. Thornton-Nicol

In Attendance:- Service Director Assets & Infrastructure, Clerk to the Council, Democratic Services Officer (F. Walling).

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### **SCRUTINY BUSINESS**

1. **MINUTE.**

There had been circulated copies of the Minute of the Meeting held on 10 December 2020.

**DECISION**

**APPROVED for signature by the Chairman.**

2. **RECYCLING AND WASTE POLICY UPDATE**

2.1 There had been circulated copies of report by the Service Director, Assets & Infrastructure providing an update on the effectiveness of the Council's Recycling and Waste Policies. The report was presented by Mr Ross Sharp-Dent, the Council's Waste Manager, who gave a summary of the comprehensive report and accompanying appendices. In his introduction, Mr Sharp-Dent explained that over the last two decades there had been a significant change in the way we view and manage waste. We were moving away from a throwaway society, where materials were discarded, towards more sustainable practices where materials were re-used or recycled. In Scotland this change had largely been driven by National Waste Policy targets and legislative measures, as set out in Appendix 1 to the report. In response to the various drivers, Scottish Borders Council had delivered a number of significant service changes as set out in Appendix 2 to the report. The report itself summarised the Council's current service provision. Statutory kerbside collection services were delivered to around 59,000 households, with recycling material and general waste being collected from all households and food waste from approximately 25,000 households. The Council also provided a non-statutory trade waste service on a commercial basis; a bulky uplift Service (non-statutory); 7 Community Recycling Centres (statutory); 74 Recycling Points (only the provision of glass banks being statutory); and Waste Transfer Stations (statutory). Historically the Council had managed the disposal of waste itself at various landfills. However, as the Council had increased the quantity of materials that it recycled it had put in arrangements with third party providers to treat its waste. The report highlighted the significant impact on waste services as a result of the COVID19 pandemic, although the full impact was not yet fully understood. Initial analysis indicated a 40% increase in glass, 12% increase in general waste and increased contamination of kerbside recycling, the increases likely to be due to people staying in their homes. Ultimately the pandemic increased collection and disposal costs and reduced trade waste income.

2.2 The report went on to provide details of the Council's performance compared with other Councils. Scottish Borders Council achieved the single biggest recycling increase of any local authority in Scotland between 2018 and 2019, ensuring we were now recycling more than the national average (44.9%). Scottish Borders Council was the highest performing

Council in terms of recycling performance, when compared to local authorities with similar rural characteristics. It was clear from the data presented that there were a lot positives to be taken from the Performance of the Council's Waste Service. This included: increasing recycling rates; reducing landfill rates; reducing carbon emissions; low numbers of missed collections; high satisfaction levels; and relatively low service provision costs. However there were areas that required improvement including the large quantity of potentially recyclable material that remained in the general waste bin i.e 70%; the increasing levels of contamination in kerbside recycling i.e. 25%; and the long term viability of the bulky uplift service. The report summarised the next steps as the Council strived to deliver a waste service that was fit for purpose and was both financially and environmentally sustainable in the long term. Service reviews would be undertaken over the coming months and years to improve performance and respond to national policy/regulation. It would be of particular importance to investigate the options to increase participation in Council services and incentivise residents to 'play their part'. Areas to consider would include: further education and awareness campaigns; a Council Recycling Policy or Charter to define respective roles and responsibilities of Council and Householders; and a robust kerbside collection contamination policy. Also to be given consideration would be the reduction of the capacity of residual waste bins and the wider roll out of the food waste collection service. It was important to recognise that significant further action was required if the Council was to achieve the Scottish Government's aspirational municipal recycling target of 70% by 2025.

- 2.3 Members thanked Mr Sharp-Dent for the comprehensive update. They also asked for their appreciation to be passed to his team, who they said should be commended for keeping the kerbside collection service in operation throughout the pandemic. They recognised the challenge of delivering these essential services and commented that the staff involved and other staff who had been redeployed in order to maintain service provision were the 'forgotten' frontline workers during the crisis. In terms of the detail of the report, Mr Sharp-Dent was asked a specific question about the criteria for allowing householders to present their waste for collection in sacks rather than in bins. Members commented that in certain streets in Borders' towns, for example Magdala Terrace in Galashiels, householders were unable to take bins into their properties and that this resulted in a permanent unsightly conglomeration of bins which very often also caused obstruction to pavements. Mr Sharp-Dent explained that there was no set criteria but that the preference was to provide bins in order to minimise manual handling. However he accepted that some housing stock was not designed for bins and recognised the challenges in some areas. He offered to set up a meeting with the Galashiels Councillors to discuss the situation in Magdala Terrace. In response to a question about Covid19 restrictions and at what stage in the relaxation of restrictions CRC staff would again be able to assist customers and the additional manning required for kerbside collections would be reduced, Mr Sharp-Dent could not give an exact stage, explaining that the approach was risk-based and, as with other authorities, was based on Waste Industry Safety and Health Forum guidance. With regard to dealing with "missed collection" enquiries, Mr Sharp-Dent advised that, based on recent feedback from Members about contact with advisors, the response has been amended to give a less ambiguous message. It was noted however that the total number of missed collections in 2020 represented the equivalent of 0.07% collections being missed.
- 2.4 With reference to the Council's decision in 2015 to close the landfill site at Easter Langlee, Galashiels and enter into a new residual waste contract, Members agreed that, notwithstanding the fact that this decision had been made to ensure compliance with the ban on biodegradable waste going to landfill from 2025, it would be useful to be provided with the comparative costs of dealing with waste before and after closure of the landfill site. Discussion continued on the challenge faced by the service in that, unlike in the past, its continuing effectiveness was dependent on the behaviour of service users in terms of increasing recycling and reducing contamination. In response to a question about methods of communication and interaction with the public, Mr Sharp-Dent explained that the current emphasis was on encouraging people to more effectively use the existing

service - as there was significant scope for improvement – for example in one Borders town the recycling rate was 17% compared with another where it was at 60%. The Council was looking at ways of improving effectiveness and clarity of the “contamination hangers” which were placed on bins to explain why the bins had not been lifted and there was also pressure to reduce the capacity of general waste bins. Although there was a limitation on what a single local authority could do, the Council was working closely with Zero Waste Scotland on ways of raising public awareness about which bin a particular material should be placed. Scottish Government had recently announced a £70 million fund to improve local authority collection infrastructure. In recognition that the main contaminant was food waste, Scottish Borders Council could explore expanding the food waste collection service with additional funding, which would tie into long term aims of the policy drivers within Scotland. Members commented that communication should be by education and encouragement rather than through penalties and that Local Authorities were in a position to reach a large proportion of households by effective communication through schools and the care at home service.

- 2.5 The Chairman thanked Mr Sharp-Dent and his team for the update and Members discussed their recommendations. Councillor Anderson, seconded by Councillor Greenwell, asked to receive a report in 3 months to give an update on progress on communications with the public to encourage a reduction in contamination of waste. Councillor Harry Scott, seconded by Councillor Richards, asked for comparative costs for the Council to be provided for processing waste before and after landfill was closed in the Borders. Both recommendations were agreed and Members’ thanks to staff was noted.

#### **DECISION**

#### **AGREED:**

- (a) **that thanks were due to all staff in Waste Services for their diligent attendance to duties, particularly over the period of the pandemic;**
- (b) **that the Service Director Assets & Infrastructure provide a report to the Audit & Scrutiny Committee, in 3 months, to provide an update on progress on communications with the public to encourage a reduction in contamination of waste; and**
- (c) **that comparative costs for the Council be provided for processing waste before and after landfill was closed in the Borders.**

3. **URGENT BUSINESS**

Under Section 50B(4)(b) of the Local Government (Scotland) Act 1973, the Chairman was of the opinion that the item dealt with in the following paragraph should be considered at the meeting as a matter of urgency, in view of the need to keep Members informed.

#### **Scrutiny Work Programme**

The Clerk to the Council agreed to the Chairman’s request for an update of the list and timescale of Scrutiny items to be provided at the next meeting of the Audit & Scrutiny Committee. The Chairman also referred to a question raised at a previous meeting about the definition of a Community School. Miss Wilkinson agreed to arrange for this question to be addressed and the information provided.

#### **DECISION**

#### **NOTED**

*The meeting concluded at 11.25 a.m.*

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**SCOTTISH BORDERS COUNCIL**

**ACTION SHEET MASTER COPY**

**AUDIT and SCRUTINY COMMITTEE 2021/22**

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 November 2020				
Internal Audit Work to October 2020	<b>AGREED to request that the Executive Director Finance &amp; Regulatory write to the Chief Executive NHS Borders to encourage sign-off at the earliest opportunity of the SLA relating to the Community Equipment Service.</b>	Finance & Regulatory	David Robertson	In progress.
10 May 2021				
Minute 8 March 2021	<b>AGREED to add Treasury Management refresh training on 22 November 2021 to the Action Tracker.</b>	Finance & Regulatory	David Robertson	In progress; 22 November 2021 agreed with Treasury Management Advisor
Audit and Scrutiny Committee Annual Report 2020/21	<b>AGREED that the Audit and Scrutiny Committee Annual Report 2020/21 be presented to the Council.</b>	Audit & Risk	Jill Stacey	Presented to Council meeting on 27 May 2021 by the Chair of A&SC. Complete
Internal Audit Work to March 2021	<b>AGREED that, in respect of the Learning Disabilities Service Financial Management recommendation, an update with detail of progress be presented to the Audit and Scrutiny Committee in four months' time.</b>	Audit & Risk	Jill Stacey	Internal Audit follow-up underway 20 September 2021 proposed for update on progress
Internal Audit Annual Assurance Report 2020/21	<b>AGREED that an ICT Cyber security update report be brought back to the Audit and Scrutiny Committee.</b>	Finance & Regulatory	David Robertson	20 September 2021 proposed for ICT Cyber Security update report
Counter Fraud Annual Report 2020/21	<b>AGREED TO RECOMMEND to Council that as the Counter Fraud Officer post has been vacant since December 2020 that the Chief Executive takes the appropriate urgent action to fill this role.</b>	Chief Executive	Netta Meadows	In progress
Annual Assurance Statement 2020/21 to the Scottish Housing Regulator	<b>AGREED that an update report be presented to Audit and Scrutiny Committee outlining progress in the areas set out in Appendix B to the report in six months' time.</b>	Customer & Communities	Jenni Craig	22 November 2021 proposed for Update report on progress

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## **INTERNAL AUDIT WORK TO MAY 2021**

### **Report by Chief Officer Audit and Risk**

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### **AUDIT AND SCRUTINY COMMITTEE**

**29 June 2021**

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#### **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 April to 11 June 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22 is detailed in this report. A total of 4 final Internal Audit reports have been issued. There were 3 recommendations made associated with 1 of the reports (3 Medium-rated).**
- 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 April to 11 June 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22;**
- 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; and**

### **3 PROGRESS REPORT**

- 3.1 The Internal Audit Annual Plan 2021/22 was approved by the Audit and Scrutiny Committee on 8 March 2021. Internal Audit has carried out the following work in the period from 1 April to 11 June 2021 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:
  - Risk Management
  - Bereavement Services
  - Hawick Conservation Area Regeneration (CARs) Scheme
  - Jedburgh Conservation Area Regeneration (CARs) Scheme
- 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:

<b>Level</b>	<b>Definition</b>
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 2021/22 consists of the following:

<b>Audit Area</b>	<b>Audit Stage</b>
Scottish Government Support Grants	Testing underway
Performance Management (Framework)	Audit Assignment prepared
Homelessness	Audit Assignment prepared
Performance Management (LGBF)	Planning the Assignment
Waste and Recycling	Planning the Assignment
Capital Investment	Planning the Assignment

## **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 Transformation Programme, Information Governance Group, Social Work Performance Board, Social Work Review Delivery Group, Commissioned Services Savings Delivery Group).
  - Learning and development during the research stage of new audit areas for all Internal Audit team members and through joining virtual audit forums and meetings.
  - The Chief Officer Audit & Risk joined a quarterly virtual meeting of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and CIIA forums for Local Authorities and webinars on the topics of Environmental, Social and Corporate Governance (ESG) / Climate Change, and HIA/Audit Committee Chair Relationship to share good practice and to keep knowledge of new developments up to date.
  - The Principal Internal Auditor accessed CIIA webinars on Digital Services in the Public Sector, ESG/Climate Change, and Cyber Security, and has joined the CIIA Data Analytics Forum, which are providing valuable insights into these topics.
  - One of the Internal Auditors has successfully passed the first part of the CIIA Certified Internal Auditor qualification.

## **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:

<b>High:</b> 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.
<b>Medium:</b> 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.
<b>Low:</b> 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 2021/22:

	2020/21 Number of Recs
High	0
Medium	3
Low	0
<b>Sub-total reported this period</b>	<b>3</b>
Previously reported	0
<b>Total</b>	<b>3</b>

Recommendations agreed with action plan	3
Not agreed; risk accepted	0
<b>Total</b>	<b>3</b>

## **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 2021/22 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 result of this report.

## **5 CONSULTATION**

- 5.1 The Executive/Service Directors relevant to the Internal Audit reports issued have signed off the relevant Executive Summary within Appendix 1.
- 5.2 The Corporate Management Team, 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 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 10 May 2021

**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](mailto:intaudit@scotborders.gov.uk)

**APPENDIX 1**

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance Subject: Risk Management No: 008/005 Date issued: 07 June 2021 Draft; 10 June 2021 Final Level of Assurance: Substantial</p>	<p>The purpose of the review was to assess progress on the implementation of corporate risk management improvement actions including policy, strategy, training and toolkits.</p> <p>The audit scope included:</p> <ul style="list-style-type: none"> <li>• Risk Management Framework, including the policy and strategy, roles and responsibilities, risk objectives, appetite, tolerance and capacity.</li> <li>• Provision of Risk Management Training</li> <li>• Alignment and integration with Business Planning and Performance Management processes</li> <li>• Risk Management Reporting to Senior Management and Elected Members</li> </ul> <p>The Council continues to make progress in embedding Risk Management and awareness ensuring that the risks to achieving corporate objectives are systematically identified, analysed, evaluated, controlled, monitored and reported regularly.</p> <p>The Council's Risk Management Strategy and Policy were last reviewed in 2018, and are due for review and refresh to reflect current conditions and best practice in line with industry standards. We also feel that consideration should be given to a Risk Maturity Model; a Risk Management Working Group; and Corporate Membership to a Risk Management Organisation.</p> <p>Risk Management training was last reviewed in 2018 and will require review/refresh to bring it in line with the update to the Risk Management Strategy and Policy.</p> <p>Business planning and performance management processes are not fully aligned and integrated with the risk management cycle. It is also difficult to ascertain the degree to which Business Planning, Performance and Risk are aligned and integrated as there is little on risk in the Corporate Plan. We will review this as part of our forthcoming internal audit on the Performance Management Framework.</p>	0	3	0	<p>Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations during 2021.</p> <p><i>As stated in the Internal Audit Charter, to ensure that Internal Audit independence and objectivity is maintained this audit engagement was carried out by Internal Audit with the CAE as the client and therefore with no involvement in the delivery and reporting of this Internal Audit review.</i></p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Risk Management (Cont'd )	<p>Risk management information and reporting to CMT and the Audit Committee in respect of strategic risks is sufficiently relevant, accurate and timely to enable them to fulfil their respective roles and responsibilities. Programmes and Projects have their own operational risk registers which are monitored by individual programme and project boards.</p> <p>The Chief Officer Audit &amp; Risk is a mandatory consultee for all Committee reports, providing the opportunity to check that full risk information is provided. The Corporate Risk Officer also comments on the Risk and Mitigations section of Committee reports to ensure that decision makers are cognisant of the risks associated with the proposals/decisions to be taken. This has proved to be very successful with positive feedback from report authors.</p> <p>Organisations who are contracted to deliver services on behalf of the Council and through partnership arrangements, such as the Health and Social Care Partnership Integration Joint Board and Live Borders, have Risk Management processes in place.</p> <p>Internal Audit are able to provide substantial assurance. Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement and we have made three medium-rated recommendations which are designed to improve application of the Risk Management Framework across the Council.</p> <p>We have made the following recommendations:</p> <ul style="list-style-type: none"> <li>• Incorporate the elements highlighted during the audit within the review and update of the Risk Management Policy and Strategy to reflect best practice. (Medium)</li> <li>• Refresh and update training materials for Risk Management. (Medium)</li> <li>• Ensure Risk Management is a standing agenda item on Management Team Meetings. (Medium)</li> </ul>				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Legislative and Other Compliance</p> <p>Subject: Jedburgh Conservation Area Regeneration Scheme (CARS)</p> <p>No: 154/027</p> <p>Date issued: 17 June 2021 Draft; 21 June 2021 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to examine and evaluate compliance with the scheme rules and contract specifically: Historic Environment Scotland Clause 5 (Auditing Procedures) of the contract signed 10 May 2013.</p> <p>Jedburgh Conservation Area Regeneration Scheme (CARS) Partnership Project between Historic Environment Scotland and SBC started in 2017/18. Its purpose is to undertake heritage and conservation based regeneration activities within Jedburgh town centre over a five-year period from 2017 to 2022.</p> <p>This is being achieved through the award of grants to property owners for external fabric building repairs and complementary initiatives relating to upgrading the public realm, education and training opportunities.</p> <p>The revenue project budget is £1,016.5k jointly funded by HES (£866.5k) and SBC (£150k). In addition, £50k has been allocated from SBC's capital budget.</p> <p>Internal Audit reviewed all project files and performed a reconciliation between offers made and actual grant paid, and performed transaction testing on a sample taken from two years of the project.</p> <p>Internal Audit are able to provide assurance of substantial compliance with the scheme rules and the HES contract. We found that the Jedburgh CARS has been managed well and run substantially in accordance with the requirements of the contract, and appropriate controls exist around segregation of duties and authorisations were in operation.</p> <p>No Internal Audit recommendations were made.</p>	0	0	0	<p>Management have confirmed the factual accuracy and accepted the findings of the audit report.</p> <p>The submission to Historic Environment Scotland will include the findings from this Internal Audit report, an Accountant's Report and Audited Annual Accounts.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Legislative and Other Compliance</p> <p>Subject: Hawick Conservation Area Regeneration Scheme (CARS)</p> <p>No: 154/028</p> <p>Date issued: 14 June 2021 Draft; 21 June 2021 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to examine and evaluate compliance with the scheme rules and contract specifically: Historic Environment Scotland Clause 5 (Auditing Procedures) of the contract signed 5 April 2019.</p> <p>Hawick Conservation Area Regeneration Scheme (CARS) Partnership Project between Historic Environment Scotland (HES), South of Scotland Economic Partnership (SOSEP), and Scottish Borders Council (SBC) started in 2019/20. Its purpose is to undertake heritage and conservation based regeneration activities within Hawick town centre over a six-year period from 2019 to 2025.</p> <p>This is being achieved through the award of grants to property owners for external fabric building repairs and complementary initiatives relating to upgrading the public realm, education and training opportunities.</p> <p>The revenue project budget is £1.575k jointly funded by HES (£1.315m), SOSEP (£60k) and SBC (£200k).</p> <p>Internal Audit reviewed all project files and performed a reconciliation between offers made and actual grant paid, and performed transaction testing on a sample taken from the first two years of the project.</p> <p>Internal Audit are able to provide assurance of substantial compliance with the scheme rules and the HES contract. We found that the Hawick CARS has been managed well and run substantially in accordance with the requirements of the contract, and appropriate controls exist around segregation of duties and authorisations were in operation.</p> <p>During the course of the audit we found an error in the calculation and under claim of the project management costs for managing the scheme, circa £20k. This has been notified to HES and will be rectified in a future claim to HES.</p> <p>No Internal Audit recommendations were made.</p>	0	0	0	<p>Management have confirmed the factual accuracy and accepted the findings of the audit report.</p> <p>The submission to Historic Environment Scotland will include the findings from this Internal Audit report, an Accountant's Report and Audited Annual Accounts.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Parks and Environment (Bereavement Services)</p> <p>No: 216/009</p> <p>Date issued: 11 June 2021</p> <p>Draft; 21 June 2021 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to ensure procedures and controls are in place to provide for efficient and effective use of operational resources in Parks &amp; Environment pertaining to the Bereavement Services delivery.</p> <p>The Council's Bereavement Services Team: manage and maintain 154 cemeteries and churchyards; deal with the sale of lairs; deal with interments; issue permission to erect headstones; and can also make provision and arrangements for other religion burials. There is also a woodland burial site in Selkirk.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> <li>• There is sound compliance with the bereavement services policies and procedures ensuring that safe working practices are in place as well as specified standards and legislation being met.</li> <li>• A consistent approach has been adopted for fees and charges across the Scottish Borders area for services delivered by Parks and Environment. Fees and charges for 2021/22 have been agreed as part of the annual budget setting process, approved at Council in March 2021.</li> </ul> <p>Given emerging statutory changes, it is appropriate to review the current system, with the view to moving to a digital service. The Bereavement service would benefit by making the service more digitally available to staff and customers, and derive business efficiencies from improved system functionality. It was planned for the new digital system ClearSkies software - Burial and Cremation Administration System (BACAS) to go live in March 2021; however, this has been delayed until July 2021. The current system requires updating, to enable and improve the service and this not possible with the existing technology.</p> <p>Internal Audit are able to provide Substantial assurance.</p> <p>No Internal Audit recommendations were made as Management actions are underway to move to a digital service.</p>	0	0	0	Management have confirmed the factual accuracy and accepted the findings of the audit report.

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## **WORK PROGRAMME 2021/22 FOR THE AUDITOR GENERAL FOR SCOTLAND AND THE ACCOUNTS COMMISSION**

### **Report by Chief Officer Audit & Risk**

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### **AUDIT AND SCRUTINY COMMITTEE**

**29 June 2021**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to make the Members of the Audit and Scrutiny Committee aware of the Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission.**
- 1.2 This report highlights the Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission, relating to public audit in Scotland.**

#### **2 RECOMMENDATIONS**

##### **2.1 I recommend that the Audit and Scrutiny Committee:**

- a) Notes the details of the Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission; and
- b) Agrees to consider the relevant reports when they are published on the Audit Scotland website.

### **3 WORK PROGRAMME 2021/22 FOR THE AUDITOR GENERAL FOR SCOTLAND AND THE ACCOUNTS COMMISSION**

- 3.1 The Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission, relating to public audit in Scotland, has been published recently on the Audit Scotland website [Our work programme | Audit Scotland \(audit-scotland.gov.uk\)](#)
- 3.2 The work programme sets out the audit work they plan to deliver during 2021/22. This includes:
  - [Auditor General for Scotland](#)-led work in central government
  - [Accounts Commission](#)-led work in councils and local government
  - Joint work by the Auditor General for Scotland and the Accounts Commission where there are areas of common interest.
- 3.3 The Auditor General for Scotland and the Accounts Commission are committed to ensuring public audit in Scotland:
  - provides assurance about how well public money has been spent
  - contributes to the effective recovery and renewal of public services following the pandemic.
- 3.4 Arrangements will continue to be made for the Audit and Scrutiny Committee to consider the relevant reports when they are published on the Audit Scotland website.

### **4 IMPLICATIONS**

#### **4.1 Financial**

There are no direct financial implications associated with this report.

#### **4.2 Risk and Mitigations**

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, governance and risk management. To fulfil this remit, it seeks assurance from other external scrutiny, audit and inspection agencies as outlined in this report.

#### **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 Corporate Management Team considered this report on 16 June 2021.
- 5.2 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**

#### **Author(s)**

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036

#### **Background Papers:**

#### **Previous Minute Reference:**

**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](mailto:intaudit@scotborders.gov.uk)

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# Local government in Scotland

# Overview 2021

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ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
May 2021

# Who we are

## The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services. Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website:

[www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission)

# Chair's introduction

In 2020, Covid-19 changed the world and will have a profound impact on our lives in the years ahead. The public services we all receive and many of us depend on each and every day have adapted, in some cases transformed and will certainly continue to change.

Covid-19 has laid bare and exacerbated existing **inequalities** such as health, work, income, housing and education across Scotland's communities. The multiple impacts of these inequalities have affected the most vulnerable, minority groups and women.

Reporting on how inequalities are being tackled is, and will be, a core priority for the Accounts Commission in our future reporting. The recovery from Covid-19 isn't going to be quick, again exacerbating the impact on the lives of those already most affected. The recovery plans and priorities need to recognise this.

Councils must put robust and realistic plans in place and work alongside partner organisations best placed to help. They must work with and for their communities, focusing on the needs of local people.

This will have to be achieved against an increasingly challenging **financial outlook**. There is rarely financial certainty for councils beyond the current financial year. For many years the Commission has reported on the importance of long-term financial planning for our councils and they need the certainty of a multi-year financial settlement to do this. Without this Scotland is faced with a clear risk to the financial sustainability of our councils. During the last few years we have seen increasing amounts of funding provided by the Scottish Government being ring-fenced for specific purposes and this limit on local flexibility

has also emerged through the funding arrangements for Covid-19. Councils have also been impacted by the significant loss of income and additional costs caused by Covid-19 which will have a consequential impact in the coming years. Support for councils will be needed to allow them to take a comprehensive and holistic approach as they look to stimulate economic recovery, address inequalities and build back communities.

Of course, this complex and difficult set of circumstances will, inevitably, mean that councils must make difficult decisions about the services they deliver, and indeed how these services are delivered.

A key issue will therefore be reaching agreement between the Scottish Government and COSLA to achieve a funding model for local government that targets and supports those most in need.

Throughout 2020 and beyond, the ways in which councils and communities have worked together to deliver services and support the most vulnerable has been incredible. Many communities and individuals continue to step in to provide crucial local services, empowered to do so by councils. Those local areas where partnership working was already strong and embedded were able to respond and react more quickly to the developing needs caused by Covid-19. This brought into focus the value and importance of **partnership working** and empowering communities to deliver services that meet very local needs.

## Chair's introduction continued

The Accounts Commission will look to ensure that the significant amounts of funding given to councils to deliver and provide support to mitigate the impact of Covid-19 achieved value for money. **Following the 'pandemic pound'** will be central to our future work.

Our audit work has already seen so much positive work in councils, not least the swift and vital move to delivering services remotely and digitally. This new way of working needs to be harnessed and consolidated, with **lessons learned, shared and improved upon**. It is vital that councils do not default to previous ways of working in areas where new approaches are having positive outcomes.

This latest Local Government Overview is the first in a series of reports that will reflect on the evolving and long-term nature of the impact of Covid-19. Here we consider the initial response of councils. And our future reporting will give a more detailed analysis of the impact and lessons learned from the pandemic, including an assessment of progress being made in early phases of recovery in 2022 before looking ahead to how councils have supported their local communities to begin recovering.

### **Elma Murray**

Interim Chair of the Accounts Commission

# Key messages



## 1. The Covid-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public

The negative impacts have been greater for those already experiencing socio-economic disadvantage, and existing inequalities have intensified. Councils have been at the centre of the response to the pandemic, supporting communities through these difficult times. They responded quickly and put their initial focus on maintaining service delivery and protecting communities.



## 2. Relationships with communities have been vital

Councils and communities have worked well together to manage local responses to Covid-19. These included supporting initiatives to promote wellbeing and support people who were shielding and facilitating community support hubs. Existing partnerships that were stronger before the pandemic made a smoother transition into the response phase, as there were fewer barriers. Moreover, some communities were able to offer a faster and more targeted response and deliver some vital services as a result of having fewer formal decision-making structures. In some cases, Community Planning structures have been strengthened and community groups have been able to work more flexibly, demonstrating the value of community empowerment.



Communities and people



Service delivery and partnership working



Resources and governance



## 3. Levels of service disruption have varied

Services such as education, social care and culture and leisure were badly affected, while other core services continued on a reduced basis. Services that could be delivered by people working from home were most resilient. The disruption to services had significant negative impacts on vital areas and on some client groups. These included carers who lacked access to respite care, people with learning disabilities who lacked access to important services and wider support, and school children, who experienced significant disruption to their education. Communities experienced significant service disruptions alongside the wider impact of the pandemic. This created further challenges including job losses and increased economic uncertainty, the impact on people's mental health, and increased child protection risks during lockdown.

## Key messages continued



### 4. Some services were delivered virtually

For example, education continued where students were able to access learning materials online. Councils worked fast to enable homeworking for staff and to provide innovative IT (information technology) solutions. There were challenges for some councils in the early days of the move to homeworking, including limited internet connectivity and insufficient supplies of IT equipment to enable the required numbers of staff to work remotely.



### 5. The workforce demonstrated the versatility to take on new roles

Staff were redeployed from services that were closed or reduced into services facing increased pressure while working at pace under challenging circumstances. There will be an increased need in future for staff to be agile as services continue to evolve in line with the pandemic and the recovery phases. Councils must also manage the pressures on staff to ensure their people are not put at risk of burnout as the pandemic continues.



### 6. There were significant changes in council governance structures and processes

At the onset of the crisis, councils suspended or revised their meeting schedules, and adopted different approaches to decision-making. Virtual meetings were established in growing numbers of councils, and all councils now hold remote meetings. There is now less reliance on delegation to officers or emergency committees than in the early stage of the pandemic, but councils must continue to balance the need for urgent decision-making with transparency.

## Key messages continued



### 7. Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic

The Convention of Scottish Local Authorities (COSLA) estimated that the total net financial impact of Covid-19 in 2020/21 would be £767 million. This includes forecast financial pressures of £855 million, with loss of income accounting for around £400 million of this total. The financial pressures have been offset slightly by estimated cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs.



### 8. The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils

Funding announced by the Scottish Government by February 2021 is likely to support councils in covering the net financial impact of the pandemic for 2020/21. This additional funding includes a significant element of one-off grant funding, therefore this may present financial sustainability risks for some councils in future years. Furthermore, funding announcements have been frequent but not regular, and in some cases specific conditions are attached. This has created an additional administrative burden for the Scottish Government and councils arising from awarding and accepting grants and completing the related reporting requirements.

## Key messages continued



### 9. Councils have started to plan for longer term recovery from the crisis

While restarting services is led largely by national guidance, and the response to a second wave of Covid-19, councils are beginning to think about how to rebuild local economies and support communities in the long term. Councils will play a pivotal role in this, and as they progress through the recovery phases, there must be recognition that a return to 'business as usual' will not be possible and that the negative impacts of the pandemic will be felt for years to come. Councils' recovery plans have signalled this kind of thinking, focusing on areas that were already priorities before the pandemic, such as digital, tackling inequalities and climate change. We are still learning about the significant long-term challenges, and councils' recovery and renewal plans should address the longer-term implications of the pandemic for local economies, communities and individuals. Recovery plans must also recognise the longstanding issues of inequality that exist and set out actions to address the differential impact of Covid-19 on different groups.



### 10. There has been some ongoing learning resulting from the emergency response to the pandemic

Councils' service delivery arrangements and working practices changed at an unprecedented pace and on a scale that would have been considered impossible in the past. The need to respond quickly with simplified procedures has allowed councils to operate more flexibly and achieve outcomes that would previously have taken much longer. For example, the use of digital technology, to support changes to service delivery and councils' governance arrangements, has accelerated at a greater pace than many councils had planned for or thought achievable. It is important that councils now consolidate and build on the factors that allowed this level of change and innovation to take place so quickly. Councils should also identify the positive developments to take forward into renewal planning to maintain this momentum. It is also important for councils to avoid the risk of reverting to 'business as usual' in areas where new ways of working are having positive outcomes, for example flexible working and an increase in digitally enabled services. We will consider further lessons learned in more detail in future local government overview reports.

# About this report

Our local government overview this year is taking place amidst the Covid-19 pandemic, which has created an unprecedented set of issues and challenges for councils, their partners and for communities. The shape of the recovery and renewal curve is not yet clear, nor are many of the longer-term impacts on the economy, communities, and public services.

## This report

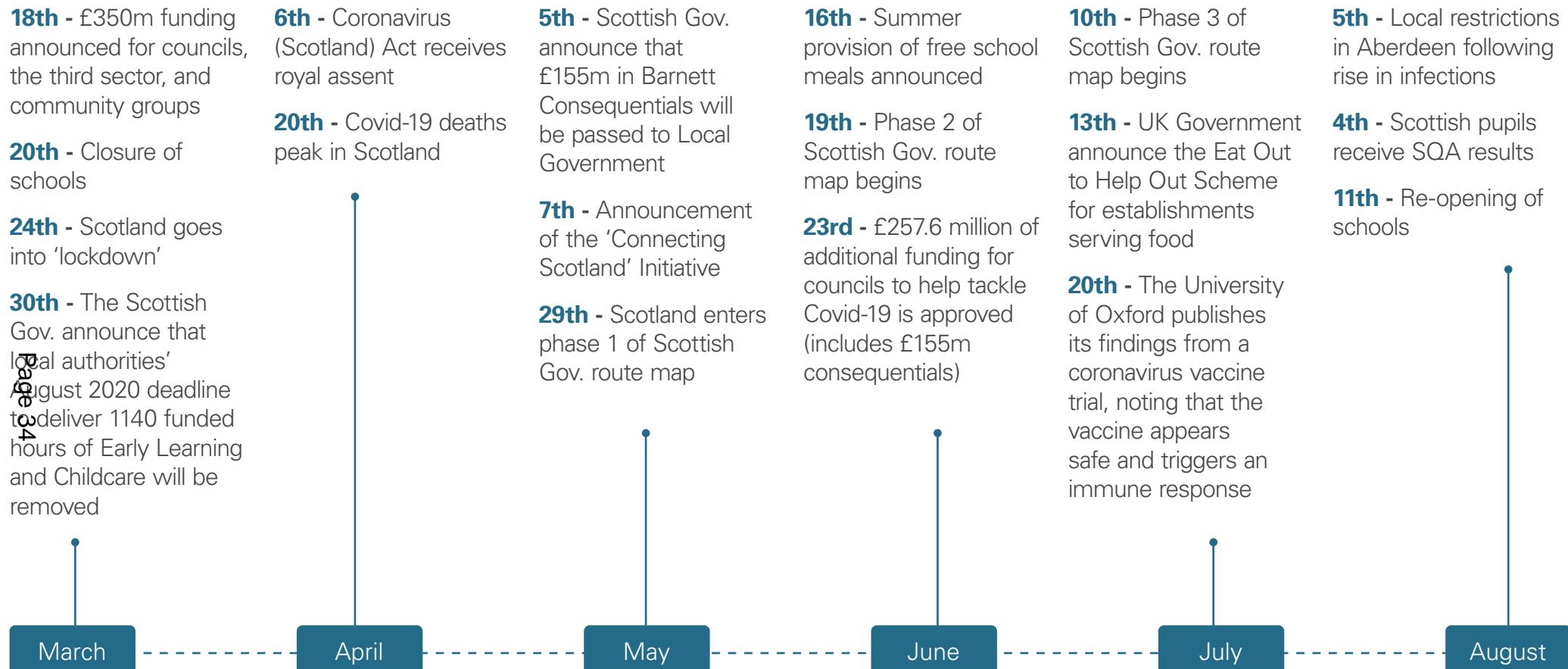
- is the first in a series of reports that reflects the evolving and long-term nature of the impact of Covid-19
- considers the initial response phase of the pandemic from March 2020, and includes financial data correct as at the end of February 2021
- provides case study examples of council responses to new challenges.

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## Future reporting

- will give a more detailed analysis of the impact of the pandemic and lessons learned from it, including an assessment of progress being made in early phases of recovery in 2022
- will cover further progress, with renewal and recovery reported on in 2023.

# Timeline of key events



Initial response phase, March to August 2020

# Timeline of key events



Initial response phase, September 2020 to February 2021

# Key facts/Context

## About local government

Councils in Scotland operate in a complex and challenging landscape. The scale of Covid-19 has created an unprecedented set of issues and challenges for councils, their partners, and communities. These include unprecedented economic and social impacts, additional financial pressures and increased service demand, the need for new service delivery models and negative impacts across communities and groups, particularly those who were already vulnerable. For several years, councils have been dealing with increasing challenges and uncertainty while continuing to address the needs of local people and national priorities.

The Covid-19 pandemic has put into clear focus the pivotal role councils in delivering not only the day-to-day services that communities rely on, but also in responding to risks. It emphasises the essential importance of effective leadership, good governance and good financial management for all councils.

## Additional Covid-19 actions and responsibilities

- support to communities
- business support grant administration and distribution
- infrastructure amendments
- advice services
- staff redeployment
- virtual service delivery

## 32 councils



**£12.6bn** net expenditure budget in 2019/20



Workforce of **206,000** local government staff



Providing services to **5,463,300** people in Scotland

**431,000**

claims for the Self-employment Income Support schemes

**£0.8bn**

estimated additional Covid-19 costs in 2020/21

**180,000**

people shielding in Scotland

**£0.4bn**

estimated loss of income in 2020/21

**9,000**

households receiving kit through 'Connecting Scotland'

**£1.02bn**

administered in business support grants

[Our Local government in Scotland: Financial overview 2019/20](#) and [Digital in Local Government](#) reports explore some of these issues in more detail.

# Key characteristics of the response

We have organised our analysis of the local government response to the pandemic and the wider risks that have emerged under the following themes. Early lessons learned relating to each theme are highlighted in the following sections of the report.

Each characteristic can be navigated to by the tabs at the top of the pages.



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## Communities and people

Community wellbeing and the role of communities in responding to the crisis

- differing impacts of Covid-19 on demographic groups
- the impact of the pandemic on inequalities
- communities' contributions in responding to the crisis

## Service delivery and partnership working

The adaption of service provision and working with partners

- reduced service provision and prioritised services
- innovation and digital delivery
- enhanced collaboration and more positive working relationships

## Resources and governance

The financial impact of responding to Covid-19, use of resources and changes to governance arrangements

- challenging financial outlook– additional spending and lost income
- new funding and financial flexibilities
- staff redeployed to fulfil essential roles
- virtual decision-making
- changes to governance arrangements



# Communities and people

The adverse effects of the Covid-19 pandemic on different communities will last for years to come. Some people have faced greater hardship than others, and inequalities have increased in areas such as health, deprivation, employment and digital access. Communities have been integral in supporting councils and their partners' responses to the pandemic. Covid-19 recovery planning needs a sustained focus on addressing inequalities with community empowerment at its heart.

## Covid-19 has had a profound impact on society and the economy

- The impact of Covid-19 on society has been hugely disruptive. Social distancing measures have markedly changed people's daily lives and, for many, have had a detrimental impact on mental health and wellbeing.
- Covid-19 has created significant uncertainty for many sectors of the economy. The national restrictions have forced many industries to shut down completely, resulting in substantial job losses and reliance on the national furlough scheme. At November 2020 the unemployment rate was 4.4 per cent, compared with 3.8 per cent for the same period in 2019.<sup>1</sup> The Improvement Service has created a Covid-19 economic impact dashboard<sup>2</sup> which shows the current uptake of government support at a Scottish local authority level. This uses publicly available data and includes details of the types of employment furloughed, the Self-Employment Income Support Scheme, unemployment benefit claims, and the Covid-19 Business Support Fund Grant Scheme.
- Covid-19 will also bring longer-term impacts on the economy and labour market, potentially leading to structural changes and the risk of long-term scarring for those exposed to extended periods of unemployment. The pandemic has created unequal effects on the economy so far, with digital and tech industries thriving whereas retail, hospitality, tourism, and creative industries have been the worst affected. Many of the workers within these worst affected industries are among the lowest paid and include groups such as young people, women, those with disabilities, and minority groups. This creates a risk that existing social and economic inequalities will be exacerbated. There is also the potential for some areas to be disproportionately affected, for example in economies surrounding city centres relying on footfall and in rural economies relying on tourism. The Improvement Service comments on these issues in more detail in its Covid-19 Supplement to the Scottish Local Authorities Economic Development Group (SLAED) Indicators Report 2019-20.<sup>3</sup>

1. [Labour marker in the regions of the UK](#): Office for National Statistics, March 2021

2. [COVID Economic Impact dashboard \(shinyapps.io\)](#)

3. [Covid-19 Supplement to SLAED Indicators Report 2019-20](#)

# Covid-19 had a significant impact on children and young people

- Significant disruption to education has had an adverse effect on children and young people. The move to home learning has been challenging for many families and has led to loss of learning and loss of school experiences. Our report [Improving outcomes for young people through school education](#) looks at these issues in more detail and notes that the negative impacts of the pandemic may affect children and young people across a range of outcomes, and has had a detrimental effect on mental health and wellbeing.
- Covid-19 has also had a significant impact on young carers, many of whom have had to take on additional caring responsibilities during lockdown. These young people provide essential care for their families, often 24 hours a day, and this can lead to challenges in maintaining their social, educational, and economic wellbeing, as well as their physical and mental health. The pandemic and associated lockdown restrictions and social distancing measures have had far-reaching implications for young carers. These include increases in the complexity of the care provided, the withdrawal of some aspects of external support, difficulties associated with home learning and increased stress and anxiety levels as care loads grow.

# Covid-19 has had a disproportionate impact on some communities and groups in society

- Covid-19 has had disproportionate effects on peoples' health, particularly those with existing health conditions, but the pandemic and society's response to it is also having an unequal impact on disadvantaged and vulnerable people and communities.
- Those living in areas of high deprivation in Scotland are twice as likely to die from Covid-19.<sup>4</sup> and structural inequalities, for example poor access to good-quality education, employment, health and housing, place black and minority ethnic groups at much higher risk of becoming severely ill with Covid-19.<sup>5</sup>
- One-third of 18-24-year-olds have been furloughed or lost their job, in contrast to just over one-sixth of working-age adults overall. A cause for concern is prompted by further analysis by the Resolution Foundation which suggests that those currently on furlough have an increased risk of later unemployment when the job retention scheme ends.<sup>6</sup>
- The financial impact of Covid-19 has been substantial for many individuals and families. Over half of families in receipt of Universal Credit or Child Tax Credit in Scotland have had to borrow money since the start of the crisis.<sup>7</sup> The economic impact has also affected some groups to a greater degree than others, for example young people and women in low-paid job sectors that have faced service closures. Women have historically been exposed to labour market inequality, through comprising more underpaid and undervalued work and are also more likely to have caring responsibilities, making it harder to balance work and care commitments. These issues have been heightened through the response to Covid-19, as women have been disproportionately affected by job disruption and the need for more unpaid care.<sup>8</sup>
- In addition, digital exclusion has been exacerbated, resulting in reduced access to information, goods, and services for some. In the 20 per cent most deprived areas in Scotland, 82 per cent of households have access to the internet, in comparison with 96 per cent in the 20 per cent least deprived areas.<sup>9</sup>

4. Deaths involving Coronavirus (COVID-19) in Scotland, National Records of Scotland, December 2020

5. Supporting community recovery and resilience in response to the COVID-19 pandemic: a rapid review of evidence, Glasgow Centre for Population Health, May 2020

6. Getting Britain working (safely) again, The next phase of the Coronavirus Job Retention Scheme, May 2020

7. A stronger Scottish lifeline in the economic storm, Joseph Rountree Foundation, July 2020

8. The impact of COVID-19 on women's labour market equality, Close the gap: Disproportionate disruption May 2020

9. Scottish Household Survey 2019: annual report

# New vulnerabilities have also emerged as a result of Covid-19

- Covid-19 has created new vulnerabilities and exacerbated existing inequalities and exposure to risk factors.<sup>10</sup> The response to the pandemic has had a huge impact on vulnerable adults and children, for example through care services being removed from people with disabilities and elderly people, children with additional support needs having reduced educational support, and increased child protection risks as a result of children being less visible to support services.
- These services provide important streams of both practical and social support for those in need. The reduction or cessation of services has had a significant impact. For example, the Care Inspectorate found that children and young people, whose school education and building-based social activities had been suspended, were particularly adversely affected.<sup>11</sup> Similarly, parents in some situations became quickly exhausted. The Care Inspectorate also note the risk of hidden harm being a concern.
- The disproportionate impact has also been reflected in the challenges for those with caring responsibilities, including carers who have faced reduced access to support services and respite care.

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## Case study 1

### East Renfrewshire Council



#### East Renfrewshire Council's multi-layered approach to shielding.

The council contacted those on the shielding list to assist with essential tasks such as delivering food and medicine. Further support was provided to other groups by cross matching the shielding list with the lists of those accessing other services, such as homecare, telecare, housing, learning disability, food hubs and young mums' services. This allowed the council to co-ordinate various elements of support and contact people who had not used services before. It also helped to identify wider issues that were emerging during the pandemic, such as communities being at risk of food poverty.

10. A brief summary of some issues and potential impact on those living in socio-economic disadvantage, The Improvement Service: Poverty, Inequality and Covid-19

11. Delivering care at home and housing support services during the COVID-19 pandemic, September 2020

# Councils were innovative and worked at pace to provide support to those most at risk

- In the initial phases of the pandemic, councils identified vulnerable people using sources such as databases of those accessing food banks, households receiving free school meals and people on the shielding list. This allowed for a targeted response to those at greatest risk.
- Councils have been at the forefront in adapting services and providing support to communities. Diverse approaches were taken to respond to the changing circumstances and to support the most vulnerable. For example, innovative solutions to provide accommodation for homeless people were established. The rapid response to housing the homeless, through additional funding and using private sector resources, is unprecedented.
- Councils are also contributing to national efforts to minimise the negative effect of digital exclusion on vulnerable communities, working with the Scottish Government and third sector to distribute digital devices through the 'Connecting Scotland' initiative.

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## Case study 2

### The City of Edinburgh Council



#### The City of Edinburgh Council private sector leasing scheme to tackle homelessness.

The council increased its provision to homeless people by using private sector resources, such as hotels, B&Bs and rented accommodation through the private sector leasing scheme. Working with Link Housing, the council is looking to enhance the scheme in the longer-term, where landlords can lease their properties to the council for up to ten years at guaranteed rents. The council began a new contract for the scheme in April 2020 and, despite the challenges of Covid-19, the scheme has increased by 89 properties, and 321 new tenancies were established between 1 April and 6 November 2020.

# Councils were innovative and worked at pace to provide support to those most at risk

## Case study 3

### Scottish Borders Council

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#### Scottish Borders Council's 'Inspire Learning' programme:

'Inspire Learning' is an ambitious digital learning programme developed in July 2019, through which all secondary pupils and teachers received their own iPad. A range of partners have contributed to the programme's success by adopting a 'one vision' approach. The initial phase was completed six months ahead of schedule in March 2020, providing an invaluable tool for remote learning in response to Covid-19. In the first week of home learning, over 90 per cent of secondary pupils were using their iPads at home. The programme has also now been extended to all primary pupils in P4 and above and primary teaching staff. It also aims to aid collaboration between schools, enhance delivery of the curriculum, and address future employment challenges, by teaching young people digital skills such as coding, working with Apple's education initiative.

# Councils will continue to play a significant role in addressing future inequalities

- The Convention of Scottish Local Authorities (COSLA) has recently prepared a [Blueprint](#), based on the empowerment of people and communities, that outlines the steps local government needs to take to overcome inequalities which increase the chances of contracting Covid-19, and longer-term impacts of the virus. However, it is too early to assess councils' progress in applying the blueprint or to understand the full impact of the pandemic on inequalities.
- Councils will play an integral role in Scotland's recovery from Covid-19 and putting communities at the centre of recovery will be vital. As well as managing the specific impacts of the pandemic, councils will also need to address the challenges that existed before the pandemic, many of which have been heightened.
- The impact of the crisis will require targeted interventions to ensure that people can be supported to overcome its damaging social and economic effects. Councils have demonstrated early signs of this kind of thinking, for example by developing virtual skills programmes for young people, and job-matching websites to help people find employment.

## Lessons learned

**The impact of Covid-19 has been extremely detrimental for many of Scotland's most vulnerable people and communities. The impact will be long-lasting and will significantly increase inequalities. Recovering from the pandemic will require tackling inequalities to be a priority.**

**As councils may look to embed longer-term changes to service provision as seen during the pandemic, it is important that they are adaptable in their approach, to ensure that services are reaching communities in the right way. Councils need to understand the needs of those experiencing digital exclusion and put**

**a strategy in place to ensure equal access to services for all citizens and communities.**

## Case study 4

### Falkirk Council



#### Falkirk Council's Employment and Training Unit.

The council's Employment and Training Unit has ensured that more than 800 people could continue to develop employability skills during Covid-19 by providing virtual support, replacing typical face-to-face learning. The team supports young people in Falkirk who wish to develop skills outwith traditional higher or further education settings. The service offers a range of support, from specific training and qualifications to wider life skills in wellbeing, health, and finance. The team has signposted people to other services to help with challenges arising from Covid-19. It has been successful in securing jobs for some despite the fragile employment market, in areas such as health and social care, retail, food and administration.

# Communities were an asset in councils' response to the pandemic

- As councils worked at pace to adapt service provision and provide additional support to vulnerable people, community groups made significant contributions, for example local people helping to coordinate the shielding response.
- Community-led responses were delivered through initiatives such as Community Planning Partnerships and third sector volunteering. Communities made important contributions to delivering these support systems.
- The establishment of community hubs was a common approach to coordinating local support by providing emotional support and services such as deliveries of food and medicines.

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## Case study 5

### North Ayrshire Council



#### North Ayrshire Council's 'Three Towns' Community Hub.

The council established community hubs around its localities, one being the three towns of Saltcoats, Stevenston, and Ardrossan. Existing community engagement work provided a robust base for developing a collective response from different services, and from community groups that acted as volunteers.

The hub linked together expertise from the community, health, social work, libraries, community development and voluntary organisations. The hubs provided a local telephone point of contact for community need arising as a result of Covid-19, also helping to distribute food, medicine, mental health support, and books. Holistic working provided an efficient response to serving communities with various services 'under one roof'.

# Communities experienced increased levels of activity and collaboration

- As a result of reduced levels of governance and decision-making protocols, communities embraced the opportunity to take charge in responding to the crisis. For example, communities quickly organised themselves to help councils to provide essential supplies to vulnerable people, often in a matter of days.
- Before the pandemic, this type of innovation and activity from local people faced barriers, including limited opportunities to influence or take control of decision-making processes, poor relationships and a lack of trust between communities and the public sector, continued financial pressures and austerity measures, and leadership and cultural challenges. However, the need for more streamlined processes allowed communities to make significant contributions in response to the pandemic. Our report [Principles for community empowerment](#) outlines the benefits of community empowerment in more detail.
- Collaboration was more effective where pre-existing relationships with communities were strong. Shared values and trust were important in helping councils to target support and achieve buy-in from community groups.

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## Lessons learned

Action taken by communities has been vital in supporting councils and their partners to deliver an emergency response. Partnerships that were well-established before the pandemic had a smoother transition into the response phase and acted more quickly than others.

The importance of strengthening relationships with communities has been apparent. Greater flexibility in decision-making structures has been an effective tool for communities, empowering them while allowing the council to operate more efficiently. Giving communities

more scope to use initiatives like this will be important in the future but must be balanced with the return of robust governance arrangements and continued openness and transparency in decision-making.

## Case study 6

### East Lothian Council



#### [East Lothian Council Connected Communities Resilience Bases.](#)

The council established six bases (one in each ward) across the local authority area to support vulnerable people or those who are self-isolating and have no other local support. Staff coordinated the despatch of essential goods including food, sanitary products, and hearing aid batteries. They proactively contacted those on the shielding list and worked with community groups to tackle concerns over wellbeing and isolation.



# Service delivery and partnership working

Councils were central to the national Covid-19 pandemic response to supporting communities and vulnerable groups, alongside partners in health and social care and voluntary sectors. They responded quickly to the pandemic, placing their initial focus on maintaining essential services and protecting communities. Levels of service disruption varied during the early stages of the spring 2020 lockdown. Some councils worked well with their communities to respond to the challenges.

## Councils proved agile in adapting service provision, by redirecting resources and using digital technology

- In their initial response to the national lockdown in March 2020, councils had to take quick decisions on their priorities to maintain key services while changing the way they delivered services and pausing some altogether.
- Generally, the most resilient services were those that were able to embrace home working, particularly administrative, support and processing functions.
- The impact of the pandemic and disruption to services varied. Services such as education, social care, culture and leisure, and housing repairs were significantly disrupted, and it is likely that these impacts will have longer-term consequences for communities and councils.
- Our report [Improving outcomes for young people through school education](#) found that those involved in planning and delivering school education and their partners had developed a strong foundation of working together before the pandemic. That foundation helped them deliver a quick response to the crisis. However, the move to home learning was less effective for children and young people living in already challenging home circumstances. This has exacerbated learning and development inequalities among pupils.

### Case study 7

#### Aberdeen City and East Dunbartonshire



Councils including [Aberdeen City](#) and [East Dunbartonshire](#) distributed digital equipment to school pupils.

Aberdeen City Council's Education Service provided laptops and internet access for children and young people to support their access to the curriculum and continuing their studies at home. Teachers came up with interactive ways to provide more engaging learning for students. Guidance on delivering a digital curriculum was also issued to parents and staff.

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- The pandemic impacted on councils' ability to carry out their social care functions, and the Coronavirus (Scotland) Act 2020 temporarily relaxed many of the usual statutory requirements on councils. These changes had significant negative impacts on some vulnerable groups and communities. In its review of care at home services, the [Care Inspectorate](#) found that health and social care partnerships effectively prioritised support for people with critical needs; but the impacts of this prioritisation on other people using services was very variable across the country.
  - The suspension of day care and respite services had a particular impact on children and young people with additional support needs, learning disabilities or challenging behaviours. Children and young people whose school education and social activities had been suspended were particularly adversely affected.
- The Care Inspectorate also found that social isolation, disruption of daily activities, limitations on physical activity and the suspension of reablement services had an adverse impact on the health and wellbeing of people who experience care and carers.
- All councils and partner providers closed their leisure centres, libraries, museums, and cultural centres to the public.
  - Councils initially restricted housing repairs to emergencies and essential repairs only, and the right to repair timescales were suspended in cases where landlords and contractors could not meet them because of the disruption caused by Covid-19.

## Case study 8

### Midlothian Council



[Midlothian Council's Registrations service moved to a seven-day service, to make sure that deaths would be registered on time, and in line with social distancing requirements.](#)

The service adapted to enable remote digital registrations, coordinating the early stages of each registration before completing it in the office. The council's library support team provided administrative assistance to the registrations team.

- Other services such as waste collection and administration functions continued on a reduced basis in the early stages of the spring 2020 lockdown. For example, in waste management, most councils continued kerbside bin collections, but recycling centres were temporarily closed. Most planning services were moved online with site visits suspended and a focus on responding to urgent matters.
- Councils made creative use of digital technology, responding to challenges across services. For example, school pupils were given access to learning materials online while learning at home (the 2021 report [Improving outcomes for young people through school education](#) looks at councils' responses to the pandemic and their impacts in detail). In addition, fitness classes and library collections moved online; some care homes provided virtual visiting for residents; and some councils live-streamed funeral services privately for family and friends.
- The [Digital progress in local government report](#) found that the pandemic has had a huge impact on council workforces, resulting in a large-scale shift to homeworking and remote working. Getting the right technology, skills, and support in place to give staff the confidence to use new cloud-based tools has been a key challenge. Councils' digital and information communication technology (ICT) teams have responded with unprecedented speed, agility, and resilience.

## Case study 9

### Perth and Kinross Council



Perth and Kinross Council live streamed funeral services from Perth Crematorium, to allow families to say goodbye to their loved ones safely while following social distancing guidelines.

The webcam service was made available privately to relatives, and the feedback received from families has been overwhelmingly positive.

# Councils rapidly changed service delivery arrangements

- Councils reacted quickly to take on new responsibilities brought about by the pandemic, including distribution of business support grants ([see Resources and governance section](#)) and involvement in the shielding response.
- Councils have also experienced an impetus for digital change from the challenges of the pandemic, with some taking the opportunity to accelerate their digital transformation plans by, for example, adopting online meetings and reducing staff travel. [The Digital progress in local government report](#) provides more details on how councils met these challenges.

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Data sharing between councils and partners enabled resources to be directed to those in need. [The Digital progress in local government report](#) highlighted the example of the Helping Hands platform which councils and third sector partners jointly developed to coordinate support for citizens who were shielding or otherwise vulnerable. This allowed councils and partners to identify and support those at greatest risk. However, the Improvement Service found that a lack of data sharing in some cases created challenges, for example relating to councils and Public Health Scotland sharing Test and Protect data from households required to isolate.

- Our review of the 32 council websites found that councils took similar approaches to communicating with the public and staff through their websites by providing periodic updates on most services. But some councils' websites had gaps in information on key services such as homelessness and social care in the early stages, creating the risk of people not being kept fully informed about the services they needed.

## Case study 10

### Perth and Kinross Council



Perth and Kinross Council staff such as parking attendants worked with NHS Tayside to collect and deliver prescriptions and other medical equipment to patients.

This followed the suspension of parking charges, to allow key workers to get to their places of work more easily. The council's Public Transport Unit also worked with businesses that normally take pupils to school to instead take key workers to and from work back home.

# Council workforces demonstrated versatility by adapting quickly, taking on new roles and working under pressure to maintain key services

- Councils redeployed staff from closed or reduced services to services that faced increased demand or pressures. Staff have had to work at pace and under significant pressure.
- Homeworking and staff redeployment have created challenges for council workforces. The additional pressures created by new and changed ways of working reinforce the need for the workforce to be versatile now and in the future.
- The impact of the pandemic on staff wellbeing and mental health means that there is an increased need for leaders to be aware of staff wellbeing and their role in supporting staff, as well as ensuring the effectiveness and accuracy of councils' workforce data and planning. These challenges have been highlighted by the [Improvement Service Organisational Development Local Authority Network \(ODLA\)](#).
- There is an increasing and ongoing need for council workforces to be agile as services continue to adapt to the impact of Covid-19, and as recovery moves into renewal. But councils must also manage the pressures on their staff to ensure their people are not at risk of burnout as the pandemic continues.

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## Case study 11

### North Ayrshire Council



[North Ayrshire Council redeployed staff to its community support hub network to work with volunteers in supporting local communities.](#)

The hub network was established in March 2020 providing services including support to vulnerable residents and people in isolation to access emergency food supplies, and connecting with people struggling with money worries, social isolation, and poor mental health. The links to a wide range of disciplines allowed the hub to respond quickly in the initial phases of lockdown by taking a multi-agency approach. In one week, the hubs answered over 2,200 calls, carried out 2,153 food deliveries and 746 prescription drop-offs, and provided advice and signposting to over 400 residents to key statutory services.

## Lessons learned

Councils must closely monitor the impacts of service changes and disruptions on people and communities. There are growing concerns about the effects of service disruptions on different groups, for example the impacts of moving school education into homes and online on disadvantaged and vulnerable children

and young people, and of reduced or paused care services on people who rely on them and their carers. Councils must develop targeted responses to tackle both the immediate negative impacts of the pandemic and the long-term inequalities that have been exacerbated.

As councils embrace longer-term digital service provision, they must balance the efficiencies digital services bring against the needs of communities and the workforce. Citizens must be at the heart of decisions about the services they rely on.

# Councils have worked effectively with community partners to respond to the impacts of Covid-19. Partnerships between councils and community partners have developed and strengthened in some areas

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- Councils play a key role in leading and coordinating partnerships focused on supporting and improving the lives of people in their communities. This role has been crucial as councils have coordinated and managed local responses to the pandemic. There have been many positive examples of these partnerships - including in mandatory Local Resilience Partnerships, through data-sharing responses to support shielding - and community resilience responses.
- During the early stages of the spring 2020 lockdown, it was not always clear how councils identified those in need of additional support. Some councils outlined their approaches on their websites, for example in providing additional support to individuals and families by coordinating data on those accessing other support such as food banks, households receiving free school meals, and those on the shielding list. Not all councils detailed their approaches publicly. This created a risk that people were not fully

informed about the services they could access and were entitled to, particularly those in vulnerable groups, or about the council's response to Covid-19 in their local area.

- Partnerships with the third sector and communities have been particularly important in protecting people's wellbeing and supporting community hubs. As noted in the [Communities and people](#) section, partnerships that were well established before the pandemic had a smoother transition in the response phase. Many councils set up community hubs, and some communities were able to offer a faster and more targeted response to deliver vital services as a result of having fewer formal decision-making structures.

- Councils played an active role in national initiatives such as [Connecting Scotland](#), working with the Scottish Government and third sector to distribute digital devices to people in need.
- Collective action from Community Planning Partnerships (CPPs) had a significant positive impact. CPPs provided a much-needed way of coordinating local support activities and communications. Work carried out by the Improvement Service highlighted how CPPs have added value, through emergency resilience planning and by providing an immediate response involving key partners and communities.
- CPPs' impacts highlighted the value of Community Planning, in coordinating local and national responses, mobilising communities to take charge of supporting vulnerable people, developing existing relationships within Community Planning, and marshalling third sector resources. Following this initial reactive phase, there is evidence of CPPs now looking to join councils' efforts in recovery planning.

## Case study 12

### East Renfrewshire Council



[East Renfrewshire Council contacted the 2,500 people on the shielding list to check whether they needed any assistance, for example in obtaining food and medicine provision, digital support, or financial help.](#)

The council also carried out a social care needs assessment at that point to determine what support was already in place, for example district nursing or home care, and then worked with Voluntary Action East Renfrewshire to meet the additional needs.

## Case study 13

## Fife Council



### Fife Council worked with Fife Voluntary Action to deliver the Helping Hands initiative.

This aims to support local communities across Fife, providing a range of essential services, including delivery of shopping and prescriptions, and providing transport and befriending services. There are eight active community resilience groups in Fife, six of which were established before the pandemic. These linked directly with the Emergency Resilience Team which provides advice on and support for developing local resilience arrangements and community-led responses. The groups have been key to providing a foundation for building capacity and additional resources to respond to the impacts of Covid-19 and support communities.

- The Improvement Service has worked with COSLA and the Society of Local Authority Chief Executives (SOLACE) to develop a local government Covid-19 dashboard, to help councils to coordinate and draw insights from the significant volume of Covid-19 data they hold. The dashboard has been created to put greater focus on evidence-based service arrangements and to help councils use timely data to inform their decision-making. It is too early to assess the overall effectiveness of the dashboard, but the early signs are positive, and councils now have access to current data on key figures and emerging trends analysed nationally and at family grouping level. Further consideration will be given to the dashboard in future local government overview reports.
- More broadly the Improvement Service has played a key role in sharing good practice examples of effective ways of working by councils during the pandemic, preparing a paper on the role of Community Planning in the response to the crisis and producing economic dashboard outputs on its website to show differences in councils' uptake of the furlough schemes. COSLA's Recovery Special Interest Group is currently reviewing lessons learned and developing policy on the national recovery from Covid-19. The group is chaired by the COSLA vice-president and includes COSLA's president and five policy spokespersons. Its aim is to develop political direction from local government to shape the medium- to longer-term recovery work.

# Councils' approaches to restarting paused services have varied, but they have been guided by the Scottish Government's national guidance

- As well as recovery planning, early action has already been taken in some councils to address the profound and immediate economic and social consequences of the pandemic. Some councils are working with partners to develop skills programmes to tackle future employment issues and using place-based approaches to address wider economic challenges.
- Councils have also maintained their focus on key challenges that they faced before the pandemic, and progress has been made in some areas despite the unprecedented pressures that emerged. For example, in March 2021, the Improvement Service<sup>12</sup> noted that data returned by local authorities indicated that 114,222 children were accessing funded early learning and childcare services as at the end of February 2021. Of these, 98,474 children (86 per cent) were accessing more than the statutory entitlement of 600 hours, and 74,096 children (65 per cent) were accessing 1,140 hours, despite the legal obligation to do so being suspended for a further 12 months.
- But there are significant challenges facing councils as they move from the response to recovery from the pandemic. As we highlighted earlier in this report, there are longstanding and wide-ranging inequalities in children's and young people's education outcomes that have been exacerbated by the impacts of and actions taken in response to Covid-19. The impacts of reduced services for pupils and for care service users for example, may not be known for some time and will require long-term efforts to address them.
- Services that were paused or reduced during Covid-19 restrictions will have built up backlogs of demand that may take some time to become clear. Councils' responses to these backlogs and the restarting of services will need to be effectively resourced and managed.
- Looking to the medium and longer term, councils recognise the challenges of repairing the damage to communities caused by Covid-19. Recovery planning began in many councils early in the pandemic, primarily focusing on recovery and renewal. The priorities that demanded councils' attention before the pandemic have become even more pressing, such as tackling inequalities, improving outcomes for young people, and tackling climate change.

## Case study 14

### Glasgow City Council



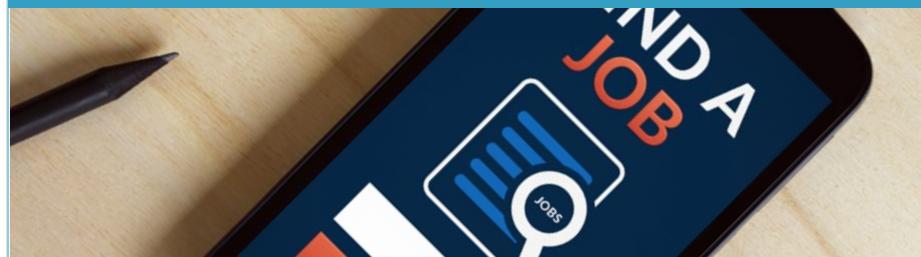
**Glasgow City Council** acted promptly in establishing its **Covid-19 Recovery Group** to tackle the economic and social consequences of the pandemic by looking at economic impact data.

At the end of this process, the group will publish a report containing recommendations on the actions that will guide the economic recovery of the city and city region. The group consists of members of the Glasgow Economic Leadership, the Glasgow Partnership for Economic Growth, the Glasgow Economic Commission, and some external advisers. Members include representatives from the public sector, academia, the voluntary sector, and the tourism, retail, financial services, and energy sectors.

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## Case study 15

### Edinburgh and South East Scotland



**Edinburgh and South East Scotland City Region Deal** partners, through the Integrated Employer Engagement workstream of the Integrated Regional Employability and Skills programme, launched a new job matching website, **c19jobs**, as a rapid response to promote key worker roles and to help reduce unemployment caused by the pandemic impacts.

The site offers vacancies in key sectors such as the NHS, supermarkets, and take-away services. The site also provides information and guidance for both employers and employees.

## Case study 16

### North Ayrshire Council



North Ayrshire Council launched its Community Wealth Building Strategy in May 2020 which is the first of its kind in Scotland.

The strategy underlines how the council and other 'anchor' organisations – including NHS Ayrshire and Arran, Ayrshire College, and wider partners - will support more local business to bid for public sector contracts. The council seek to continue to enhance its strategy, recognising that Covid-19 has had a negative impact on inequalities to ensure that the recovery is strong, resilient, and fair. It aims to 'keep wealth local' and provide more sustainable solutions to tackle Climate Change.

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### Lessons learned

Councils and their staff have been at the centre of unprecedented efforts to protect and support people and communities through the Covid-19 pandemic. Demands on people have been intense, and both council staff and the citizens they serve will need continued targeted support through the move to recovery and renewal. Councils' recovery and renewal efforts must be informed by comprehensive understanding of the issues that affect all those who live and work in their communities, and the positive partnerships built on during their initial response should be a core element in this.

The impacts of the pandemic, particularly its unequal impacts on groups in society and the awareness it has raised of issues of fairness and equality, the importance of community and the value of local services are all key to deciding future priorities for public services and what 'building back better' might mean for communities.



# Resources and governance

Councils have been dealing with the unprecedented economic and fiscal consequences of the Covid-19 pandemic alongside other challenges. Significant changes were also required to governance arrangements in the early stages of the pandemic.

## Councils face significant financial challenges as a result of the pandemic

- Our [Local government in Scotland: financial overview 2019/20](#) report explains how the Covid-19 pandemic and associated lockdown has affected many aspects of councils' finances and created significant financial challenges and uncertainty.
- As part of COSLA's cost collection exercise carried out in July 2020, councils estimated that the total 2020/21 net financial impact of Covid-19 would be £767 million. This includes financial pressures totalling £855 million, offset by cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs. Loss of income accounted for around £400 million of the forecast financial pressures. Other areas forecast to come under increased pressure include the costs associated with delaying capital projects, underachievement of savings and the additional costs associated with delays in the redesign and reconfiguration of services.
- The closure of sport and leisure facilities is likely to result in a significant loss of income for councils. In summer 2020, COSLA estimated that this could be around £75 million for 2020/21, however this was based on assumptions in line with the Scottish Government's route map out of lockdown at that time. It is likely that the further lockdown restrictions implemented in December

2020 will exacerbate this challenge, resulting in a greater loss of income than first anticipated. This also applies to other areas of lost income for councils, including from the closure of other buildings and services, reductions in fees and charges and the impact of school closures on income from food and drink. In addition, the council tax reduction scheme and loss of council tax revenue continues to put significant pressure on revenues, alongside similar challenges faced by councils in collecting housing rent payments. Councils also projected that they will miss out on over £50 million in savings as a result of opportunities forgone and the pressures faced in response to Covid-19.

- Councils' auditors also reported wider financial consequences of Covid-19 in the 2019/20 annual audit reports. These include the suspension of capital programmes, delays in bad debt collection and the uncertainty of capital receipts.

## Case study 17

## Projected loss of income – ALEOs



Several large urban councils have arm's-length external organisations (ALEOs) that were set up to manage commercial activities and provide income back to councils. These include conference facilities and transport services.

Councils' projected loss of income from these organisations in 2020/21 is £39 million. This includes Lothian Buses, Edinburgh Trams, the Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

# The UK and Scottish governments have provided substantial additional funding to support the pandemic response

- Scotland has had guaranteed additional funding from the UK Government of £8.6 billion. As at February 2021, over £2 billion of Scottish Government Covid-19 support for councils had been either allocated or announced. This includes the following:
  - £800 million of non-ringfenced revenue support, including £200 million (estimated) of dedicated funding to compensate councils for loss of income
  - £267 million to support education recovery
  - £255 million to support individuals, families and communities
  - £434 million of NHS funding to be passed on to health and social care partnerships
  - £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, School transport support and Digital Inclusion funding.
- As part of their new responsibilities resulting from the impact of the pandemic, councils have administered funding of over £1 billion under the Covid-19 Business Support Fund Grant Scheme. These grants are administered by councils on behalf of the Scottish Government, and funding is made available to councils to finance the costs incurred. Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by December 2020.<sup>13</sup>

## Covid-19 Business Support Fund Grant Scheme (December 2020)

- Total number of applications: **106,662**
- Number of grants awarded: **91,258**
- Value of grants awarded: **£1,019,526,016**

# More councils added to their revenue reserves in 2019/20. Further increases may occur in 2020/21 as a result of carry-forward of late grant funding and allocations of cash from the Scottish Government

- In 2019/20, 22 councils reported increases in their revenue reserves balance (13 in 2018/19), with a net increase of £65 million (or three per cent) across all councils. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, and enable funds to be built up for known future commitments. With continued uncertainty around available funding and additional costs resulting from Covid-19, increases in revenue reserve balances may help councils to deal with short-term cash-flow challenges in 2020/21.
- Some elements of funding announced by the Scottish Government in late 2020/21 may need to be carried forward by some councils. This, along with late allocations of cash that are unlikely to be spent before the year-end, is likely to have an impact on councils' year-end reserves. Although an increase in revenue reserves would provide some additional flexibility for councils at a time of significant financial challenges, this is more likely to reflect the timing and nature of funding allocated rather than favourable financial positions resulting from strategic decisions made by councils. Late funding carried forward from 2020/21 is also likely to be earmarked for specific purposes rather than being available for general use. It is important that councils continue to recognise the sustainability challenges of using reserves to fund recurring expenditure, particularly as the impact and challenges of Covid-19 continue to develop.

# COSLA is working closely with the Scottish Government to obtain additional financial support for councils

- Discussions continue around an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million for councils. This figure would apply if all councils were able to use all the new flexibilities, but COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the impact that Covid-19 may have on some areas, for example expected capital receipts. The additional spending powers being discussed apply to Covid-19-related pressures only and to the years 2020/21 and 2021/22 and include:
  - enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs
  - extending debt repayment periods over the life of the asset rather than the contract period
  - allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.
- The Scottish Government has also provided flexibility in its guidance on how councils use specific education and early learning and childcare funding. This includes Pupil Equity Funding and deploying early learning and childcare funding flexibly to deliver critical services for children and families. The extent of how these individual flexibilities may be used by each council is as yet unclear. Each council will need to consider the flexibilities available and decide how funding is used. This may depend on the extent of unavoidable commitments already made, for example in early learning contract commitments to parents.

# The total net cost of Covid-19 in 2020/21 will be challenging for councils but is likely to be managed through savings, use of reserves and additional funding provided by the Scottish Government. Nevertheless, significant uncertainty remains around future financial planning and support

- The report [Local government in Scotland: Financial overview 2019/20](#) estimated that funding announced by the Scottish Government by November 2020 would meet 60-70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain. Councils have taken steps to manage this position in-year through delivery of savings and use of reserves. Subsequent announcements of additional funding by the Scottish Government at the end of February 2021 indicate that the total net cost of Covid-19 in 2020/21 may now be fully covered. However, a significant element of this additional funding is non-recurring and ringfenced for specific purposes. Councils may still have cost pressures in other separate areas, including in core services, which may not be met by this specific funding. This therefore puts increased pressure on councils to identify ways to close remaining budget gaps with limited flexibility in some of the funding allocated.
- Funding of councils beyond 2021/22 remains uncertain. Currently, funding is being provided incrementally, and this presents challenges for councils in planning effectively. Significant levels of grant support have been provided by the Scottish Government in 2020/21, but it is not yet clear whether this will continue in future years as the impact of the pandemic develops. COSLA anticipates that the impact on council finances will be felt for years to come, particularly in relation to recovery of income streams and collection of council tax debt. Furthermore, the flow of funding in late 2020/21 has created an additional administrative burden for the Scottish Government and councils in awarding and accepting grants and completing the related reporting requirements. This may have an adverse impact on councils' ability to respond to local needs should a large proportion of future funding come with similar conditions.

## Lessons learned

The timing and nature of funding for local government is creating pressure and uncertainty for councils beyond the current financial year. Funding is being provided incrementally and the lack of certainty regarding future budgets makes effective short- and medium-term planning very difficult for councils. Covid-19 will have long-term impacts on councils and the communities that they serve. Councils are likely to require additional support to address the challenges of remobilising services, and supporting social and economic recovery. If additional funding is provided with specific conditions or is ring-fenced for specific purposes councils will then be forced to make difficult prioritisation decisions with potential negative impacts on other services. A lack of flexibility in future funding may lead to a differential impact on service delivery and exacerbate existing financial sustainability risks.

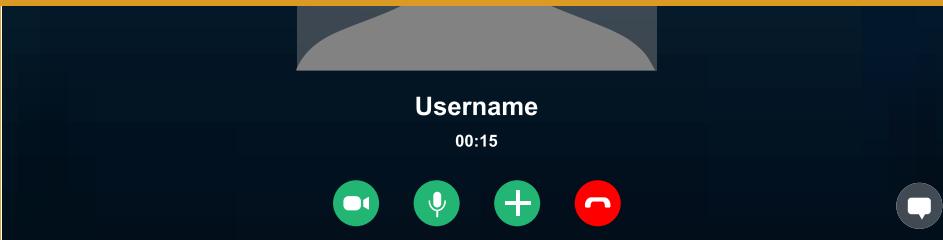
As reported in [Local government in Scotland: Challenges and performance 2018](#), services such as planning, cultural services, environmental health and roads have borne the brunt of service cuts in recent years. The trend has been one of larger reductions to relatively smaller service areas with no change in real terms to social care and education spending. The increased financial constraints created by Covid-19 are likely to create a further risk to recovery should smaller services face further cuts. This will adversely affect councils' ability to provide importance services that people and communities rely on.

# Councils made swift changes to governance arrangements

- Councils moved quickly to a revised/suspended schedule of meetings. Many councils held only meetings dealing with urgent business, while some councils maintained other committees. Several councils established a Covid-19 committee, which was helpful in providing key information and updates in relation to council business during the pandemic.
- Some councils have since moved to virtual committee meetings, while others have operated blended or socially distanced meetings. There was some initial inconsistency in how councils made decisions, with some establishing 'emergency' or 'special' committees to take key decisions that would otherwise have been taken by other committees, and others delegating key decisions to senior officers. All 32 councils now have arrangements in place for remote meetings and are not relying on delegation to officers or emergency committees to the extent seen early in the pandemic.
- The Improvement Service notes in its November 2020 paper [\*\*'Transitioning to the new normal: Political Governance'\*\*](#) that around half of councils are now livestreaming meetings or allowing members of the public to participate. Many of the councils that do not currently livestream or allow the public to participate are exploring options for doing so. Microsoft Teams is the most popular platform, and some councils are using it in conjunction with other technology. Although not in breach of the provisions in the Coronavirus (Scotland) Act 2020, a lack of public participation restricts the openness and transparency of decision-making.
- The new governance arrangements introduced by councils have created greater flexibility and safer conditions for officers, elected members, and the public. However, councils will be required to decide on the longer-term sustainability of these arrangements. Some feedback gathered by the Improvement Service notes that remote meetings are taking longer and need additional support staff to facilitate them, placing greater strain on resources. Councils will face difficult decisions in resourcing governance arrangements that are flexible and safe but that also enable effective scrutiny and decision-making.

## Case study 18

### Aberdeenshire Council



[Aberdeenshire Council](#) was able to ensure minimal disruption to democratic processes from the beginning of the pandemic as it already had the technology in place.

This enabled a smooth transition to virtual meetings by Skype and remote working – ahead of other councils. One committee meeting was postponed, but otherwise all council meetings continued as scheduled. The council produced guidance for elected members, chairs, committee officers and board members to ensure proceedings ran as smoothly as possible. Guidance was also available to help the public understand how meetings would be conducted and recorded, and how they could participate in meetings and access those recordings.

### Lessons learned

Councils have reacted well to the changing environment and have acted quickly to implement new governance arrangements that are safe and flexible. Although delegation to officers and emergency committees was undertaken at some councils in the early stages, it is welcome that all 32 councils now have arrangements in place to support remote meetings. It is likely that the requirement for remote meetings will continue for some time, therefore all councils should ensure that public participation is facilitated as soon as possible to provide openness and transparency in decision-making.

# The pandemic created significant challenges for councils in financial planning and reporting

- There was inconsistency in the pace at which councils prepared financial updates during the initial response phase of the pandemic. Early monitoring of councils' websites found limited reporting of financial considerations. A few councils prepared detailed financial analysis papers in the early months of the pandemic, but most were slower to make this information available to the public. There has since been an improvement in the pace at which councils are providing financial updates, but the cost projections and assumptions included remain uncertain as the situation continues to develop.

Councils will need to revise their medium-term financial plans. The wide range of financial and service demand pressures councils faced before the pandemic still exist, alongside a new set of future challenges created by the pandemic. These include restarting services and dealing with backlogs, developing new services and strategies to address the long-term harm caused to communities by the pandemic. In 2019/20, auditors reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium-term financial plans will now need to be revised by all councils to consider additional financial pressures and updated funding arrangements, as well as updated savings requirements and financial assumptions.

- The strategic uncertainties around Scotland's public finances and fiscal plans may also create challenges for councils in updating their own financial plans. Prioritising services such as the NHS may have an adverse impact on local government funding levels. In the [Local government in Scotland: Financial overview 2019/20](#), we reported that between 2013/14 and 2019/20, local government funding underwent a larger reduction than the rest of the Scottish Government budget over the same period. The Scottish Government will have to make difficult fiscal decisions in response to the pandemic and this may exacerbate the financial uncertainty challenge for councils.
- The differential impact of Covid-19 on some groups and communities has implications for the Scottish Government's approach to the distribution of funding. It needs to be targeted to those most in need. As reported in the [Local government in Scotland: Financial overview 2017/18](#), we recognise that a review of funding distribution is difficult in times of reduced budgets and financial challenges, as there will inevitably be some councils that end up with smaller allocations of funding, putting further strain on already tight budgets. Nevertheless, as the effects of the Covid-19 pandemic develop it is increasingly important that the Scottish Government and COSLA assure themselves that the funding formula remains fit for purpose.

## Case study 19

### Inverclyde Council



[Inverclyde Council prepared a 'Covid-19 Financial Considerations' paper in late March 2020.](#)

This paper was used to highlight the financial pressures and supports relating to Covid-19 and to seek delegated powers where required to release funding. All councils are now preparing regular Covid-19 related financial updates for elected members and the public.

### Lessons learned

Councils' medium-term financial plans will need to be updated to reflect the significant financial impact of the Covid-19 pandemic. Although considerable challenge and uncertainty still exists, it is important that councils have a plan in place that identifies medium-term impacts so that steps can be taken to manage risk and plan effectively. Good medium-term financial planning, based on modelling various future scenarios and focusing on clear priorities, is more important now than ever.

# Local government in Scotland: Overview 2021

This report is available in PDF and RTF formats,  
along with a podcast summary at:

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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## **WORK PROGRAMME 2021/22 FOR THE AUDITOR GENERAL FOR SCOTLAND AND THE ACCOUNTS COMMISSION**

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### **Report by Chief Officer Audit & Risk**

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### **AUDIT AND SCRUTINY COMMITTEE**

**29 June 2021**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to make the Members of the Audit and Scrutiny Committee aware of the Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission.**
- 1.2 This report highlights the Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission, relating to public audit in Scotland.**

#### **2 RECOMMENDATIONS**

##### **2.1 I recommend that the Audit and Scrutiny Committee:**

- a) Notes the details of the Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission; and
- b) Agrees to consider the relevant reports when they are published on the Audit Scotland website.

### **3 WORK PROGRAMME 2021/22 FOR THE AUDITOR GENERAL FOR SCOTLAND AND THE ACCOUNTS COMMISSION**

- 3.1 The Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission, relating to public audit in Scotland, has been published recently on the Audit Scotland website [Our work programme | Audit Scotland \(audit-scotland.gov.uk\)](#)
- 3.2 The work programme sets out the audit work they plan to deliver during 2021/22. This includes:
  - [Auditor General for Scotland](#)-led work in central government
  - [Accounts Commission](#)-led work in councils and local government
  - Joint work by the Auditor General for Scotland and the Accounts Commission where there are areas of common interest.
- 3.3 The Auditor General for Scotland and the Accounts Commission are committed to ensuring public audit in Scotland:
  - provides assurance about how well public money has been spent
  - contributes to the effective recovery and renewal of public services following the pandemic.
- 3.4 Arrangements will continue to be made for the Audit and Scrutiny Committee to consider the relevant reports when they are published on the Audit Scotland website.

### **4 IMPLICATIONS**

#### **4.1 Financial**

There are no direct financial implications associated with this report.

#### **4.2 Risk and Mitigations**

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, governance and risk management. To fulfil this remit, it seeks assurance from other external scrutiny, audit and inspection agencies as outlined in this report.

#### **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 Corporate Management Team considered this report on 16 June 2021.
- 5.2 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**

#### **Author(s)**

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036

#### **Background Papers:**

#### **Previous Minute Reference:**

**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](mailto:intaudit@scotborders.gov.uk)

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## DRAFT ANNUAL REPORT AND ACCOUNTS 2020/21

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### **Report by Executive Director – Finance & Regulatory**

### **AUDIT AND SCRUTINY COMMITTEE**

**29 June 2021**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 **This report provides the Audit and Scrutiny Committee with an opportunity to scrutinise the draft Scottish Borders Council and Group Annual Report and Accounts for the year ended 31 March 2021 prior to its submission to the External Auditors.**
- 1.2 The draft Report and Accounts are still subject to Statutory Audit, which will commence in July as normal, but may conclude later than usual due to competing audit demands as a result of the ongoing impact of COVID-19. It is estimated that following the Audit process, the final report and Accounts will be submitted to Council in October 2021.

#### **2 STATUS OF REPORT**

- 2.1 This report is presented to enable members to consider the draft Annual Report and Accounts (the Annual Report) attached at Appendix 1 prior to External Audit Inspection by the normal statutory deadline of 30 June 2021.

#### **3 RECOMMENDATIONS**

- 3.1 **It is recommended that the Audit and Scrutiny Committee:**
  - (a) **Notes the Draft Annual Report and Accounts 2020/21 for Scottish Borders Council and associated Group Accounts; and**
  - (b) **Supports its submission for review by the External Auditors, Audit Scotland for Scottish Borders Council, Common Good and Trust Funds accounts, and to KPMG who continue to provide the external audit of the Council's subsidiary Bridge Homes.**

## **4 BACKGROUND**

- 4.1 The Accounts summarise the financial transactions for the 2020/21 financial year and the balance sheet positions at the year-end of 31 March 2021. 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 practice. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code Of Practice 2020/21 supported by International Financial Reporting Standards (IFRS).
- 4.2 All of the Common Good and Trust reports attached adhere to the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller entities (FRSSE), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

## **5 ANNUAL REPORT AND ACCOUNTS 2020/21**

- 5.1 The draft Annual Accounts for 2020/21 are attached at Appendices 1 - 5. These will be submitted to the External Auditors, Audit Scotland or KPMG as appropriate, for full audit by 30 June 2021:
  - **Scottish Borders Council** Annual Accounts for year ending 31 March 2021 (Appendix 1)
  - **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2021 (Appendix 2)
  - **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2021 (Appendix 3(i))
  - **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2021 (Appendix 3 (ii))
  - **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2021 (Appendix 3 (iii))
  - **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2021 (Appendix 3 (iv))
  - **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2021 (Appendix 3 (v))
  - **Bridge Homes LLP** Annual Accounts for the year to 31 March 2021 (Appendix 4)
  - **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2021 (Appendix 5)
- 5.2 The above Accounts will be made available for public inspection online on the Council's website for a 14 day period commencing 1 July 2021.

ongoing restriction to online inspection is in line with national guidance as a result of the COVID-19 pandemic.

- 5.3 It should be noted that the Accounts remains draft and the conclusion of the year end work including the external audit may result in changes.
- 5.4 The Committee will receive a copy of the final reports at the end of the statutory external audit process to agree prior to approval by full Council and their publication.
- 5.5 The key issues and highlights are reflected in a presentation elsewhere on the agenda.

## **6 IMPLICATIONS**

### **6.1 Financial**

There are no financial implications relating to this proposal.

### **6.2 Risk and Mitigations**

The accounts have been prepared following the accounting codes and with due professional care and attention however; the External Audit process may highlight issues which result in amendments to the draft accounts.

### **6.3 Equalities**

It is anticipated that there are no adverse equality implications.

### **6.4 Acting Sustainably**

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

### **6.5 Carbon Management**

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

### **6.6 Rural Proofing**

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

### **6.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes are required as a result of the proposals contained in this report.

## **7 CONSULTATION**

- 7.1 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 reported at the meeting.

### **Approved by**

**David Robertson** .....  
**Executive Director Finance & Regulatory Services**

### **Author(s)**

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

**Background Papers:**  
**Previous Minute Reference:**

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

Contact us at Suzy Douglas, Financial Services Manager, Council Headquarters,  
Newtown St Boswells, Melrose, TD6 0SA  
Tel: 01835 824000 X5881  
email: [sdouglas@scotborders.gov.uk](mailto:sdouglas@scotborders.gov.uk)



**ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
SCOTTISH BORDERS COUNCIL  
COMMON GOOD FUNDS**

Charity Registration Number: SC031538

FOR THE YEAR TO 31 MARCH 2021

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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.

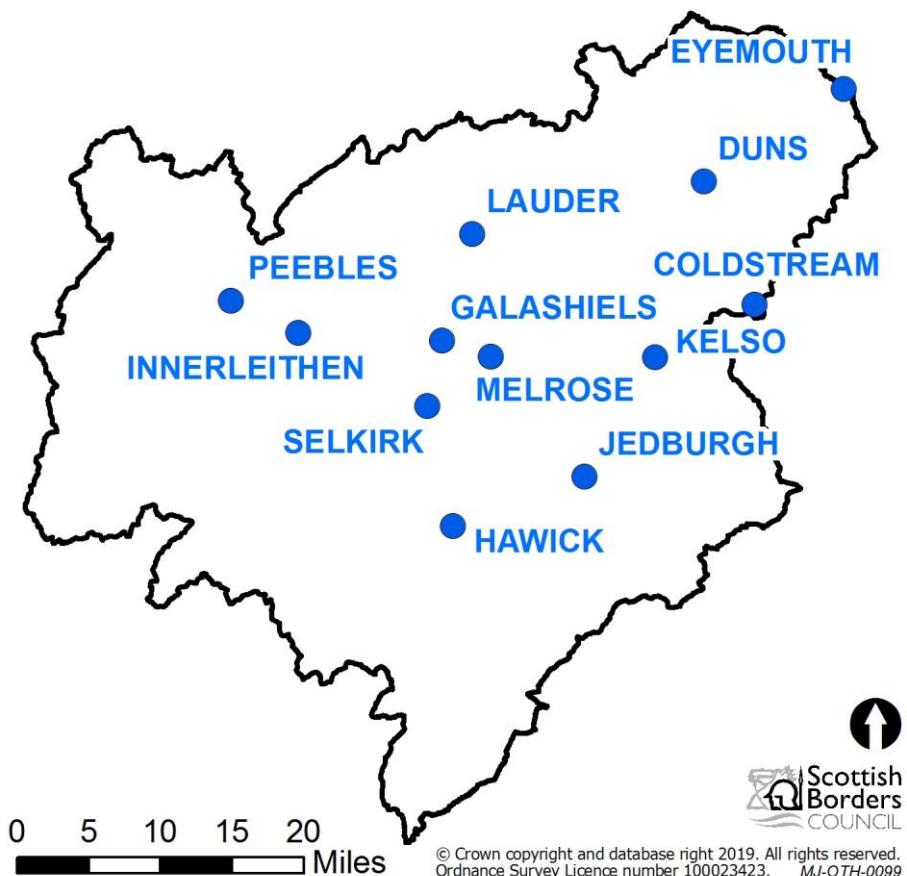
## TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the Financial Statements for the year ended 31 March 2021.

### Structure

- a) The Charity comprises a number of separate funds for the former Burghs of:

Coldstream	Duns	Eyemouth	Galashiels	Hawick	Innerleithen
Jedburgh	Kelso	Lauder	Melrose	Peebles	Selkirk



- 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.
- A number of the individual funds have made donations to eligible beneficiaries in their Burghs with a total of £90,756 being paid out in the year.

## Plans for the Future

- The Common Good Funds will continue to **maintain their heritable assets and will look to maximise their income** from any of these assets which are let commercially. Where assets are used by third parties towards the Common Good of the Burgh then rental levels may reflect this aspect of the tenants' activity.
- Where funds permit, the Common Good Funds will look to make grants to organisations in their Burghs which will provide benefit to the Burgh residents, as approved by the individual Common Good Committees.

## Governance and Management

### Type of Governing Documents

- a) The overarching governance of the Charity is the principle of statute and common law. The statutory framework is the successive Acts from the Common Good Act 1491 through to the Local Government Scotland Act 1994, with the Local Government (Scotland) Act 1973 provisions still in force, and the Local Government in Scotland Act 2003. Cognisance is also to be taken of the various judicial opinions in case law governing the treatment of Common Goods.
- b) The funds are governed by Trustees in line with the Local Code of Corporate Governance of Scottish Borders Council, consideration being given to:



- c) When considering any action in connection with the Common Good Funds the Trustees have regard to the interests of the inhabitants of the area to which the Common Good formerly related.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102 (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, i.e. those wards covering former Burgh areas and in terms of the Council's Code of Governance.

### Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

### Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all financial obligations in respect of properties owned by the charity, where relevant, and
- all support and governance costs.

At 31 March 2021, the reserves of the Common Good Funds amounted to:

- Restricted Income Funds - £3,980k
- Revaluation Reserves - £12,379k

### Investments

Per the Council's Common Good and Trust Fund investment strategy the main balance of funds are invested in the Aegon Asset Management Diversified Income Fund.

## Reference and Administrative Information

<b>Charity Name</b>	Scottish Borders Council Common Good Funds
<b>Charity registration number</b>	SC031538
<b>Business Address</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Trustees

The Trustees of this charity for the year to 31 March 2021 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	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan (from 12 March 2021)	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**
- Tracey Logan (to 27 September 2020)
  - David Robertson, Executive Director Finance & Regulatory and Rob Dickson, Executive Director Corporate Improvement & Economy (interim cover from 28 September 2020 to 21 March 2021)
  - Netta Meadows (from 22 March 2021)

**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 Royal Bank of Scotland, Newtown St Boswells.

**Shona Haslam**  
**Trustee**  
**Scottish Borders Council Common Good Funds**  
**29 June 2021**

## 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 2021

2019/20 £'000		2020/21 £'000	Notes
	<b>Income from:</b>		
5	Donations and legacies	3	1
172	Investments	120	2
396	Charitable activities	287	3
<b>573</b>	<b>Total Income</b>	<b>410</b>	
	<b>Expenditure on:</b>		
(684)	Raising funds	(610)	
(171)	Charitable activities	(92)	
(52)	Other: governance costs	(54)	5
<b>(907)</b>	<b>Total Expenditure</b>	<b>(756)</b>	4
(435)	Gains / (losses) on investment assets – unrealised	443	7, 12
<b>(769)</b>	<b>Net Income / (Expenditure)</b>	<b>97</b>	
	<b>Other Recognised Gains / (Losses)</b>		
3,481	Gains on Revaluation of Fixed Assets	0	6
17	Recognition of Investments	0	
<b>2,729</b>	<b>Net Movement in Funds</b>	<b>97</b>	
	<b>Reconciliation of Funds</b>		
13,533	Total funds brought forward	16,262	
<b>16,262</b>	<b>Total Funds Carried Forward</b>	<b>16,359</b>	12, 13

## BALANCE SHEET as at 31 March 2021

as at 31 March 2020			as at 31 March 2021		Notes
£'000	£'000		£'000	£'000	
		<b>Long Term Assets</b>			
13,435		Tangible fixed assets:			6
25		- Land & buildings	12,994		
2,335		- Heritage assets	25		
55		Investments	2,857		7
		Long term loan to third party	24		8
	15,850	<b>Total Long Term Assets</b>		15,900	
		<b>Current Assets</b>			
58		Debtors	57		9
401		Short term investment in SBC loans fund	430		10
	459	<b>Total Current Assets</b>		487	
		<b>Current Liabilities</b>			
	(47)	Creditors:			
		Amounts falling due within 1 year	(28)		11
	412	<b>Net Current Assets</b>		459	
	16,262	<b>Total Net Assets</b>		16,359	
		<b>The Funds of the Charity</b>			
	(3,442)	Restricted income funds		(3,980)	12
	(12,820)	Revaluation reserve		(12,379)	13
	(16,262)	<b>Total Charity Funds</b>		(16,359)	

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 29 June 2021.

**David Robertson CPFA**  
**Executive Director, Finance & Regulatory**  
**29 June 2021**

## CASH FLOW STATEMENT as at 31 March 2021

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 2020			as at 31 March 2021		<b>Notes</b>
£'000	£'000		£'000	£'000	
	95	<b>Cash Flows from Operating Activities</b>			
172	(246)	Net cash provided by / (used in) operating activities		(43)	14
0	(64)	<b>Cash flows from Investing Activities</b>			
10		Dividends and Interest	120		
		(Purchase) of tangible fixed assets	0		
		(Purchase)/Disposal of investments	(79)		
		Movement in short term investments	(29)		
		<b>Net Cash Flows from Investing Activities</b>			12
(31)	(31)	<b>Cash flows from Financing Activities</b>			
		Cash Received from Loans	31		
		<b>Net Cash Flows from Financing Activities</b>			31
	0	<b>Net Movement in Cash</b>		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

2019/20 £'000		2020/21 £'000
0	Coldstream	0
0	Duns	0
0	Eyemouth	0
0	Galashiels	0
1	Hawick	1
0	Innerleithen	0
1	Jedburgh	0
1	Kelso	0
1	Lauder	1
0	Melrose	0
0	Peebles	0
1	Selkirk	1
<b>5</b>		<b>3</b>

### 2 Income from Investments

2019/20 £'000		2020/21 £'000
2	Bank Interest Receivable from SBC Loans Fund	1
170	Income from Investment Portfolio	119
<b>172</b>		<b>120</b>

### 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 in the prior year.

2019/20 £'000		2020/21 £'000
0	Coldstream	0
0	Duns	0
0	Eyemouth	0
0	Galashiels	1
268	Hawick	164
0	Innerleithen	0
0	Jedburgh	0
0	Kelso	0
12	Lauder	10
0	Melrose	0
55	Peebles	48
61	Selkirk	64
<b>396</b>		<b>287</b>

## 4 Analysis of Charitable Expenditure

2019/20 Total £'000		Activities Undertaken Directly £'000	Support and Governance Costs £'000	Property Cost & Depreciation £'000	2020/21 Total £'000
10	Coldstream	0	0	10	10
1	Duns	0	1	0	1
0	Eyemouth	0	0	0	0
57	Galashiels	0	3	58	61
277	Hawick	47	12	186	245
31	Innerleithen	0	0	31	31
53	Jedburgh	3	4	12	19
63	Kelso	5	2	59	66
59	Lauder	15	11	30	56
4	Melrose	0	0	3	3
148	Peebles	5	9	75	89
204	Selkirk	17	12	146	175
<b>907</b>		<b>92</b>	<b>54</b>	<b>610</b>	<b>756</b>

## 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 2020/21. 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 2020 Total £'000		As at 31 March 2021		
		Asset Additions £'000	Depreciation £'000	Total £'000
276	Coldstream	0	(10)	266
0	Duns	0	0	0
2	Eyemouth	0	0	2
682	Galashiels	0	(54)	628
4,430	Hawick	0	(65)	4,365
514	Innerleithen	0	(31)	483
541	Jedburgh	0	(12)	529
937	Kelso	0	(59)	878
1,295	Lauder	0	(26)	1,269
28	Melrose	0	(3)	25
852	Peebles	0	(71)	781
3,903	Selkirk	0	(110)	3,793
<b>13,460</b>		<b>0</b>	<b>(441)</b>	<b>13,019</b>

**Scottish Borders Council Common Good Funds**  
**Annual Report and Financial Statements For The Year To 31 March 2021**

Tangible fixed assets are broken down between Land & buildings and Heritage assets as follows:

As at 31 March 2020		As at 31 March 2021		
Total	£'000	Land & Buildings at Net Book Value £'000	Heritage Assets £'000	Total Long Term Assets £'000
276	Coldstream	266	0	266
0	Duns	0	0	0
2	Eyemouth	2	0	2
682	Galashiels	628	0	628
4,430	Hawick	4,362	3	4,365
514	Innerleithen	483	0	483
541	Jedburgh	529	0	529
937	Kelso	859	19	878
1,295	Lauder	1,269	0	1,269
28	Melrose	25	0	25
852	Peebles	779	2	781
3,903	Selkirk	3,792	1	3,793
<b>13,460</b>		<b>12,994</b>	<b>25</b>	<b>13,019</b>

## 7 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2021 all investments were with the Aegon Asset Management Diversified Monthly Income Fund. Following the prior year impact of COVID-19, global markets across most asset classes have seen an increase, resulting in an unrealised gain for 2020/21. Investment amounts and unrealised gains on these investments at 31 March 2021, per Common Good Fund are detailed below:

As at 31 March 2020		As at 31 March 2021		
Total Investment	£'000	Additional Investments / (Disinvestment) £'000	Aegon Unrealised Gain £'000	Total Investment £'000
0	Coldstream	0	0	0
15	Duns	0	2	17
0	Eyemouth	0	0	0
135	Galashiels	0	26	161
387	Hawick	0	73	460
0	Innerleithen	0	0	0
767	Jedburgh	39	147	953
225	Kelso	0	42	267
211	Lauder	0	40	251
8	Melrose	0	2	10
393	Peebles	40	75	508
194	Selkirk	0	36	230
<b>2,335</b>		<b>79</b>	<b>443</b>	<b>2,857</b>

## 8 Long Term Loan to Third Party

Balance at 31 March 2020 £'000		Advances paid out £'000	Repayments received £'000	Balance at 31 March 2021 £'000
15	Jedburgh	0	(1)	14
40	Peebles	0	(30)	10
<b>55</b>		<b>0</b>	<b>(31)</b>	<b>24</b>

## 9 Debtors

2019/20 £'000		2020/21 £'000
35	Trade debtors	40
11	Prepayments and accrued income	10
12	Other debtors	7
<b>58</b>		<b>57</b>

## 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

2019/20 £'000		2020/21 £'000
30	Grants payable	0
17	Accruals and deferred income	28
<b>47</b>		<b>28</b>

## 12 Restricted Income Funds

The funds held with the Charity are restricted by area, purpose or both.

Balance at 31 March 2020 £'000		SOFA (Surplus) / Loss	Unrealised movement on investment assets	Balance at 31 March 2021 £'000
(122)	Coldstream	0	0	(122)
(16)	Duns	(4)	2	(18)
(1)	Eyemouth	0	0	(1)
(300)	Galashiels	(53)	26	(327)
(673)	Hawick	(150)	73	(750)
(135)	Innerleithen	0	0	(135)
(864)	Jedburgh	(326)	147	(1,043)
(265)	Kelso	(88)	42	(311)
(256)	Lauder	(71)	40	(287)
(34)	Melrose	(5)	2	(37)
(501)	Peebles	(202)	75	(628)
(275)	Selkirk	(82)	36	(321)
<b>(3,442)</b>		<b>(981)</b>	<b>443</b>	<b>(3,980)</b>

## 13 Revaluation Reserve

Balance at 31 March 2020 £'000		SOFA (Surplus) / Loss £'000	Balance at 31 March 2021 £'000
(154)	Coldstream	10	(144)
0	Duns	0	0
(1)	Eyemouth	0	(1)
(529)	Galashiels	54	(475)
(4,296)	Hawick	65	(4,231)
(379)	Innerleithen	31	(348)
(538)	Jedburgh	12	(526)
(937)	Kelso	59	(878)
(1,292)	Lauder	26	(1,266)
(10)	Melrose	3	(7)
(802)	Peebles	71	(731)
(3,8820)	Selkirk	110	(3,772)
<b>(12,820)</b>		<b>441</b>	<b>(12,379)</b>

## 14 Reconciliation of net income/(expenditure) to net cash flow from Operating Activities

2019/20 £'000		2020/21 £'000
<b>2,729</b>	<b>Net income/(expenditure) for the year ended 31 March</b>	<b>97</b>
	<i>Adjustments for:</i>	
511	Depreciation charges	441
435	(Gains) / losses on Investments	(443)
(172)	Dividends and interest	(120)
41	(Increase) / decrease in debtors	1
32	Increase / (decrease) in creditors	(19)
(3,481)	Other non-cash item (revaluation of fixed assets)	0
<b>95</b>	<b>Net cash provided by / (used in) operating activities</b>	<b>(43)</b>

## 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	781
Service Charge paid for central administrative support	50,298

**INDEPENDENT AUDITOR'S REPORT**

**to the trustees of Scottish Borders Council Common Good Funds and  
the Accounts Commission for Scotland**

## ADDITIONAL INFORMATION

### Contact Details

For further information on the Common Good Funds, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: <a href="mailto:krobb@scotborders.gov.uk">krobb@scotborders.gov.uk</a>
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA



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**ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
SCOTTISH BORDERS COUNCIL  
WELFARE TRUST**

Charity Registration Number: SC044765

FOR THE YEAR TO 31 MARCH 2021

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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.

This fund is now administered by the Communities & Partnership Team, and features on the Scottish Borders Council website in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to communities.

## TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2021.

### Structure

Scottish Borders Council has delegated 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. As a result of COVID-19, all funding dispersion was suspended until October 2020 as staff were deployed to response teams. The charity made 2 donations totalling £625 during the financial year to 31 March 2021.
- £425 was awarded to Duns Senior Citizens Club in order to provide a Christmas Box in lieu of the Christmas Lunch that was cancelled due to Covid-19

## Plans for the Future

- This fund is administered by the Communities & Partnership Team, and features on the SBC website in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to our communities:
  - [https://www.scotborders.gov.uk/info/20076/community\\_grants\\_and\\_funding](https://www.scotborders.gov.uk/info/20076/community_grants_and_funding)
- The Fund is also promoted at each of the 5 Area Partnerships held quarterly across the Scottish Borders.

## 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 2021, the reserves of the SBC Welfare Trust amounted to:

- Restricted Income Funds - £786,536

### Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

## Reference and Administrative Information

<b>Charity Name</b>	Scottish Borders Council Welfare Trust
<b>Charity registration number</b>	SC044765
<b>Business Address</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Trustees

The Trustees of this charity for the year to 31 March 2021 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	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan (from 12 March 21)	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**
- Tracey Logan (to 27 September 2020)
  - David Robertson, Executive Director Finance & Regulatory and Rob Dickson, Executive Director Corporate Improvement & Economy (interim cover from 28 September 2020 to 21 March 2021)
  - Netta Meadows (from 22 March 2021)

**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 Royal Bank of Scotland, Newtown St Boswells.

**Shona Haslam**  
**Trustee**  
**Scottish Borders Council Welfare Trust**  
**29 June 2021**

## 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 2021

2019/20 £		2020/21 £	Notes
	<b>Income From:</b>		
500	Donations and legacies	500	3
33,254	Investments	28,072	1
<b>33,754</b>	<b>Total Income</b>	<b>28,572</b>	
	<b>Expenditure on:</b>		
0	Raising funds	0	
(1,620)	Charitable activities	(625)	2
(500)	Other: Governance costs	(500)	3
<b>(2,120)</b>	<b>Total Expenditure</b>	<b>(1,125)</b>	
(98,389)	Gain / (loss) on investment assets	99,000	
<b>(66,755)</b>	<b>Net Income / (Expenditure)</b>	<b>126,447</b>	
	<b>Other Recognised Gains / (Losses)</b>		
0	Recognition of Investments	0	
<b>(66,755)</b>	<b>Net Movement in Funds</b>	<b>126,447</b>	
	<b>Reconciliation of Funds</b>		
726,844	Total funds brought forward	660,089	
<b>660,089</b>	<b>Total Funds Carried Forward</b>	<b>786,536</b>	8

## BALANCE SHEET as at 31 March 2021

as at 31 March 2020			as at 31 March 2021	Notes
£	£		£	£
526,629		<b>Fixed Assets</b>		
		Investments	626,213	4
	526,629			
2,437		<b>Current Assets</b>		5
131,023		Debtors	2,250	
	133,460	Short term investment in SBC loans fund	158,073	6
	0			
133,460		<b>Current Liabilities</b>		
		Creditors:		
		Amounts falling due within 1 year	0	7
	133,460	<b>Net Current Assets</b>	160,323	
	660,089	<b>Total Net Assets</b>	786,536	
(660,089)		<b>The Funds of the Charity</b>		
		Restricted income funds	(786,536)	8
	(660,089)	<b>Total Charity Funds</b>	(786,536)	

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 29 June 2021.

**David Robertson CPFA**  
**Executive Director, Finance & Regulatory**  
**29 June 2021**

## 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

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### Income Recognition

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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.

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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

2019/20		2020/21
£		£
531	Bank Interest Receivable	144
32,723	Income from Investment Portfolio	27,928
<b>33,254</b>		<b>28,072</b>

### 2 Charitable Activities

The charitable activities during 2020/21 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 2020/21. 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 2021 all investments were with the Aegon Asset Management Diversified Monthly Income Fund. Following the prior year impact of COVID-19, global markets across most asset classes have seen an increase, resulting in an unrealised gain for 2020/21.

### 5 Debtors

2019/20		2020/21
£		£
2,437	Prepayments and accrued income	2,250
<b>2,437</b>		<b>2,250</b>

### 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

2019/20		2020/21
£		£
0	Grants payable	0
<b>0</b>		<b>0</b>

## 8 Restricted Funds

The funds held with the Charity are restricted by area, purpose or both.

The restrictions for each are shown in the table below. 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

2019/20 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	Unrealised Gain/(Loss)	2020/21 Balance
£	£		£	£	£	£
203,535	Berwickshire	a&b	8,310	(145)	30,400	242,100
112,312	Galashiels & District	a&b	5,103	(90)	18,723	136,048
20,422	Hawick, Denholm & Hermitage	a&b	826	(15)	3,021	24,254
39,527	Jedburgh & District	a&b	1,611	(28)	5,893	47,003
8,487	Leaderdale & Melrose	a&b	337	(206)	1,230	9,848
6,814	Tweeddale East & West	a&b	277	(4)	1,014	8,101
694	Tweeddale East & West	Unrestrict'd	28	(1)	104	825
54,738	Mid & East Berwickshire	a&b	2,075	(461)	7,577	63,929
24,334	Hawick & Hermitage	c	992	(17)	3,631	28,940
530	Hawick & Hermitage	a&b	22	(1)	79	630
6,505	Hawick Denholm	a&b	267	(5)	975	7,742
19,999	Jedburgh & District	c	1,064	(19)	2,861	23,905
6,558	Kelso & District	a&b	267	(4)	978	7,799
81,029	Selkirkshire	a&b	3,297	(58)	12,059	96,327
15,210	Lauder	a&b	633	(11)	2,316	18,148
6,995	Melrose & District	a&b	290	(5)	1,061	8,341
52,104	Tweeddale	a&b	3,161	(55)	7,034	62,244
296	Bowden	a&b	12	0	44	352
<b>660,089</b>			<b>28,572</b>	<b>(1,125)</b>	<b>99,000</b>	<b>786,536</b>

## 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	144

**INDEPENDENT AUDITOR'S REPORT**

**to the trustees of Scottish Borders Welfare Trust and the Accounts  
Commission for Scotland**

## ADDITIONAL INFORMATION

### Contact Details

For further information on the SBC Welfare Trust, please contact:

Kirsty Robb	Telephone: 01835 – 825249
Pension & Investment Manager	E-mail: <a href="mailto:krobb@scotborders.gov.uk">krobb@scotborders.gov.uk</a>
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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# **ANNUAL REPORT AND FINANCIAL STATEMENTS**

## **SCOTTISH BORDERS COUNCIL EDUCATION TRUST**

Charity Registration Number: SC044762

FOR THE YEAR TO 31 MARCH 2021

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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 2021/22 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 2021.

### 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. As a result of the impact of COVID-19, the charity has not made any donations during the year to 31 March 2021.

## 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 and led by Service Director, Young People & Engagement & Inclusion, including further refinement of existing disbursement criteria, will result in submissions to OSCR for approval to amalgamate other registered and non-registered trusts and bequests into the SBC Education Trust.

## 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 2021, the reserves of the SBC Education Trust amounted to:

- Restricted Income Funds - £7,952

### Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

## Reference and Administrative Information

<b>Charity Name</b>	Scottish Borders Council Education Trust
<b>Charity registration number</b>	SC044762
<b>Business Address</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Trustees

The Trustees of this charity for the year to 31 March 2021 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	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan (from 12 March 21)	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**
- Tracey Logan (to 27 September 2020)
  - David Robertson, Executive Director Finance & Regulatory and Rob Dickson, Executive Director Corporate Improvement & Economy (interim cover from 28 September 2020 to 21 March 2021)
  - Netta Meadows (from 22 March 2021)

**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 Royal Bank of Scotland, Newtown St Boswells.

**Shona Haslam**  
**Trustee**  
**Scottish Borders Council Education Trust**  
**29 June 2021**

## 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 2021**

<b>2019/20</b> £		<b>2020/21</b> £	<b>Notes</b>
	<b>Income from:</b>		
500	Donations and legacies	500	3
540	Investments	502	1
<b>1,040</b>	<b>Total Income</b>	<b>1,002</b>	
	<b>Expenditure on:</b>		
0	Raising funds	0	
0	Charitable activities	0	2
(500)	Other : Governance costs	(500)	3
<b>(500)</b>	<b>Total Expenditure</b>	<b>(500)</b>	
(797)	Gain / (loss) on investment assets - unrealised	802	
<b>(257)</b>	<b>Net Income / (Expenditure)</b>	<b>1,304</b>	
	<b>Other Recognised Gains / (Losses)</b>		
0	Recognition of Investments	0	
<b>(257)</b>	<b>Net Movement in Funds</b>	<b>1,304</b>	
	<b>Reconciliation of Funds</b>		
6,905	Total funds brought forward	6,648	
<b>6,648</b>	<b>Total Funds Carried Forward</b>	<b>7,952</b>	7

## BALANCE SHEET as at 31 March 2021

as at 31 March 2020			as at 31 March 2021		<b>Notes</b>
£	£		£	£	
4,267	4,267	<b>Fixed Assets</b>		5,074	4
		Investments			
20	2,361	<b>Current Assets</b>		18	5
		Debtors		2,860	6
	2,381	Short term investment in SBC loans fund.			
	6,648	<b>Total Current Assets</b>		2,878	
	(6,648)	<b>Total Net Assets</b>		7,952	
	(6,648)	<b>The Funds of the Charity</b>			
		Restricted income funds		(7,952)	7
	(6,648)	<b>Total Charity Funds</b>		(7,952)	

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 29 June 2021.

**David Robertson CPFA**  
**Executive Director, Finance & Regulatory**  
**29 June 2021**

## 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

2019/20	2020/21
£	£
10	3
530	499
<b>540</b>	<b>502</b>

### 2 Charitable Activities

The charity has not provided any grants to eligible beneficiaries during the year to 31 March 2021.

### 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 2020/21. 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 2021 all investments were with the Aegon Asset Management Diversified Monthly Income Fund. Following the prior year impact of COVID-19, global markets across most asset classes have seen an increase, resulting in an unrealised gain for 2020/21.

### 5 Debtors

2019/20	2020/21
£	£
20	18
Prepayments and accrued income	
<b>20</b>	<b>18</b>

### 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.

2019/20 Balance	Restricted by Area	Income	Expenditure	Unrealised Gain/(Loss)	2020/21 Balance
£	£	£	£	£	£
1,941	Borders Wide	360	(180)	244	2,365
4,707	Peeblesshire	642	(320)	558	5,587
<b>6,648</b>		<b>1,002</b>	<b>(500)</b>	<b>802</b>	<b>7,952</b>

## 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	3

**INDEPENDENT AUDITOR'S REPORT**

**to the trustees of Scottish Borders Council Education Trust and the  
Accounts Commission for Scotland**

## ADDITIONAL INFORMATION

### Contact Details

For further information on the SBC Education Trust, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager Scottish Borders Council	E-mail: <a href="mailto:krobb@scotborders.gov.uk">krobb@scotborders.gov.uk</a> Council Headquarters Newtown St Boswells MELROSE TD6 0SA





# **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**SCOTTISH BORDERS COUNCIL  
COMMUNITY ENHANCEMENT  
TRUST**

Charity Registration Number: SC044764

FOR THE YEAR TO 31 MARCH 2021

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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 21<sup>st</sup> December 2017, Scottish Borders Council approved the reorganisation, in consultation with OSCR, for a number of funds to be amalgamated into this Trust on 1<sup>st</sup> April 2018.

This fund is now administered by the Communities & Partnership Team, and features on the Scottish Borders Council website in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to communities.

## TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2021.

### Structure

Scottish Borders Council has delegated 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. As a result of COVID-19, all funding dispersion was suspended until October 2020 as staff were deployed to response teams. The charity has not made any donations during the financial year to 31 March 2021.

## Plans for the Future

- This fund is administered by the Communities & Partnership Team, and features on the SBC website in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to our communities:
  - [https://www.scotborders.gov.uk/info/20076/community\\_grants\\_and\\_funding](https://www.scotborders.gov.uk/info/20076/community_grants_and_funding)
- The Fund is also promoted at each of the 5 Area Partnerships held quarterly across the Scottish Borders.

## 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 2021, the reserves of the SBC Community Enhancement Trust amounted to:

- Restricted Income Funds - £207,213.

### Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

## Reference and Administrative Information

<b>Charity Name</b>	Scottish Borders Council Community Enhancement Trust
<b>Charity registration number</b>	SC044764
<b>Business Address</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Trustees

The Trustees of this charity for the year to 31 March 2021 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	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan (from 12 March 21)	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**
- Tracey Logan (to 27 September 2020)
  - David Robertson, Executive Director Finance & Regulatory and Rob Dickson, Executive Director Corporate Improvement & Economy (interim cover from 28 September 2020 to 21 March 2021)
  - Netta Meadows (from 22 March 2021)

**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 Royal Bank of Scotland, Newtown St Boswells.

**Shona Haslam**  
**Trustee**  
**Scottish Borders Council Community Enhancement Trust**  
**29 June 2021**

## 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 2021

2019/20 £		2020/21 £	Notes
	<b>Income from:</b>		
500	Donations and legacies	500	3
8,910	Investments	7,619	1
30	Charitable activities	20	
<b>9,440</b>	<b>Total Income</b>	<b>8,139</b>	
	<b>Expenditure on:</b>		
0	Raising funds	0	
(2,357)	Charitable activities	(579)	2
(500)	Other : Governance Costs	(500)	3
<b>(2,857)</b>	<b>Total Expenditure</b>	<b>(1,079)</b>	
(27,969)	Gain / (loss) on investment assets - unrealised	28,142	
<b>(21,386)</b>	<b>Net Income / (Expenditure)</b>	<b>35,202</b>	
	<b>Other Recognised Gains / (Losses)</b>		
0	Recognition of Investments	0	
<b>(21,386)</b>	<b>Net Movement in Funds</b>	<b>35,202</b>	
	<b>Reconciliation of Funds</b>		
193,397	Total funds brought forward	172,011	
<b>172,011</b>	<b>Total Funds Carried Forward</b>	<b>207,213</b>	7

## BALANCE SHEET as at 31 March 2021

as at 31 March 2020			as at 31 March 2021		Notes
£	£		£	£	
149,703		<b>Fixed Assets</b>		178,011	4
	149,703	Investments			
693		<b>Current Assets</b>		640	5
21,615		Debtors		28,562	6
	22,308	Short term investment in SBC loans fund			
	<b>172,011</b>	<b>Total Net Assets</b>		<b>207,213</b>	
(172,011)		<b>The Funds of the Charity</b>			7
		Restricted income funds		207,213	
	<b>(172,011)</b>	<b>Total Charity Funds</b>		<b>207,213</b>	

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 29 June 2021.

**David Robertson CPFA**  
**Executive Director, Finance & Regulatory**  
**29 June 2021**

## 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

2019/20		2020/21
£		£
80	Bank Interest Receivable	23
8,829	Income from Investment Portfolio	7,596
<b>8,909</b>		<b>7,619</b>

### 2 Charitable Activities

The charitable activities during 2020/21 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 2020/21. 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 2021 all investments were with the Aegon Asset Management Diversified Monthly Income Fund. Following the prior year impact of COVID-19, global markets across most asset classes have seen an increase, resulting in an unrealised gain for 2020/21.

### 5 Debtors

2019/20		2020/21
£		£
693	Prepayments and accrued income	640
<b>693</b>		<b>640</b>

### 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. Income includes the unrealised gain on the Aegon Asset Management 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

**Scottish Borders Council Community Enhancement Trust  
Annual Report and Financial Statements For The Year To 31 March 2021**

- 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

2019/20 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	Unrealised Gain / (Loss)	2020/21 Balance
£			£	£	£	£
1,552	Cheviot	Allerley Well Park	66	(4)	229	1,843
1,448	Borders Wide	b	89	(5)	213	1,745
19,140	Hawick, Denholm & Hermitage	b	829	(51)	2,898	22,816
30,496	Mid & East Berwickshire	b	1,608	(99)	5,648	37,653
6,614	Hawick, Denholm & Hermitage	b&d	282	(18)	987	7,865
13,967	Berwickshire	Unrestricted	596	(37)	2,084	16,610
498	Berwickshire	Henderson Park & War Memorial	24	(2)	86	606
1,407	Selkirk	Unrestricted	70	(4)	244	1,717
16,019	Earlston	Unrestricted	684	(621)	2,392	18,474
960	Earlston	b	68	(4)	154	1,178
6,930	Galashiels & District	b	332	(20)	1,165	8,407
401	Hawick, Denholm & Hermitage	c	19	(1)	65	484
19,486	Hawick, Denholm & Hermitage	Unrestricted	964	(59)	3,265	23,656
211	Hawick Denholm	b	10	(1)	35	255
376	Hawick & Hermitage	b	18	(1)	63	456
1,580	Jedburgh & District	b	70	(4)	246	1,892
773	Kelso & District	b	37	(3)	129	936
1,368	Melrose	b	65	(4)	228	1,657
9,774	Selkirk & District	b	468	(28)	1,642	11,856
3,197	Selkirkshire	b	62	(4)	134	3,389
5,867	Tweeddale	b	265	(16)	927	7,043
320	Berwickshire	c	15	(1)	52	386
29,627	Lauder & District	b	1,498	(92)	5,256	36,289
<b>172,011</b>			<b>8,139</b>	<b>(1,079)</b>	<b>28,142</b>	<b>207,213</b>

## 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	23

**INDEPENDENT AUDITOR'S REPORT**

**to the trustees of Scottish Borders Council Community Enhancement  
Trust and the Accounts Commission for Scotland**

## 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: <a href="mailto:krobb@scotborders.gov.uk">krobb@scotborders.gov.uk</a>
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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# **ANNUAL REPORT AND FINANCIAL STATEMENTS**

## **SCOTTISH BORDERS COUNCIL ORMISTON TRUST FOR INSTITUTE**

Charity Registration Number: SC019162

FOR THE YEAR TO 31 MARCH 2021

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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 2021.

### 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 2020/21 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.

### 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.
- A project, led by the Trimontium Trust which aims to expand and improve the Trimontium Museum, located within the Ormiston Institute, has now been completed and is due to open in the Summer.

## 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:



- 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 2021, the reserves of the Ormiston Trust for Institute amounted to:

- Restricted Income Funds - £319,226

### Investments

Per the Council's Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

## Reference and Administrative Information

<b>Charity Name</b>	Scottish Borders Council Ormiston Trust for Institute
<b>Charity registration number</b>	SC019162
<b>Business Address</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Trustees

The Trustees of this charity for the year to 31 March 2021 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

Jenny Linehan (from 12 March 21)

Tom Miers

- Chief Executive**
- Tracey Logan (to 27 September 2020)
  - David Robertson, Executive Director Finance & Regulatory and Rob Dickson, Executive Director Corporate Improvement & Economy (interim cover from 28 September 2020 to 21 March 2021)
  - Netta Meadows (from 22 March 2021)

**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 Royal Bank of Scotland, Newtown St Boswells.

**David Parker**  
**Trustee**  
**Scottish Borders Council Ormiston Trust for Institute**  
**29 June 2021**

## 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 2021

2019/20 £		2020/21 £	Notes
	<b>Income from:</b>		
500	Donations and legacies	500	4
488	Investments	416	1
<b>988</b>	<b>Total Income</b>	<b>916</b>	
	<b>Expenditure on:</b>		
(55,000)	Raising funds	(55,000)	2
(488)	Charitable activities	(416)	3
(500)	Other : Governance costs	(500)	4
<b>(55,988)</b>	<b>Total Expenditure</b>	<b>(55,916)</b>	
	<b>Other Recognised Gains/(Losses)</b>		
184,500	Gains on Revaluation of Fixed Assets	0	
(1,545)	Gain / (loss) on investment assets - unrealised	1,554	
<b>127,955</b>	<b>Net Movement in Funds</b>	<b>(53,446)</b>	
	<b>Reconciliation of Funds</b>		
244,717	Total funds brought forward	372,672	
<b>372,672</b>	<b>Total Funds Carried Forward</b>	<b>319,226</b>	<b>10</b>

## BALANCE SHEET as at 31 March 2021

as at 31 March 2020			as at 31 March 2021		Notes
£	£		£	£	
364,000		<b>Fixed Assets</b>	309,000		5
8,269		Tangible assets	9,833		6
	<b>372,269</b>	Investments		<b>318,833</b>	
38		<b>Current Assets</b>			
555		Debtors	35		7
		Short term investment in SBC loans fund.	519		8
	<b>593</b>	<b>Total Current Assets</b>		<b>554</b>	
		<b>Current Liabilities</b>			
		Creditors:			
	<b>(190)</b>	Amounts falling due within 1 year		<b>(161)</b>	9
	<b>403</b>	<b>Net Current Assets</b>		<b>393</b>	
	<b>372,672</b>	<b>Total Net Assets</b>			
		<b>The Funds of the Charity</b>			
(372,672)		Restricted income funds	(319,226)		10
	<b>(372,672)</b>	<b>Total Charity Funds</b>		<b>(319,226)</b>	

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 29 June 2021.

**David Robertson CPFA**  
**Executive Director, Finance & Regulatory**  
**29 June 2021**

## 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

2019/20	£	2020/21	£
3	Bank Interest Receivable	1	
485	Income from Investment Portfolio	415	
<b>488</b>		<b>416</b>	

### 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 2020/21

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 2020/21. 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:

	£
<b>Opening Balance at 1 April 2020</b>	<b>364,000</b>
Depreciation for year	(55,000)
<b>Closing Balance at 31 March 2021</b>	<b>309,000</b>

### 6 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2021 all investments were with the Aegon Asset Management Diversified Monthly Income Fund. Following the prior year impact of COVID-19, global markets across most asset classes have seen an increase, resulting in an unrealised gain for 2020/21.

## 7 Debtors

2019/20 £		2020/21 £
38	Prepayments and accrued income	35
<b>38</b>		<b>35</b>

## 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

2019/20 £		2020/21 £
190	Grants payable	161
<b>190</b>		<b>161</b>

## 10 Restricted income funds

The funds held with the Charity are restricted by area, purpose or both.

2019/20 Balance £	Trust Fund £	Income £	Expendi- ture £	Unrealised Gain/(Loss) £	2020/21 Balance £
334,593	Ormiston Trust Institute	354	(55,354)	599	280,192
38,079	Greenyards Trust	562	(562)	955	39,034
<b>372,672</b>		<b>916</b>	<b>(55,916)</b>	<b>1,554</b>	<b>319,226</b>

## 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	1

**INDEPENDENT AUDITOR'S REPORT**

**to the trustees of Scottish Borders Council Ormiston Trust for Institute  
and the Accounts Commission for Scotland**

## ADDITIONAL INFORMATION

### Contact Details

For further information on the Ormiston Trust for Institute, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager Scottish Borders Council	E-mail: <a href="mailto:krobb@scotborders.gov.uk">krobb@scotborders.gov.uk</a> Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**SCOTTISH BORDERS COUNCIL  
CHARITABLE TRUSTS**

Charity Registration Number: SC043896

FOR THE YEAR TO 31 MARCH 2021

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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. The next step of reorganisation work to be undertaken is being led by Service Director, Young People & Engagement & Inclusion in relation to the Education related Trusts/Bequests. This will include further refinement of existing disbursement criteria and will result in submissions to OSCR for approval to amalgamate into Scottish Borders Council Education Trust. A further report will be submitted to Scottish Borders Council for the remaining Funds.

## TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and Financial Statements for the year ended 31 March 2021.

### Structure

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 2021. 23 donations totalling £9,901 were made 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

- Reorganisation work to be undertaken and led by Service Director, Young People & Engagement & Inclusion in relation to the Education related Trusts/Bequests. This will include further refinement of existing disbursement criteria and will result in submissions to OSCR for approval to amalgamate into Scottish Borders Council Education Trust..

## 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 2021, the reserves of the SBC Charitable Trust Funds amounted to:

- Restricted Income Funds - £295,103

### Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management 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 2021 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	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan (from 12 March 21)	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** - Tracey Logan (to 27 September 2020)  
- David Robertson, Executive Director Finance & Regulatory and Rob Dickson, Executive Director Corporate Improvement & Economy (interim cover from 28 September 2020 to 21 March 2021)  
- Netta Meadows (from 22 March 2021)

**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 Royal Bank of Scotland, Newtown St Boswells.

**Shona Haslam**  
**Trustee**  
**Scottish Borders Council Charitable Trusts**  
**29 June 2021**

## 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 2021

2019/20 £		2020/21 £	Notes
	<b>Income from:</b>		
500	Donations and legacies	500	3
36,672	Investments	25,089	1
<b>37,172</b>	<b>Total Income</b>	<b>25,589</b>	
	<b>Expenditure on:</b>		
(11,871)	Charitable activities	(9,901)	2
0	Raising funds	0	
(500)	Other : Governance Costs	(500)	3
<b>(12,371)</b>	<b>Total Expenditure</b>	<b>(10,401)</b>	
(31,931)	Gain / (loss) on investment assets - unrealised	32,130	
<b>(7,130)</b>	<b>Net Movement in Funds</b>	<b>47,318</b>	
	<b>Reconciliation of Funds</b>		
254,915	Total funds brought forward	247,785	
<b>247,785</b>	<b>Total Funds Carried Forward</b>	<b>295,103</b>	8

## BALANCE SHEET as at 31 March 2021

as at 31 March 2020			as at 31 March 2021		<b>Notes</b>
£	£		£	£	
170,913	170,913	<b>Fixed Assets</b>			
		Investments	203,233		4
	791				
76,081	76,872	<b>Current Assets</b>			
		Debtors	730		5
		Short term Investment in SBC loans fund	91,140		6
		<b>Total Current Assets</b>		91,870	
	0	<b>Current Liabilities</b>			
	76,872	Creditors:			
		Amounts falling due within 1 year	0		7
		<b>Net Current Assets</b>		91,870	
	247,785	<b>Total Net Assets</b>		295,103	
		<b>The Funds of the Charity</b>			
(247,785)		Restricted income funds	(295,103)		8
	(247,785)	<b>Total Charity Funds</b>		(295,103)	

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 29 June 2021.

**David Robertson CPFA**  
**Executive Director, Finance & Regulatory**  
**29 June 2021**

## 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

2019/20		2020/21
£		£
245	Bank Interest Receivable from SBC Loans Fund	79
36,427	Income from Investment Portfolio	25,010
<b>36,672</b>		<b>25,089</b>

### 2 Charitable Activities

The charitable activities during 2020/21 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 2020/21. 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 2021 all investments were with the Aegon Asset Management Diversified Monthly Income Fund. Following the prior year impact of COVID-19, global markets across most asset classes have seen an increase, resulting in an unrealised gain for 2020/21.

### 5 Debtors

2019/20		2020/21
£		£
791	Prepayments and accrued income	730
<b>791</b>		<b>730</b>

### 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

2019/20		2020/21
£		£
0	Grants payable	0
<b>0</b>		<b>0</b>

## 8 Restricted Funds

The funds held with the Charity are restricted by area, purpose or both.

2019/20 Balance	Fund	Income	Expenditure	Unrealised Gain/(Loss)	2020/21 Balance
£		£	£	£	£
921	Andrew, Agnes & John Kyle	102	(2)	119	1,140
7,187	Berwickshire Educational Trust	826	(16)	857	8,854
345	C W Dunnet Award	34	(54)	43	368
885	Campbell Calderhead Prize	67	(1)	99	1,050
3,287	Col. Jem Richard Prize Fund	239	(5)	380	3,901
887	Coldstream Guards Prize	106	(2)	132	1,123
1,524	Dr Milne Memorial Fund	108	(2)	179	1,809
20,538	Geoffrey Simpson Bequest	2,217	(2,301)	2,362	22,816
534	Hans D Langmack Prize Fund	56	(1)	82	671
2,776	J Purves Bequest	258	(415)	402	3,021
28,882	J A S Henderson Memorial Scholarship	606	(3,012)	2,156	28,632
1,149	James Robertson Trust	89	(2)	128	1,364
1,495	Jane Grieve Endowment	111	(2)	170	1,774
1,935	Jean Kincaid Grieve Endowment	138	(3)	226	2,296
1,456	Jedburgh Public Library Fund	60	(1)	217	1,732
705	John Jamieson Prize Fund	50	(1)	84	838
594	Kelso Library Book Fund	24	(1)	88	705
682	Kennedy Medal Fund	51	(1)	77	809
1,595	Kenneth Cochrane Library Fund	65	(1)	237	1,896
4,513	F W Dobson VC	490	(10)	691	5,684
936	Mary Dickson Prize Fund	82	(2)	114	1,130
876	Mr & Mrs W F Johnstone Fund	58	(1)	108	1,041
1,041	Mrs Clelland Memorial Prize	73	(1)	123	1,236
3,271	Murray Medal Fund	279	(5)	404	3,949
247	Peebles Public Library	11	0	40	298
22,668	Peeblesshire Educational Trust	3,110	(1,295)	3,293	27,776
107,678	Roxburghshire Educational Trust	13,626	(947)	14,547	134,904
1,162	Special Air Service Reg. Fund	123	(3)	179	1,461
3,415	Selkirk Library Fund	140	(3)	509	4,061
9,958	Selkirkshire Educational Trust	1,705	(898)	1,756	12,521
13,277	Sir Walter Leitch Scholarship	591	(1,411)	2,165	14,622
1,366	Walter Geddes Prize Fund	94	(2)	163	1,621
<b>247,785</b>		<b>25,589</b>	<b>(10,401)</b>	<b>32,130</b>	<b>295,103</b>

## 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	79

**INDEPENDENT AUDITOR'S REPORT**

**to the trustees of Scottish Borders Council Charitable Trusts and the  
Accounts Commission for Scotland**

## ADDITIONAL INFORMATION

### Contact Details

For further information on the SBC Charitable Trusts, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: <a href="mailto:krobb@scotborders.gov.uk">krobb@scotborders.gov.uk</a>
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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## **UNAUDITED MEMBERS' REPORT AND FINANCIAL STATEMENTS**

**BRIDGE HOMES LLP  
Registration Number: SO304775**

**FOR THE YEAR TO 31 MARCH 2021**

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## MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2021.

### Reference and Administrative Information

<b>Company Name</b>	Bridge Homes LLP
<b>Company Registration Number</b>	SO304775
<b>Registered Office</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Designated Members

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

- Scottish Borders Council
- Scottish Future Trust Investments Ltd

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

### Professional support

The Council provides the Administrative, Legal and Financial support and advice to Bridge Homes.

### Principal Activity

The principal activity of Bridge Homes during the year was investment in mid-market residential property for domestic rental to meet an identified social need within the Scottish Borders.

## **Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members**

1. Cash received by Bridge Homes, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any accrued interest charges on loan advances, thirdly to reimburse any amounts paid out under the Scottish Government guarantee (see below) and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above payments will be held to apply in early repayment of loan advances. Such balances will not be distributed without the unanimous approval of members and where any payment under the Facility Agreement (between Bridge Homes and Scottish Borders Council) has not been made in accordance with its terms.
2. Cash received from property disposals will be allocated firstly to reimburse any amounts paid out under the Scottish Government guarantee, secondly to pay any operating costs relating to the property disposed, thirdly in payment of any accrued interest charges on loan advances, fourthly to establish and maintain the Reserve Account balance, fifthly to repay any loan principal, sixth to pay any residual disposal proceeds to Scottish Borders Council and finally, following disposal of the final property, to repay the initial capital.

## **Business Review**

### **Background**

Scottish Borders Council (the Council) in partnership with Scottish Futures Trust Investments Ltd (SFT) have established a Council Led House Building Programme (National Housing Trust (NHT) Local Authority (LA) Variant in order to deliver more affordable housing in the Scottish Borders in line with the Local Housing Strategy. This NHT LA Variant, Bridge homes LLP aims to deliver up to 200 homes for mid-market rent.

Bridge Homes is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £18.8m along with a £3.3m contribution from the Councils' Affordable Housing Investment Budget.

The Scottish Government provides a guarantee of rent to cover the loan of up to £3,000 per housing unit delivered.

SFT monitors the projects as a result of the Scottish Government guarantee for the loans.

### **Governance**

The Bridge Homes Board has been established with 2 Council Senior Officers and 1 SFT Senior Officer on the Board. The Board meets quarterly and the financial viability of projects require to be signed off by all 3 Directors.

A Project Board, supported through the Council, has been established and meets regularly to oversee the development and delivery of the initiative. A Project Team, consisting of officers from the Council, has also been established to identify properties, secure property management service providers, develop systems and deliver the project.

## Activity Summary

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 with Orchard and Shipman by a further 2 years on the same terms and conditions. During 2019/20, there were subsequent discussions between the parties which culminated in the contract being extended for a further 3 years, with the fee being increased slightly, starting from 31 August 2020.

Following the decision by Borders Property Maintenance to withdraw from its relationship with Orchard and Shipman for the provision of response repairs, a range of alternative contractors covering all trades has been secured. Response repairs and other 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 have been monitored closely since the start of the pandemic. The latter was a particular concern since it could potentially impact by triggering the Scottish Government rental guarantee. Scottish Futures Trust 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. Orchard and Shipman has been providing the requested information. Fortunately repairs performance and rental income collected have remained at a high level.

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 and agree 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. This matter is still under discussion.

**David Robertson CPFA**  
**Designated Member**  
**Scottish Borders Council**  
**29 June 2021**

## 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 2021

2019/20		2020/21	Notes
£		£	
247,809	Turnover	275,055	1
(50,609)	Cost of Sales	(70,666)	2
<b>197,200</b>	<b>Gross Profit</b>	<b>204,390</b>	
(12,253)	Administrative Expenses	(10,143)	3
(72,843)	Revaluations	0	
<b>112,104</b>	<b>Operating Profit</b>	<b>194,246</b>	
(111,213)	Interest Payable & Similar Expenses	(110,873)	4
<b>891</b>	<b>Profit For The Financial Year Available For Discretionary Division Among Members</b>	<b>83,373</b>	<b>5</b>
(567,843)	<b>Other Comprehensive Income</b> Revaluation Gain/(Loss) on Property	140,000	
<b>(568,734)</b>	<b>Total Comprehensive Income</b>	<b>223,373</b>	

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

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2021

2019/20		2020/21
£		£
891	Profit For The Financial Year	83,373
<b>891</b>	<b>Total Recognised Gains For The Financial Year</b>	<b>83,373</b>

## BALANCE SHEET as at 31 March 2021

2019/20 £		2020/2021		<b>Notes</b>
		£	£	
<b>7,737,889</b>	<b>Fixed Assets</b> Property, Plant and Equipment		<b>7,877,889</b>	5
52,874		37,249		6
204,327		298,710		
<b>257,201</b>		<b>335,959</b>		
(26,173)	<b>Creditors</b> Amounts falling due within 1 year	(21,558)		7
231,028	<b>Net Current Assets</b>		<b>314,400</b>	
<b>7,968,917</b>	<b>Net Assets attributable to Members</b>		<b>8,192.289</b>	
	<b>Represented By:</b>  Loans and Other Debts due to Members		<b>5,611,982</b>	8
	<b>Members' Other Interests</b>  Capital Account	894,002		9
894,002	Profit and Loss Reserve	75,026		
(8,346)	Revaluation Reserve	1,611,279	<b>2,580,307</b>	
<b>7,968,917</b>	<b>Total Members' Interests</b>		<b>8,192,289</b>	

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 14 form part of these Financial Statements.

These financial statements were approved by the members and authorised for issue on 22 June 2021 and are signed on their behalf by:

**David Robertson CPFA**  
**Designated Member**  
**Scottish Borders Council**  
**29 June 2021**

**Company Registered Number: SO304775**

## CASH FLOW STATEMENT for the year ended 31 March 2021

2019/20		2020/21
£		£
	<b>Reconciliation of Profit to Net Cash Flow from Operating Activities</b>	
891	Profit for the Financial Year	83,373
184,056	Adjustments to Profit for Non Cash Movements	110,873
45,638	(Increase)/Decrease in Debtors	15,625
(128,494)	Increase/(Decrease) in Creditors due within 1 year	(4,615)
<b>102,091</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>205,256</b>

2019/20		2020/21
£		£
	<b>Cash Flow Statement</b>	
<b>102,091</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>205,256</b>
	<b>Investing Activities</b>	
0	Purchase of investment property	0
0	<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>0</b>
	<b>Financing Activities</b>	
0	Capital Received	0
0	Cash received from loans and other borrowing	0
(111,213)	Interest Payable	(110,873)
<b>(111,213)</b>	<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>(110,873)</b>
	<b>Increase in Cash</b>	<b>94,383</b>
<b>(9,122)</b>	<b>Movement in Cash in Period</b>	<b>94,383</b>

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2021

	<b>Members Capital (Classified As Equity) £</b>	<b>Profit &amp; Loss Reserve £</b>	<b>Revaluation Reserve £</b>	<b>Loans &amp; Other Debts Due To Members £</b>	<b>Total £</b>
Balance at 1 April 2020	894,002	(8,346)	1,471,279	5,611,982	<b>7,968,917</b>
Profit For The Year Available for Discretionary Division Among Members	0	83,373	0	0	<b>83,373</b>
Loan Funding Provided By Members	0	0	0	0	<b>0</b>
Revaluations	0	0	140,000	0	<b>140,000</b>
Capital Introduced By Members	0	0	0	0	<b>0</b>
<b>Balance at 31 March 2021</b>	<b>894,002</b>	<b>75,026</b>	<b>1,611,279</b>	<b>5,611,982</b>	<b>8,192,289</b>

	<b>Members Capital (Classified As Equity) £</b>	<b>Profit &amp; Loss Reserve £</b>	<b>Revaluation Reserve £</b>	<b>Loans &amp; Other Debts Due To Members £</b>	<b>Total £</b>
Balance at 1 April 2019	894,002	(9,235)	903,436	5,611,982	<b>7,400,184</b>
Profit For The Year Available for Discretionary Division Among Members	0	891	0	0	<b>891</b>
Revaluations	0	0	567,843	0	<b>567,843</b>
<b>Balance at 31 March 2020</b>	<b>894,002</b>	<b>(8,344)</b>	<b>1,471,279</b>	<b>5,611,982</b>	<b>7,968,917</b>

## ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

### Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2017) issued by the CCAB (Consultative Committee of Accountancy Bodies).

### Accruals of Income and Expenditure

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

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Interest payable on capital advances is accounted for based on the applicable 4<sup>1/2</sup> - 5 year PWLB (Public Works Loan Board) fixed interest rate applicable at the date the borrowing was initially incurred.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

### Turnover

Turnover represents invoiced rental income from tenanted investment properties. This rental income is exempt from value added tax.

### Tangible Fixed Assets

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land and Buildings are shown at most recent valuation. Any aggregate surplus or deficit arising from changes in market value is transferred to a revaluation reserve.

Under the Revaluation Policy, Property, Plant and Equipment are subject to revaluation every year. The fixed assets were revalued as at 31 March 2021 by Shepherd Chartered Surveyors, Independent Valuers.

## Cash and Liquid Assets

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

## Inventories

Any inventories are included in the Balance Sheet at the lower of cost and net realisable value.

## Support Services

The costs of support services provided by Scottish Borders Council are charged to Bridge Homes LLP in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP).

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Turnover

2019/20		2020/21
£		£
247,809	Rental Income/Grant	275,055
<b>247,809</b>		<b>275,055</b>

### 2 Cost of Sales

2019/20		2020/21
£		£
47,905	Management Charges	68,314
1,841	Insurance	669
0	Landlord Registration	876
540	Other	(152)
322	Utilities	960
<b>50,609</b>		<b>70,666</b>

### 3 Administrative Expenses

2019/20		2020/21
£		£
1,013	Accountancy and Legal	543
0	Professional Fees	0
11,240	Audit	9,600
0	Estates and Housing	0
0	Provision for Bad Debt	0
<b>12,253</b>		<b>10,143</b>

### 4 Interest Payable & Similar Charges

2019/20		2020/21
£		£
86	Bank Charges	49
111,128	Interest Payable to Local Authority	110,824
<b>111,213</b>		<b>110,873</b>

## 5 Property, Plant and Equipment

(Property, Plant and Equipment consists of Land and Buildings)

2019/20		2020/21
£		£
7,242,889	NBV at 31 March 2020	7,737,889
0	Additions at Cost	0
(72,843)	Revaluation Losses charged to the Profit & Loss Account	0
567,843	Revaluation Gains/(losses) charged to the Revaluation Reserve	140,000
<b>7,737,889</b>	NBV at 31 March 2021	<b>7,877,889</b>

The historic cost of Land & Buildings as at 31 March 2021 is £6.361m (2019/20 £6.361m).

## 6 Debtors

2019/20		2020/21
£		£
43,180	Unpaid Rental Income	27,264
9,694	Grant for Central Support Costs	9,985
0	Other Debtors	0
<b>52,874</b>		<b>37,249</b>

## 7 Creditors: Amounts Falling Due Within One Year

2019/20		2020/21
£		£
0	Rent Prepayment	0
7,065	Management Charges	2,454
0	Professional Fees	0
295	Utilities	0
9,120	Audit	9,120
2,419	Accountancy	2,492
3,140	Legal Fees	3,234
4,135	Miscellaneous	4,259
0	Interest Payable to Local Authority	0
<b>26,173</b>		<b>21,558</b>

## 8 Loans & Other Debts Due To Members

2019/20 £		2020/21 £
5,611,982	Loan from Local Authority	5,611,982

## 9 Members' Capital

2019/20 £		2020/21 £
1	Initial Capital - Scottish Borders Council	1
1	Initial Capital – Scottish Futures Trust Investments Ltd	1
0	Capital Grant - Scottish Borders Council	0
<b>2</b>		<b>2</b>

## 10 Related Party Transactions

Throughout the year Bridge Homes was controlled by the members. During the year, Bridge Homes entered into the following transactions with Scottish Borders Council:

	Transaction	Debtor/ (Creditor) At 31 March 2021
	£	£
<b>Loan</b>	5,611,982	(5,611,982)
<b>Capital Grant</b>	2	2
<b>Revenue Grant</b>	9,694	9,985
<b>Service Charge</b>	(9,694)	(9,985)
<b>Loan Interest</b>	(111,128)	0
	<b>5,500,856</b>	<b>(5,611,984)</b>

## 11 Ultimate Controlling Party

The Bridge Homes is controlled by the Designated Members as detailed on page 2.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIDGE HOMES LLP**

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## CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

Suzy Douglas	Telephone: 01835 – 825881
Financial Services Manager	E-mail: <a href="mailto:sdouglas@scotborders.gov.uk">sdouglas@scotborders.gov.uk</a>
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Scottish Borders Council  
Lowood Tweedbank Limited  
Charity Registration Number: SC615148

# **members' report and financial statements**

for the year ended 31 March 2021

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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. Its 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 2021

	2020/21	Notes
Turnover	40,086	1
Cost of Sales	(40,086)	2
<b>Gross Profit</b>	<b>0</b>	
 <b>Operating Profit</b>	 <b>0</b>	

## BALANCE SHEET as at 31 March 2021

	2020/2021	Notes
	£	£
<b>Fixed Assets</b>		
<b>Current Assets</b>		
Debtors	3,181	0
Cash at Bank	31,810	3
<b>Creditors</b>		
Amounts falling due within 1 year	(34,990)	4
<b>Net Current Assets</b>	<b>1</b>	
<b>Net Assets attributable to Members</b>	<b>1</b>	
 <b>Represented By:</b>		
Capital Account	1	5
Profit and Loss Reserve	0	
 <b>Total Members' Interests</b>	 <b>1</b>	

The Accounting Policies on page 5 and the Notes on page 6 form part of these Financial Statements.

For the financial year 2020/21 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No members have required the company to obtain an audit of its accounts for 2020/21 in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The accounts have been prepared in accordance with the micro entity provisions.

These financial statements were approved for signature by the Council as it's meeting on 29<sup>th</sup> June 2021.

**David Robertson CPFA  
Designated Member  
Scottish Borders Council  
29<sup>th</sup> June 2021**

**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

	2020/21
	£
Rental Income	40,086
	<b>40,086</b>

### 2 Cost of Sales

	2020/21
	£
Rental Income paid to Scottish Borders Council	(34,990)
Property Repairs and Maintenance Costs	(5,087)
Bank Charges	(9)
	<b>(40,086)</b>

### 3 Debtors

	2020/21
	£
Unpaid Rental Income	3,180
Share Issue	1
	<b>3,181</b>

### 4 Creditors: Amounts Falling Due Within One Year

	2020/21
	£
Unpaid Rental Income due to Scottish Borders Council	(34,990)
	<b>(34,990)</b>

### 5 Members' Capital

	2020/21
	£
Initial Capital - Scottish Borders Council	1
	<b>1</b>

## CONTACT INFORMATION

For further information on Lowood Tweedbank Limited, please contact

Suzy Douglas	Telephone: 01835 – 825881
Financial Services Manager	E-mail: <a href="mailto:sdouglas@scotborders.gov.uk">sdouglas@scotborders.gov.uk</a>
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](mailto:sdouglas@scotborders.gov.uk)



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## **PENSION FUND UNAUDITED ANNUAL REPORT AND ACCOUNTS 2020/21**

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### **Report by Executive Director Finance and Regulatory**

### **AUDIT AND SCRUTINY COMMITTEE**

**29 June 2021**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 **This report provided the Committee with an opportunity to scrutinize and approve the Draft unaudited Annual Report and Accounts for the Pension Fund for 2020/21 prior to their submission to the External Auditors.**
- 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 3.1. The draft Report and Accounts contained in Appendix 1 fully meets these requirements.
- 1.3 The draft unaudited Annual Report and Accounts were presented to the Joint Pension Fund Committee and the Pension Fund Board on 10 June 2021 for approval of submission to External Auditors and publication for Inspection by the statutory deadline of 30 June 2020.
- 1.4 The draft Report and Accounts are still subject to statutory Audit, which will commence early August 2021. Following the statutory Audit process the final Report and Accounts will be submitted to the Joint Pension Fund Committee and Pension Fund Board to review with a recommendation for approval.

#### **2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Audit and Scrutiny Committee notes the Draft Unaudited Pension Fund Annual Report and Accounts for 2020/21.**

### **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 the current Funding Strategy Statement and Statement of Investment Principles.

### **4 ANNUAL REPORT AND ACCOUNTS 2020/21**

- 4.1 The draft Annual Report and Accounts for 2020/21 (the Annual Report) is attached at **Appendix 1**. The Annual Report will also be submitted to Audit and Scrutiny Committee on the 29 June 2021 for review prior to submission to the external auditors, Audit Scotland, by 30 June 2021. .
- 4.2 The Annual Report will also be made available for public inspection for a 3-week period commencing 30 June 2021.
- 4.3 It should be noted that the Annual Report remains draft pending the statutory external audit process.
- 4.4 The Committee will receive a copy of the final report at the end of the statutory external audit process prior to its submission to Council and publication.

### **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 Sustainable Development Goals**

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

**5.5 Climate Change**

There are no direct climate change 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 Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

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

No changes 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 are being consulted and their comments have been included in the report.
- 6.2 The Joint Pension Fund Committee and Pension Fund Board will consider the Annual Report and Accounts on 10 June 2021. Any comments from this will be reported at the meeting.

**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:**

**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.

Contact us at Pension & Investments Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 PSA

Tel: 01835 825249

email: t&cteam@scotborders.gov.uk

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# **SCOTTISH BORDERS COUNCIL PENSION FUND**

## **UNAUDITED ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR TO 31 MARCH 2021**

**Scottish Borders Council Pension Fund  
Annual Report and Accounts for the year to 31 March 2021**

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**Scottish Borders Council Pension Fund  
Annual Report and Accounts for the year to 31 March 2021**

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# **SECTION 1**

## **INTRODUCTION**

# Scottish Borders Council Pension Fund

## Annual Report and Accounts for the year to 31 March 2021

### CHAIRMAN'S REPORT

#### Introduction

Welcome to the Annual Report and Accounts for the Scottish Borders Council Pension Fund for the year ended 31 March 2021.



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 2020/21.

#### Highlights of the Year

##### Pension Fund Committee/Pension Board

During this unprecedented year of COVID restrictions the Pension Fund Committee has managed to continue with its work taking forward key developments of work and maintaining business continuity enabled by online technology.

The Joint meetings of the Committee and Board moved to virtual meetings during 2020/21 ensuring all necessary governance and decision making continued. All Members fully engaged successfully with new ways of working online, including fully meeting their individual training requirements.

The Investment and Performance Sub-Committee, met all of the Fund's investment managers during the year, which allowed the committee full scrutiny and oversight of the assets under management. Additional meetings were also held focused on key areas of risk resulting from the pandemic.

##### Funding

The Fund completed its 2020 Triennial valuation resulting in a funding position of 110%. Following discussion with the Fund Actuary employer contribution levels were maintained at the same level for the next 2 years, despite uncertainties arising from court cases, such as the McCloud judgement and the LGPS cost cap mechanism. The strong performance of the Fund's investments over the last 3 years has resulted in this continued strong funding position.

##### Investment Assets

The market crash in March 2020 resulting from Covid-19 uncertainty was fully recovered during the

year to 31 March 2021 with the Fund returning a positive 20.1% against the benchmark of 18.3%. Investment values consequently increased by £147.5m during the year, with continued good progress being made with respect to the implementation of the asset strategy.

##### Statement of Responsible Investment

The Committee believes that a positive approach to Environmental, Social and Governance (ESG) issues can positively affect the investment performance of the Fund. Progress continued to be made during the year with the implementation of the Fund's agreed Responsible Investment Policy. The second annual ESG monitoring report showed that 99.5% of the Funds' assets were 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 transitioned all its investments with Morgan Stanley during the year to its Global Sustain Fund which excludes tobacco, alcohol and stocks in carbon polluting businesses and continued to support the Climate Action 100+ initiative, as a signatory. The initiative is actively working to ensure the Paris Agreement on climate change targets are met.

##### Pensions Administration

Key targets have been met by the Pension Administration team with 100% of annual benefit statements distributed within the required timescales, the Funding Strategy Statement fully updated and an Admission Policy approved with the inclusion of a new cessation policy.

Covid-19 has brought new challenges, which the service has met, with good progress made on the delivery of actions set out in the Pension Fund's business plan. All payments to pensioners continued to be paid on time and queries were 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.

A handwritten signature in black ink that reads "David Locker".

Chairman, Pension Fund Committee  
Scottish Borders Council

**Scottish Borders Council Pension Fund**  
**Annual Report and Accounts for the year to 31 March 2021**

## **MANAGEMENT COMMENTARY SUMMARY**

### **OVERVIEW OF FUND BUSINESS**

Under the statutory provision of the Local Government Pension Scheme Scottish Borders Council is designated as an “Administering Authority” and is required to operate and maintain a pension fund – Scottish Borders Council Pension Fund (“the Fund”).

The Fund is used to pay pensions, lump sum benefits and other entitlements to scheme members and their dependants. Contributions to the Fund are made by employee members and by participating employers. The Fund also receives income from its investments, which includes equities, bonds, property, infrastructure, private credit and diversified alternatives.

The Fund operates under the regulations of the Local Government Pension Scheme, which is a public-sector pension arrangement. Scheme membership is made up of active, deferred and pensioner members. To be able to join the scheme, a person must be employed by a relevant employer and not eligible to join another public-sector pension scheme. Teachers are not included as they have a separate national pension scheme.

### **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 polices and strategies. Scrutiny of these decisions are provided by Scottish Borders Council Pension Fund Board. All key polices and strategies are located on the Fund’s website.

### **KEY NUMBERS OF THE FUND**

- Total membership of 11,664 (11,338 in 2019/20)
- Total pension paid £25.1m (£23.6m 2019/20)
- Total contributions received £20.6m (£19.8m 2019/20)
- Total investments held £859.7m (£712.3m 2019/20)
- Investment performance of 20.1% for 2020/21 (-1.7% 2019/20)

### **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.

As required within the Local Government Pension Scheme (Government)(Scotland) regulations the Fund has an established Pension Fund Board which meets jointly with the Pension Fund Committee. The Pension Fund Board is 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 Fund Board has 4 members representing the employers and 4 trade union members representing the employees.

## **Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021**

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 Joint Pension Fund Committee and Pension Fund Board. The key actions completed in 2020/21 were:-

- Completion of 2020 triennial valuation and setting of stable contribution rates.
- Full review and update of the Funding Strategy Statement with inclusion of new cessation policy.
- Completion of the agreed training programme for all members of the Pension Fund Committee and Pension Fund Board.
- Completion of a review of the Communication Strategy and continued engagement with employers.
- Completion of a procurement exercise for the appointment of an Investment Advisor resulting in reappointment of Isio.
- Robust monitoring and reporting of investment performance and Responsible Investment Policy completed
- Full review of the Funds with-holding taxation position completed on all investment assets
- Good progress was also made for implementation of a new self-service facility for members which will go live in 2021

The Fund has agreed the following key areas of development and improvement within its 2021/22 Business Plan.

- Review of all forms of communication material.
- Implementation of members self service facility via online portal
- Employer covenant review
- Improvement of systems to support home working
- Review of the Stewardship Code
- Review of the Funds strategic asset allocation following the 31 March 2020 valuation.
- Review of services provided by IT providers to ensure data is secure and adheres to cyber security requirements.
- Review of Responsible Investment Policy

### **RISKS AND UNCERTAINTIES**

Awareness and management of risks is a key control of the Funds strategic and operational activities. The Pension Fund is committed to a strong control environment to ensure risks are identified, understood, managed and monitored appropriately.

A full risk register is maintained by the Fund in line with CIPFA guidance and the Council's approach to risk management. Each risk identified is assessed to likelihood and impact with no controls in place and after controls are applied. Further controls identified and progress monitored and reported to the Joint Pension Fund Committee and Pension Fund Board on quarterly basis as part to Risk update reports. The Fund currently has 51 identified risks spread over Assets & investments, Employer, Resource & skill, Liability, Administrative, Regulatory & Compliance and Reputation. There is one risk remaining as a red assessment at 31 March 2021

## Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021

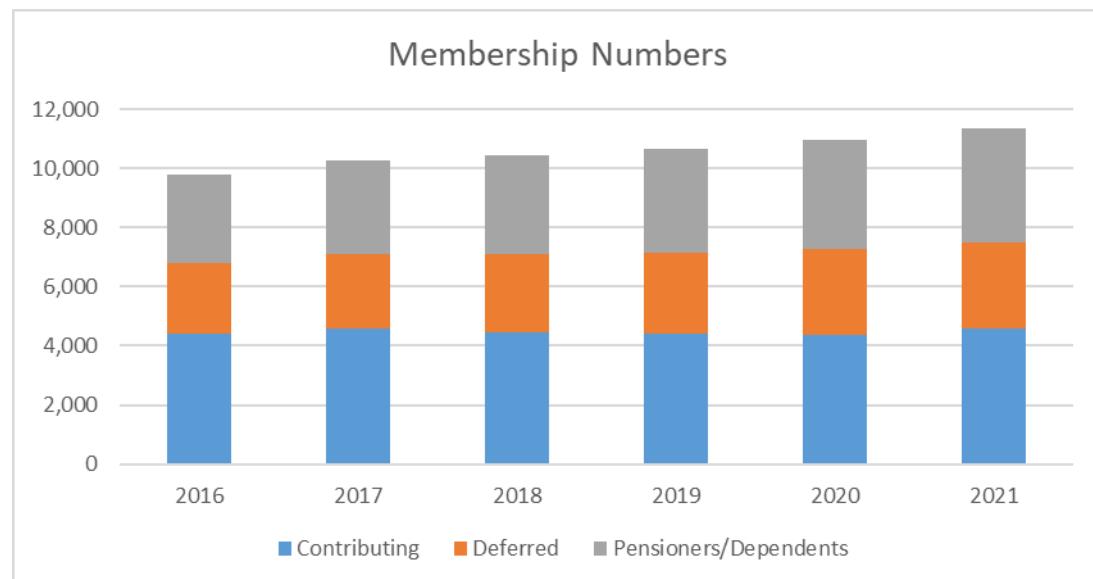
which is “Legislation and other regulatory framework changes impacting on the Fund”. The Fund is managing and monitoring this risk by ensuring it actively participates in all consultations and keeps abreast of all legislative and regulatory changes.

### **ADMINISTRATION AND MEMBERSHIP**

The Pension Administration Strategy sets out the performance standards required by both Scottish Borders Council, as the administrating authority and all employers of the Fund. The performance of the Fund against these standards is reported on an annual basis to the Joint Pension Fund Committee and Pension Fund Board. Performance against key performance indicators were very good with all targets being met, all contributions being received on time and no regulatory breaches which required to be reported to the Pension Regulator.

The Fund has paid pensions benefits of £25.1m during the year (£23.6m in 2019/20) and received contributions of £20.6m (£19.8m in 2019/20). The Fund has continued to mature with net withdrawals for dealing with members increasing to £6.6m during 2020/21 compared to £5.3m in 2019/20, 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 in accordance with scheme regulations in all instances. The ability for staff to work from home has allowed the administration function to continue to perform as normal through the adoption of alternative working practices.

The maturing nature of the Fund is reflected in the membership numbers which are shown in the table below. Overall members at 31 March 2021 increased during the year to 11,664 but active contribution members now only represent 40% of the membership compared to 45% at 31 March 2016. The continued decrease in active members has resulted in the Fund looking to its investments to provide income to ensure cash is available to pay the pensions as they are due.



During the year there was one bulk transfer which saw all members for Visit Scotland transferring from the Fund to Lothian Pension Fund. This reduced the membership numbers by seven pensioners, one active members and eight deferred members and the transfer of assets and liabilities valuing £1.8m.

## Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021

### **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 including video calls and telephone.

Due to Covid-19 the annual employer meeting was held virtually with additional information being shared virtually. Information was posted on the website for both members and employers including information on the Shared Costs AVC, pension increases, guidance on how to sign up to online access for payslips and all publications such as the Annual Report. The number of hits recorded on the website spiked during May and June 2020 during the height of the pandemic.

### **FUNDING**

The recently completed three yearly Actuarial Valuation for 31 March 2020 was completed recently which resulted in a funding position of 110% (114% at 31 March 2017) for the Fund. The next formal valuation of the Fund will be as at 31 March 2023. Interim monitoring was undertaken between the 2017 valuation and during the completion of the recent valuation. Monitoring of on the funding position will continue to be undertaken on a quarterly basis and reported to the Pension Fund Committee.

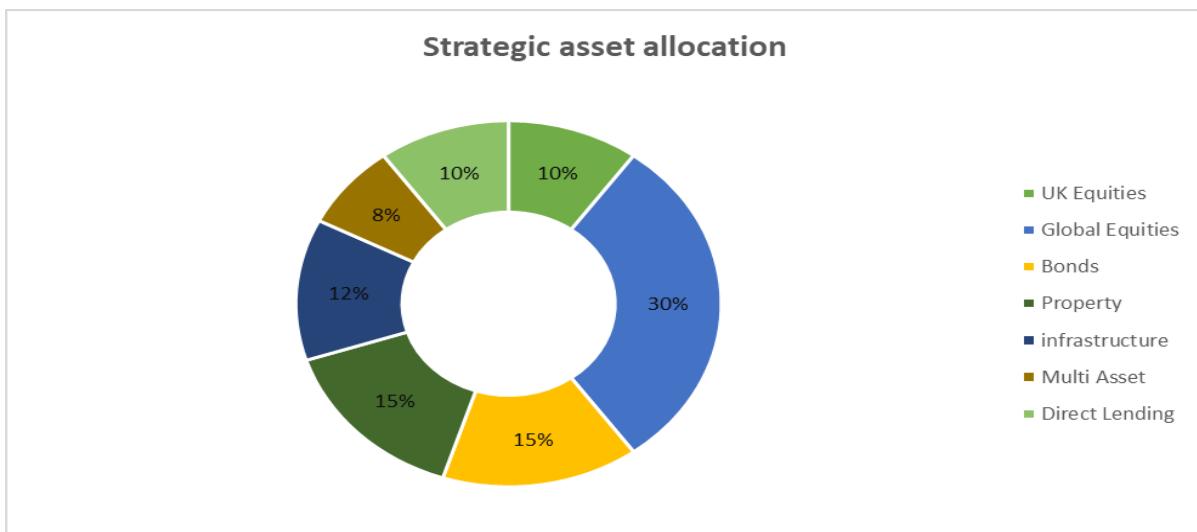
Uncertainties caused by GMP reconciliation, the scheme costs cap mechanism and legal challenges on the grounds of age discrimination, arising from the McCloud judgement may have an impact on the funding position. The 2020 valuation has included allowance for McCloud but not cost cap. The impact of any changes required due to the costs cap mechanism are currently unknown and therefore not able to be valued.

The Funding Strategy Statement approved on 4 March 2021 sets out the approach to funding. Further detail can be found in section 4 of the report and the full version of the Funding Strategy Statement is available via the Scottish Borders Council Pension Fund website.

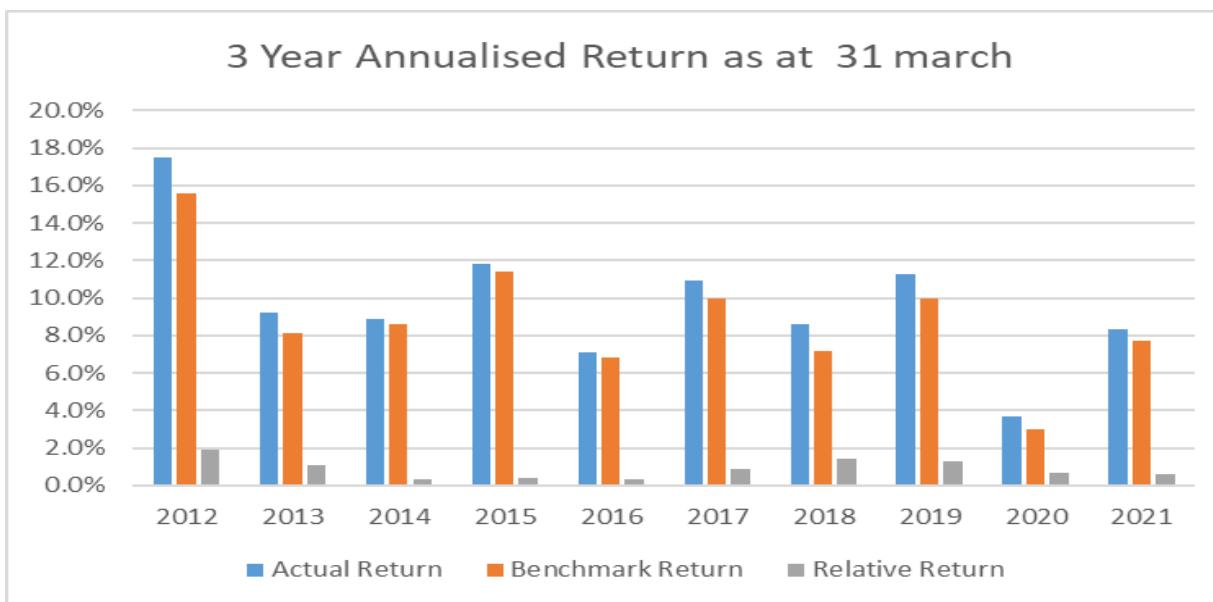
### **INVESTMENT RETURNS**

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 2017 Triennial Valuation of the Fund approved the asset allocation shown over, which spread investments over a number of key asset markets spreading the risk and increasing the diversification of the Fund. A further review of the asset allocation is planned for 2021/22 following the 2020 Triennial Valuation.

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The Fund's investment returns delivered a very positive return of 20.1% during 2020/21 (-1.7% 2019/20) against a benchmark of 18.3% (-1.9% 2019/20) for the year to 31 March 2021. The first quarter of the year saw investments in many areas start to return to pre Covid-19 levels. Investment returns have continued to improve throughout the year. The largest increase from 31 March 2020 levels was in the equity asset class which increased by £85m. Overall the Fund's assets increased by £147m from the 31 March 2021. The 2020/21 performance has fully offset the negative effect on investments values of Covid-19 allowing the Fund to maintain a positive 3 year annualised return once again outperforming the benchmark, as shown in the table below.



Investment markets during 2020/21 have at times been very volatile due the uncertainties around Covid-19 and the final Brexit agreement. 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 fully implement the strategy has continued, with equity exposure decreasing and funds being investing in longer term illiquid assets such as infrastructure and infrastructure debt. The Fund has increased its infrastructure and infrastructure debt investment over the year by £11m

## Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021

The Strategy has resulted in increased levels of investment income which has allowed the Fund to meet the increasing net withdrawal for dealing with payments to members, which increased to £6.6m compared to £5.3m in 2019/20.

### **ENVIRONMENTAL SOCIAL AND GOVERNANCE ISSUES**

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 second annual monitoring report on all the Funds managers. 15 out of the 17 managers are signatories of UNPRI with the two remaining manager only representing 0.5% 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 during 2020/21 transitioned a further £100m from the Morgan Stanley Global Brands Fund to their Global Sustain Fund which excludes tobacco, alcohol and stocks in carbon polluting businesses. The Fund continues to look for further opportunities to enhance its commitment to sustainability and climate change which will form a key criteria in future investment and procurement decision making.

### **CLIMATE ACTION 100+**

The Fund as a signatory continued to support the work undertaken by 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.

### **ACKNOWLEDGMENT**

The contribution and commitment of all elected members, employer and employee representatives and staff involved in ensuring the continued success of the Scottish Borders Council Pension Fund, particularly during this most challenging of years is gratefully acknowledged.

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## KEY TRENDS

Membership	2016/17	2017/18	2018/19	2019/20	2020/21
Active Members	4,466	4,409	4,376	4,573	4,647
Deferred Members	2,652	2,751	2,878	2,909	2,977
Pensioners	3,314	3,507	3,707	3,856	4,040
Total Members	10,432	10,667	10,961	11,338	11,664

Investments	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Opening Net Value	541,778	653,207	685,681	731,048	712,319
Movement in year	111,429	32,475	45,367	(18,728)	147,475
Closing Net Value	653,207	685,681	731,048	712,319	859,794
Investment Income	8,292	8,195	13,314	13,938	12,749
Investment Fees	3,051	8,192	5,848	5,296	5,310

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Administrative costs	(263)	(292)	(391)	(363)	(352)
Oversight & Governance costs	(241)	(233)	(289)	(263)	(318)
Pensions Income	19,447	19,610	20,647	21,200	21,737
Pensions Expenditure	(21,676)	(22,189)	(24,257)	(26,555)	(28,296)
Net Pensions Cash flow	(2,229)	(2,579)	(3,610)	(5,355)	(6,569)

## **SECTION 2**

## **GOVERNANCE**

# Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021

## 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).

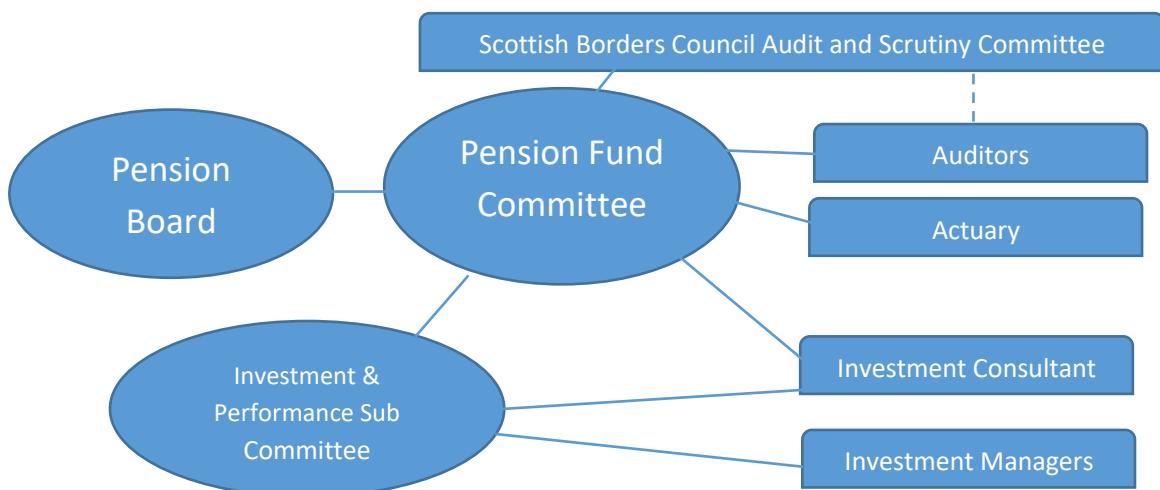
The Fund is administered in accordance with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance)(Scotland) Regulations 2014. The Fund adheres to Scottish Borders Council policies for managing conflicts of interests, codes of conduct and register of interests.

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.

## Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021

**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 Councillors 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.

## **Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021**

As at 31 March 2021 the Scottish Borders Council Pension Board membership comprised the following:-

**Employer Representatives:**

- Councillor Sandy Aitchison – Scottish Borders Council
- Hazel Robertson – Borders College
- Linda Ross – LIVE Borders
- Anthony Daye – South of Scotland Enterprise

**Employee Representatives:**

- David Bell – 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 2020. All identified actions are monitored and reported on a quarterly cycle, with the addition of any new risks that have materialised during the intervening period from the full risk review.

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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	5	7	-	-	9	3
Employer	1	6	-	-	2	5
Resource & Skill	-	5	-	-	2	3
Liability	2	5	-	-	2	5
Administrative	-	8	-	-	1	7
Regulatory & Compliance	4	2	-	1	3	2
Reputation	2	4	-	-	2	4
<b>Total Number of Risks</b>	<b>14</b>	<b>37</b>	<b>0</b>	<b>1</b>	<b>21</b>	<b>29</b>

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 2021, 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 2020/21 plan was approved on 22 June 2020 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.

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**Training attendance**

No of events	Committee Members		Board Members	
	%	Number	%	Number
5	28.5	2	25.0	2
4	28.5	2	37.5	3
3	28.5	2	25.0	2
2	14.5	1	12.5	1

The training covered the following areas:

- Financial Markets and Investment Products
- Investment Concepts and Terminology
- Environmental, Governance and Social governance
- Fund governance and Stewardship
- Key Pension Administration issues
- 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 2020/21. Due to a special meeting to approve the Funds response to the Scheme Advisory Board consultation an additional meeting was held.

No of meetings	Committee Members		Board Members	
	%	Number	%	Number
5	57.0	4	37.5	3
4	43.0	3	25.0	2
3	-	-	25.0	2
2	-	-	12.5	1

## **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 10 June 2021) 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:

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- 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 2020/21 – 2022/23, 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 Councillors 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 and Communications 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.

## Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021

- 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 2020-21 (page 22 -26 ).

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 the systems of internal control operating within the Scottish Borders Council Pension Fund during 2020/21 are adequate, and governance and risk management arrangements are effective

During 2020/21 the Internal Audit work included:

- An appraisal of the operation of corporate governance and risk management arrangements;
- A review of key controls including pension administration and financial management arrangements in place;
- A review of performance against objectives, including relevant performance information.

The Fund has effective governance arrangements in place through the joint meetings of the Pension Fund Committee and the Pension Fund Board that support scrutiny and transparency of decisions made. A Skills and Knowledge self-assessment is carried out annually by Members, a Training Plan is proposed to meet those needs, and Members' participation in training events is monitored to ensure Training policy commitments are met. 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 and reported to the joint meetings of the Committee and Board to demonstrate appropriate scrutiny and oversight of risk management.

Internal Audit work on Business World ERP System Key Controls, the findings from which were reported in Executive Summary format to the Council's Audit and Scrutiny Committee on 10 May 2021, included the testing of Pensioner Payroll payments. Specifically this confirmed that comprehensive assurance can be placed on key controls and processes to ensure that payroll transactions are valid, complete and accurate.

Best practice suggests that having a Business Plan for the Pension Fund was a good way of demonstrating compliance with the "Myners Principle" relating to effective decision making. The

## **Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021**

Business Plan 2020/21 to 2022/23 for the Pension Fund was approved by the Joint Pension Fund Committee and Board on 22 June 2020. 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 Joint Pension Fund Committee and Board meeting on 11 December 2020. Quarterly Performance Updates are presented in private by the Investment Advisor at the joint Committee and Board meetings. Pension Administration Performance is reported annually to the joint Committee and Board for its inclusion in the Fund's Annual Report and Accounts.

The 2020/21 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 Committee agrees a three year business plan on an annual basis to ensure the ongoing management and development of the Fund is in line with the longer term policy, objectives and strategy of the Fund. The plan sets out the key actions and sets timescales of each. The progress of the actions are reported mid-year to the Committee. The actions completed from the 2020/21 business plan are as follows

- Robust monitoring and reporting of investment performance and Responsible Investment Policy completed.
- Triennial valuation completed and Employer contribution rates set for next three years
- Full review and approval of Funding Strategy Statement completed with inclusion of cessation policy
- Review of with-holding taxation position completed on all investment assets
- Review completed of Pension Administration Strategy, Communication strategy, Governance Policy and Compliance statement
- Successful completion of procurement exercise for Investment advisor

The following area have been identified and included in the 2021/22 action plan submitted to the Joint Pension Fund Committee and Board for approval. These will enhance the existing governance arrangements:

- Review of all forms of communication material.
- Implementation of self service facility
- Employer covenant review
- Improvement of systems to support home working
- Review of Stewardship Code
- Review of strategic asset allocation following the 31 March 2020 valuation.
- Review of services provided by IT providers to ensure data is secure and adheres to cyber security requirements.
- Review of Responsible Investment Policy

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### **Impact of COVID-19**

At the start of the global Covid-19 pandemic Scottish Borders Council agreed 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 2020/21 all meetings were held virtually. The overall governance of the Fund remained in place with all meeting being held and papers and decisions being made available via the internet. All services have been fully maintained and all payments made in a timely manner. Investments which initially fell at the start of the pandemic bounced back quickly and additional monitoring meetings with Officers and 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 (pages 22- 26)

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## 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
<b>Structure</b>		
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 <b>Pension Fund Committee</b> (the Committee).</p> <p>The Committee comprises seven Councillors.</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 <b>Pensions Board</b> (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 <b>Investment and Performance Sub-Committee</b> (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 Committee and two (non-voting) members from the Pension Board.</p>

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Principle		Full Compliance	Comments
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Yes	<p>Minutes of the Sub-Committee and any other Sub-Groups are submitted to the Pension Fund Committee for approval.</p> <p>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.</p>
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.
<b>Committee Membership and Representation</b>			
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	<p>The Pension Board and Pension Fund Committee meet jointly ensuring employer and member (trade union) representation at meetings.</p> <p>The Investment Sub-Committee has two non-voting members from the Pension Board.</p> <p>The Independent Investment Consultant, Finance and HR Officers also attend in an advisory capacity.</p>
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	Yes	<p>All members of the Committee and Board are covered equally by the Training Policy (as amended annually in June).</p> <p>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</p>

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<b>Principle</b>		<b>Full Compliance</b>	<b>Comments</b>
	the decision making process, with or without voting rights.		papers and access meetings.
<b>Selection and role of lay members</b>			
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 Councillors 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.
<b>Voting</b>			
A	The policy of individual administering authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	This is set out in the Council's Scheme of Administration and the Pension Board's Constitution
<b>Training/Facility time/Expenses</b>			
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	Yes	Councillors expenses are managed under the Council's policies. The Training Policy also covers the reimbursement of training related expenses.

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Principle		Full Compliance	Comments
	in respect of members involved in the decision-making process.		
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.
<b>Meetings (frequency/quorum)</b>			
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.
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.
<b>Access</b>			
A	Subject to any rules in the Council's Constitution, all members of main and secondary committees or	Yes	Papers sent to all Committee/Board members as detailed in the Scheme of Administration.

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Principle		Full Compliance	Comments
	panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee		
<b>Scope</b>			
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.
<b>Publicity</b>			
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.

## **SECTION 3**

# **FINANCIAL STATEMENTS**

**Scottish Borders Council Pension Fund**  
**Annual Report and Accounts for the year to 31 March 2021**

## **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.

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## **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 2021 and the transactions of the Fund for the year then ended.

David Robertson  
Executive Director Finance and Regulatory  
Scottish Borders Council

29 June 2021

**Scottish Borders Council Pension Fund**  
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**FUND ACCOUNT for year ending 31 March 2021**

2019/20 £'000		2020/21 £'000	Notes
	<b>Dealings with members, employers and others directly involved in the scheme:</b>		
19,830	Contributions	20,666	7
1,370	Transfers in from other pension funds	1,061	8
21,200		21,727	
(23,635)	Benefits	(25,157)	9
(2,920)	Payments To And On Account Of Leavers	(3,139)	10
(26,555)		(28,296)	
(5,355)	<b>Net Additions/(Withdrawals) from Dealings with Members</b>	(6,569)	
(5,922)	<b>Management expenses</b>	(5,979)	11
	<b>Return on Investments:</b>		
13,938	Investment Income	12,749	12
(22,587)	Profits and (Losses) on Disposal of Investments and Changes in the Market Value of Investments	146,680	14
(115)	Taxes on Income	(45)	
(8,764)	<b>Net Return on Investments</b>	159,384	
(20,041)	<b>Net Increase/(Decrease) in the Fund during the Year</b>	146,836	
732,899	Opening Net Assets of the Scheme	712,858	
712,858	<b>Closing Net Assets of the Scheme</b>	859,694	

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.

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**NET ASSET STATEMENT as at 31 March 2021**

2019/20 £'000		2020/21 £'000	Notes
<b>713,000</b>	Investment Assets	<b>860,013</b>	14
<b>(681)</b>	Investment Liabilities	<b>(219)</b>	14
<b>712,319</b>	<b>Total net investment</b>	<b>859,794</b>	
	<b>Current Assets &amp; Liabilities</b>		
<b>2,487</b>	Current Assets	<b>2,614</b>	21
<b>(1,948)</b>	Current Liabilities	<b>(2,714)</b>	22
<b>539</b>		<b>(100)</b>	
<b>712,858</b>	<b>Net Assets of the Fund available to fund benefits at the period end</b>	<b>859,694</b>	

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

David Robertson CPFA  
Executive Director Finance and Regulatory

29 June 2021

**Scottish Borders Council Pension Fund**  
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## **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 2020/21 this was based on the valuation undertaken as at the 31 March 2020, 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 2020/21 ranged from 18% to 21.1%.

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 2021. From 1 April 2015 these contributions are based on the LGPS Regulations 2014 in line with the updated LGPS Scheme.

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### C) Benefits

The Local Government Pension Scheme is a defined benefit scheme. From 1<sup>st</sup> April 2015 benefits are accrued at a rate of 1/49<sup>th</sup> 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:

<b>Membership up to 31 March 2009</b>		<b>Membership from 1 April 2009 to 31 March 2015</b>		<b>Membership from 1 April 2015</b>
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"> <li>• Annual revaluation and pensions increase in line with CPI inflation</li> <li>• Partners and dependents pensions</li> <li>• Ill health protection</li> <li>• Death in service protection</li> </ul>				

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.

# Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021

## 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements summarise the Fund's transactions for the 20120/21 financial year and its position as at the 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* (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 2020/21 - 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.

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**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.

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- 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 57).

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**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 55. 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 2021 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 57).	Estimation of the net liability to pay pensions in the future depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson is	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <ul style="list-style-type: none"><li>- A 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £104m</li></ul>

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	<p>engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<ul style="list-style-type: none"> <li>- A 0.5% increase in the Consumer Price Index assumption for inflation would increase the value of the liabilities by £91m</li> <li>- A 0.5% increase in the long-term rate of salary increase would increase value of the liabilities by £11m, and</li> <li>- A 0.25% increase in assumed life expectancy would increase the liability by £5m</li> </ul> <p><i>Source – IAS26 report 2021</i></p>
Portfolio of Level 3 assets held	<p>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.</p>	<p>The total assets held in Level 3 £245.9m 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 £276.4m and £215.4m</p>

### **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, a higher degree of cautions 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 2021 which directly affect these accounts.

**Scottish Borders Council Pension Fund**  
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## 7 CONTRIBUTIONS RECEIVABLE

2019/20			2020/21		
Employers £'000	Members £'000	Total £'000	Employers £'000	Members £'000	Total £'000
14,889	4,845	19,734	Normal	15,500	5,135
81	-	81	Special/Pension Fund Strain	-	-
-	15	15	Additional Voluntary	-	31
<b>14,970</b>	<b>4,860</b>	<b>19,830</b>	<b>Total</b>	<b>15,500</b>	<b>5,166</b>
					<b>20,666</b>

2019/20 £'000	2020/21 £'000
15,532	17,739
856	917
3,442	2,010
<b>19,830</b>	<b>20,666</b>

## 8 TRANSFERS IN

There were no group transfers in to the scheme during 2020/21 or 2019/20 and the total of £1.061m (2019/20: £1.370m) represents the total of transfer values in respect of individual members joining the scheme.

## 9 BENEFITS PAYABLE

2019/20 £'000	2020/21 £'000
18,953	19,754
3,779	4,727
903	676
<b>23,635</b>	<b>25,157</b>

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2019/20		2020/21
£'000		£'000
21,465	Administering Authority	22,918
676	Scheduled Bodies	438
1,494	Admitted Bodies	1,801
<b>23,635</b>		<b>25,157</b>

## 10 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2019/20		2020/21
£'000		£'000
74	Refunds to members leaving service	49
2,846	Individual Transfers	1,286
	Group Transfers	1,804
<b>2,920</b>		<b>3,139</b>

The group transfer in 2020/21 represents the move of Visit Scotland members to Lothian Pension Fund.

## 11 MANAGEMENT EXPENSES

2019/20		2020/21
£'000		£'000
363	Administrative costs	352
5,296	Investment management expenses	5,310
263	Oversight and governance costs	318
<b>5,922</b>	<b>Total</b>	<b>5,980</b>

**Scottish Borders Council Pension Fund**  
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**11(a) Investment Management Expenses**

2020/21	Total	Management fees	Transaction cost
	£'000	£'000	£'000
Equities	1,027	738	289
Pooled Investments	2,917	2,415	502
Private Equity/Infrastructure	722	620	102
Property	560	232	328
<b>Total</b>	<b>5,226</b>	<b>4,005</b>	<b>1,221</b>
Custody fees	84		
<b>Total</b>	<b>5,310</b>		
2019/20	Total	Management fees	Transaction cost
	£'000	£'000	£'000
Equities	807	715	92
Pooled Investments	3,041	2,453	588
Private Equity/Infrastructure	638	322	316
Property	719	329	390
<b>Total</b>	<b>5,205</b>	<b>3,819</b>	<b>1,386</b>
Custody fees	91		
<b>Total</b>	<b>5,296</b>		

**12 INVESTMENT INCOME**

2019/20 £'000			2020/21
			£'000
3,356	Dividends from equities		2,571
5,527	Income from Pooled Investment vehicles		6,521
4,902	Income from Pooled Property Investment vehicles		3,657
153	Interest on Cash Deposits		0
<b>13,938</b>			<b>12,749</b>

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### 13 OTHER FUND ACCOUNT DISCLOSURES

#### 13(a) External Audit Costs

In 2020/21 the agreed audit fee for the year was £21,510 (2019/20 £21,040). The external auditor is Audit Scotland.

### 14 INVESTMENTS

Market Value at 31 March 2020 £'000		Market Value at 31 March 2021 £'000
<b>Investment Assets</b>		
164,635	Equities	217,762
329,466	Pooled Investments	462,712
97,461	Pooled Property Investments	95,298
58,458	Private Equity/Infrastructure	69,690
50,583	Diversified Alternatives	-
-	Derivative Contracts	-
11,021	Cash Deposits	13,132
1,151	Investment Income Due	994
225	Amounts receivable for sales	425
713,000	<b>Total Investment Assets</b>	860,013
<b>Investment Liabilities</b>		
(681)	Amounts payable for purchases	(219)
712,319	<b>Net Investment Assets</b>	859,794

#### 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 1/4/2020 £'000	Purchases & Derivative Payments £'000	Sales & Derivative Receipts £'000	Change to Market value during year £'000	Closing Market Value 31/3/2021 £'000
Equities	164,635	59,151	(93,712)	87,688	217,762
Pooled Investments	329,466	32,640	(9,101)	109,708	462,713
Pooled Property Investments	97,461	813	-	(2,976)	95,298
Private Equity/Infrastructure	58,458	9,714	(1,654)	3,173	69,691
Diversified Alternatives	50,583	-	-	(50,583)	-
Derivative Contracts	-	1	(10)	9	-

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	<b>700,603</b>	102,319	(104,477)	147,019	<b>845,464</b>
<b>Other Investment Balances</b>					
Cash Deposits	<b>11,021</b>			(212)	<b>13,132</b>
Amount receivable for sales	<b>225</b>				<b>424</b>
Investment Income due	<b>1,151</b>				<b>993</b>
Spot FX Contract	-			(127)	<b>1</b>
Amount Payable on Purchase	(681)				<b>(220)</b>
<b>Net Investments</b>	<b>712,319</b>			146,680	<b>859,794</b>

**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. The diversified alternatives fund previously a segregated fund following a review was moved in full to a pooled fund with the same Manager covering the same asset classes.

**14(b) Investment Analysed by Fund Managers**

Investment Management was undertaken on behalf of the Fund during the financial year by 17 firms of investment managers, these are shown below. The Fund has also during 2020/21, continued to make investments into infrastructure via collaborative working with Lothian Pension Fund and directly with Macquarie. As at 31 March 2021 the market value of the assets under management, broken down by manager and mandate (including cash held within each mandate) was:

31-Mar-20		31-Mar-21	
£'000	%	£'000	%
44,037	6.2	UBS	Pooled Fund -UK Equities
29,683	4.2	Baillie Gifford	UK Equities
137,839	19.4	Baillie Gifford	Global Equities
98,719	13.9	Morgan Stanley	Pooled Fund - Global Equities
92,086	12.9	M&G	Pooled Fund - Diversified Income
42,304	5.9	M&G	Pooled Fund - Bonds
38,475	5.4	UBS	Pooled Fund -Property
59,880	8.4	Blackrock	Pooled Fund – Property

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50,583	7.1	LGT	Pooled Fund - Alternatives	59,823	7.0
23,494	3.3	Partners Group	Pooled Fund – Private Credit	27,424	3.2
27,736	3.9	Permira	Pooled Fund – Private Credit	24,728	2.9
2,755	0.4	Alinda	Infrastructure	3,100	0.4
3,065	0.4	KKR	Infrastructure	3,449	0.4
1,329	0.2	Infrared	Infrastructure	1,226	0.1
11,236	1.6	Dalmore	Infrastructure	13,595	1.6
1,340	0.2	Brookfield	Infrastructure	1,421	0.2
1,100	0.1	Macquarie	Infrastructure	1,636	0.2
1,500	0.2	Equitix	Infrastructure	1,701	0.2
2,474	0.4	Gaia	Infrastructure	2,162	0.3
1,612	0.2	Oaktree	Infrastructure	2,342	0.3
32,047	4.5	Macquarie	Pooled Fund -Infrastructure Debt	39,059	4.5
9,025	1.3	Internal	Internally Managed Cash & Investments	8,488	0.9
<b>712,319</b>				<b>859,794</b>	

The benchmarks and performance targets for each manager as at the 31 March 2021 are contained in the Statement of Investment Principles published on the Pension Fund website.

#### **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 2021. Each of the investments comprises units in a managed fund.

	As at 31 March 2020		As at 31 March 2021	
	£'000	% of Fund	£'000	% of Fund
M&G Alpha Opportunities Fund	92,086	12.9	116,311	13.5
M&G Index Linked	42,304	5.9	62,691	7.3
Morgan Stanley Global Brands Fund	98,719	13.9	118,407	13.8
Blackrock – Long Lease Property	59,880	8.4	58,181	6.8
LGT Crown SBC Segregated Portfolio	50,583	7.1	59,823	7.0
UBS UK Passive Equities	44,037	6.2	51,592	6.0

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### **Fund Performance**

The total Fund return for the year was 20.1% with a relative return over benchmark of 18.3%. Over three years the Fund has generated an annualised return of 8.3% per annum, with a relative return over benchmark of 7.7% per annum. Further information on this is contained in- Investments page 78.

### **14 (c) 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 2021 stock with a market value of £24.5m 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.

<b>Settlements</b>	<b>Currency Bought</b>	<b>Local Value £000's</b>	<b>Currency Sold</b>	<b>Local Value £000's</b>	<b>Asset Value £000's</b>	<b>Liability Value £000's</b>
Under 1 month	GBP	0	0	0	0	0
Open forward currency contracts at 31 March 2021					0	0
Net forward currency contracts at 31 March 2021					0	0
Open forward currency contracts at 31 March 2020					0	0
Net forward currency contracts at 31 March 2020					0	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

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unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

**16(a) Fair Value Hierarchy**

Values as at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £000's	With significant unobservable inputs Level 3 £000's	Total £000's
<b>Financial assets at fair value through profit &amp; loss</b>				
Equities	217,762			217,762
Pooled Investments	349,001	2,972	110,739	462,712
Pooled Property Investments		29,795	65,503	95,298
Private Equity/Infrastructure			69,691	69,691
Cash Deposits	13,132			13,132
Other Investment assets		2		2
Investment Income due	990	3		993
Amounts receivable for sales		424		424
<b>Net Investment Assets</b>	<b>580,885</b>	<b>33,196</b>	<b>245,933</b>	<b>860,014</b>
<b>Financial liabilities at fair value through profit &amp; loss</b>				
Payable for investment purchase		(220)		(220)
<b>Total</b>	<b>580,885</b>	<b>32,976</b>	<b>245,933</b>	<b>859,794</b>

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Values as at 31 March 2020	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £000's	Level 3 £000's	£000's
<b>Financial assets at fair value through profit &amp; loss</b>				
Equities	164,635			164,635
Pooled Investments	277,203	1,092	104,921	383,216
Pooled Property Investments		31,314	62,980	94,294
Private Equity/Infrastructure			58,458	58,458
Cash Deposits	11,021			11,021
Investment Income due	1,151			1,151
Amounts receivable for sales		225		225
<b>Net Investment Assets</b>	<b>454,010</b>	<b>32,631</b>	<b>226,359</b>	<b>713,000</b>
<b>Financial liabilities at fair value through profit &amp; loss</b>				
Payable for investment purchase		(681)		(681)
<b>Total</b>	<b>454,010</b>	<b>31,950</b>	<b>226,359</b>	<b>712,319</b>

**16(b) Transfers between Levels 1 and 2**

There have been no funds transferred from level 1 to level 2 during the year.

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

	Market Value 1 April 2020 £'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 2021 £'000
Alternatives	<b>50,583</b>		(50,583)	(11,200)	11,200	-
Overseas Equity	<b>8,508</b>	2,541	(1,321)	(227)	484	<b>9,985</b>
Private Credit funds	<b>51,230</b>	3,998	(5,099)	787		<b>50,916</b>
UK Property	<b>66,088</b>	1,200		(1,783)		<b>65,505</b>
Overseas Venture Capital	<b>49,950</b>	7,257	(333)	2,831		<b>59,705</b>
UK Venture Capital		50,583		9,239		<b>59,822</b>
<b>Total</b>	<b>226,359</b>	<b>65,579</b>	<b>(57,336)</b>	<b>(353)</b>	<b>11,684</b>	<b>245,933</b>
	Market Value 1 April 2019 £'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)	-	<b>50,583</b>
Overseas Equity	2,450	5,887	(859)	779	251	<b>8,508</b>
Private Credit	47,611	11,489	(6,697)	(1,173)	-	<b>51,230</b>
UK Property	66,181	750	-	(843)	-	<b>66,088</b>
Overseas Venture Capital	18,999	34,600	(1,722)	(1,895)	(32)	<b>49,950</b>
<b>Total</b>	<b>186,919</b>	<b>52,726</b>	<b>(9,278)</b>	<b>(4,227)</b>	<b>219</b>	<b>226,359</b>

Transfers to level 3 reflect the investment into Infrastructure as part of the implementation of the revised Investment Strategy.

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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.

**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 2021.

	Assessed valuation range (+/-)	Value at 31 March 2021 £'000	Value on increase £'000	Value on decrease £'000
Diversified Alternatives	22.0%	59,822	72,984	46,662
Overseas Venture Capital	12.0%	10,467	11,724	9,213
Private Credit	10.5%	50,917	56,263	45,570
UK Property	8.6%	65,504	71,110	59,897
UK Venture Capital	8.7%	59,223	64,371	54,075
Total		245,933	276,452	215,417

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## 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 2020				31 March 2021		
Fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000		Fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000
<b>Financial assets</b>						
164,635	-	-	Equities	217,762		
329,466	-	-	Pooled Investments	462,712		
97,461	-	-	Pooled Property Investments	95,298		
58,458			Infrastructure	69,691		
50,583			Diversified Alternatives			
	11,021		Cash		13,132	
	1,151		Other Investment balances		995	
	225		Debtors		424	
<b>700,603</b>	<b>12,397</b>	<b>-</b>		<b>845,463</b>	<b>14,551-</b>	<b>-</b>
<b>Financial Liabilities</b>						
-	-	-	Derivative Contract			
-	-	-	Other investment balances			
-	-	(681)	Creditors			(220)
<b>700,603</b>	<b>12,397</b>	<b>(681)</b>	<b>Total</b>	<b>845,463</b>	<b>14,551</b>	<b>(220)</b>
<b>712,319</b>						<b>859,794</b>

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**17 (a) Net Gains and Losses on Financial Instruments**

31 March 2020 £000		31 March 2021 £000
	<b>Financial assets</b>	
(22,738)	Designated at fair value through profit & loss	146,959
153	Loans & receivables	
-	<b>Financial Liabilities</b>	
-	Fair value through profit & Loss	9
(2)	Loans & receivables	(288)
<b>(22,587)</b>	<b>Total</b>	<b>146,680</b>

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 15. 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.

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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	20.3
Global Equities	20.5
UK Bonds	11.5
Property	10.0
Alternatives	10.4
Cash	1.0

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:

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Asset Type	Value as at 31 Mar 21 £'000	+/- % Change *	Value on Increase £'000	Value on Decrease £'000
UK Equities	112,771	20.3	135,663	89,878
Global Equities	282,502	20.5	340,414	224,589
UK Bonds	179,002	11.5	199,588	158,417
Property	95,402	10.0	104,942	85,861
Alternatives	181,665	10.4	200,558	162,772
Cash	8,453	1.0	8,538	8,367
<b>Total Assets</b>	<b>859,795</b>		<b>989,703</b>	<b>729,884</b>

\*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 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 2020 and 31 March 2021 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 2020	At 31 March 2021
	£'000	£'000
Cash and Cash Equivalents	13,258	10,091
	13,258	10,091

### 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:

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Asset Type	Value as at 31 Mar 21 £'000	Effect on Asset Values	
		Favourable Rate Move + 100 BPS £'000	Unfavourable Rate Move -100 BPS £'000
Cash and Cash Equivalents	10,091	100	(100)

### 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.

The following table summarises the Fund's currency exposure at 31 March 2021:

Currency exposure by asset type	As 31 March 2021	
	£'000	
Overseas Equities	150,377	
Overseas Fixed Income Funds	116,311	
Overseas Equity Funds	178,230	
Overseas venture capital	9,985	
<b>Total</b>	<b>454,903</b>	

### Currency risk – sensitivity analysis

Asset Type	Value as at 31 Mar 21 £'000	+/- % Change *	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	150,377	9.4%	164,513	136,242
Overseas Fixed income	116,311	8.4%	126,081	106,541
Overseas Equity Funds	178,230	9.4%	194,983	161,476
Overseas venture capital	9,985	9.0%	10,884	9,086
<b>Total Assets</b>	<b>454,903</b>		<b>496,461</b>	<b>413,345</b>

### Credit Risk

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

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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 2020 £'000	Balance at 31 March 2021 £'000
<b><i>Bank Current Accounts</i></b>			
Bank of Scotland	A+	2,237	1,952
Northern Trust	AA	11,021	8,139
<b>Total</b>		<b>13,258</b>	<b>10,091</b>

### 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 2021, 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.

### 2020 Actuarial Valuation

The 2020 Actuarial Valuation was undertaken for the Fund as at 31 March 2020 (full report available on the Scottish Borders Council Pension Fund website). The Valuation was completed during the financial year 2020/21 by the Funds actuaries, Hyman Robertson. It has been undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2014.

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The funding level of the Fund as at the 31 March 2020 was 110%, compared to the 31 March 2017 valuation of 114% and this corresponded to a surplus of £63m. The following table summarises the funding position.

Past Service Funding Position – Scottish Borders Council Pension Fund		
Valuation Date as at 31 March	2017 £m	2020 £m
Value of the Scheme Liabilities	(573)	(650)
Smoothed Asset Value	653	713
<b>Surplus/ (Deficit)</b>	<b>80</b>	63
<b>Funding Level</b>	<b>114%</b>	<b>110%</b>

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 31<sup>st</sup> March 2023.

#### **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 2020) were:

	2017 Valuation	2020 Valuation
	% p.a.	% p.a.
Investment Return	5.0	3.8
Pay Increases – Long Term	3.8	2.6
Pension Increases	2.8	1.9
Discount Rate	5.0	3.8

#### **Demographic Assumptions**

The mortality assumptions used and applied to all members are bespoke set of Vita Curves tailored to fit the membership profile of the Fund. Future improvement of mortality have been allowed based on CMI 2019 model with an allowance for smoothing of recent mortality experience and long term rate of improvement of 1.5% p.a. for both women and men.

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Life Expectancy after age 65		31 March 2017	31 March 2020
Pensioners	Male	21.7	20.9
	Female	24.3	23.5
Non Pensioners	Male	23.5	21.9
	Female	26.2	25.4

**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.

**50:50 option**

It is assumed that 0% of active members will take up the 50:50 option in the LGPS 2014 scheme.

**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.

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 2019 £m	31 March 2020 £m	31 March 2021 £m
Present value of the defined benefit obligations	(941)	(887)	(1,088)
Fair Value of Fund Assets* (bid value)	733	713	860
Net Asset/(Liability)	(209)	(174)	(228)

The McCloud judgement, which relates to age discrimination arising from public sector pension scheme transition arrangements has been included in the obligations figures above. The obligations also include a calculation for the Guaranteed Minimum Pension (GMP) equalisation which is still currently awaiting guidance from Treasury. The GMP reconciliation exercise is still ongoing but is unlikely to be significant, no allowance has therefore been made in the obligations.

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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 2019	At 31 March 2020	At 31 March 2021
	% p.a.	% p.a.	% p.a.
Discount Rate	2.4	2.3	<b>2.85</b>
Pay Increases – Long Term	3.5	2.9	<b>3.55</b>
Pension Increases	2.5	1.9	<b>2.0</b>

As noted above, liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2020 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 2020 £'000	As 31 March 2021 £'000
<b>Short term debtors</b>		
Contributions Due – Employees	15	30
Contributions Due - Employers	43	87
	<b>58</b>	<b>117</b>
Transfer value receivable (joiners)	102	456
Sundry Debtors	9	7
Prepayments	81	82
<b>Total</b>	<b>250</b>	<b>662</b>
<b>Cash Balances</b>	<b>2,237</b>	<b>1,952</b>
<b>Total</b>	<b>2,487</b>	<b>2,614</b>

## 22 CURRENT LIABILITIES

Current Liabilities	As 31 March 2020 £'000	As 31 March 2021 £'000
Transfer value payable (leavers)	198	566
Sundry Creditors	1,498	1939
Benefits payable	252	209
<b>Total</b>	<b>1,948</b>	<b>2,714</b>

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## **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 2021 was £1.636m (2020 £1.2324m). During the year contributions in totalled £0.356m, while payments out of the AVC fund totalled £0.293m. 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 £1.43m (2020: £1.50m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.005m (2020 £0.005m). The Council charged the Pension Fund £0.281m (2020 £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 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	2020 £'000	2021 £'000
Due (to)/from Scottish Borders Council	(142)	(244)

### **Governance**

Six members of the Pension Fund Committee were active members of the Pension Fund during 2020/21. One member of the Pension Fund Committee was 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 2020 £000's		31 March 2021 £000's
96	Short-term benefits	111
-	Post-employment benefits	-
4	Other long-term benefits	7
-	Termination benefits	
100	Total	118

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

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## **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. 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, however, an allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the 31 March 2021 balance sheet.

### **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 has been received from HMRC and will be reviewed once the year end postings have been completed for the 2020-21 year end to ensure we meet the statutory deadline for Annual Benefit Statements.

## **29 POST BALANCE SHEET EVENTS**

The unaudited Statement of Accounts was issued by the Executive Director Finance & Regulatory on 30 June 2021. Events taking place after this date are not reflected in the financial statements or notes.

## **SECTION 4**

## **ADMINISTRATION**

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## PENSION ADMINISTRATION STRATEGY

The Pension Administration Strategy approved in September 2020 sets out the procedures and performance standards required by both Scottish Borders Council, as administrating 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 administrating 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 2021 is set out over

### Employer Performance Measures

#### Service Standards

Standard – target completion 90%	Volume	%age Met
New starts notification – within 20 working days	681	100%
Change notification – within 20 days	671	100%
Retirement info – at least 20 working days before	237	100%
Early leaver notification – within 20 working days	582	100%
Death in service notification – within 10 working days	6	100%

### Contribution Payments

The following tables compare the date contribution payments are received against the target date, of 19<sup>th</sup> 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	9		100%
Borders College	12		100%
Scottish Borders Housing Association	12		100%

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Jedburgh Leisure Facilities Trust	12		100%
Borders Sport and Leisure Trust	12		100%
AMEY Community Limited	12		100%
SB Cares	12		100%
CGI	12		100%
South of Scotland Enterprise	12		100%

There were no late payments received during 2020-21. Visit Scotland shows nine payments as they were transferred from the Scottish Borders Council Pension Fund to Lothian Pension Fund on 1<sup>st</sup> January 2021.

### **Administering Authority Performance Measures**

#### **Service Standards**

Standard	Volume	Target	%age Met
Estimates – Transfer In	50	20 days	58.0%
Estimates – Transfer Out	31	20 days	35.5%
Estimate – All Other	1,155	10 days	87.3%

With the move to homeworking due to the pandemic staff were focusing on ensuring payments were made on time and adopting to new working practices it was accepted that it was not going to be possible to record all queries received as in previous years. Therefore, it has not been possible to provide the split as previous. We also saw a move towards queries coming in via email, which is reflected in the table below.

Type of Query	Volume	Target	%age Met
Phone Calls logged	79	5 days	100%
Annual Benefit Statement Queries	279	5 days	100%
Emails to <a href="mailto:pensions@scotborders.gov.uk">pensions@scotborders.gov.uk</a> mailbox	3,614		Not Measured
Total	3,972		

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### **Other Measures**

Area	Measure	Completed
Employer Liaison Meetings	1 per annum	2 <sup>nd</sup> March 2021
Benefit Statements	by end of August	24th August 2010

The sixth liaison meeting, held virtually, with all Admitted and Scheduled Bodies was held during 2020/21 and covering the changes that had been made to the annual reporting for the 2020/21 year end and afforded the employers the chance to ask questions to the Pensions Team. Going forward we will continue to hold the liaison meeting towards the end of the financial year where we will discuss up-coming legislative changes and requirements for the year end processing.

### **Key Administration Tasks**

Task	Total received
New entrants	679
Early leavers	468
Retirements	237
Deaths in service	6
Deaths in deferment	2
Deaths in retirement	91
New Widows(ers), Child Pensions	50
Estimates	1,155
Pension credit members	0

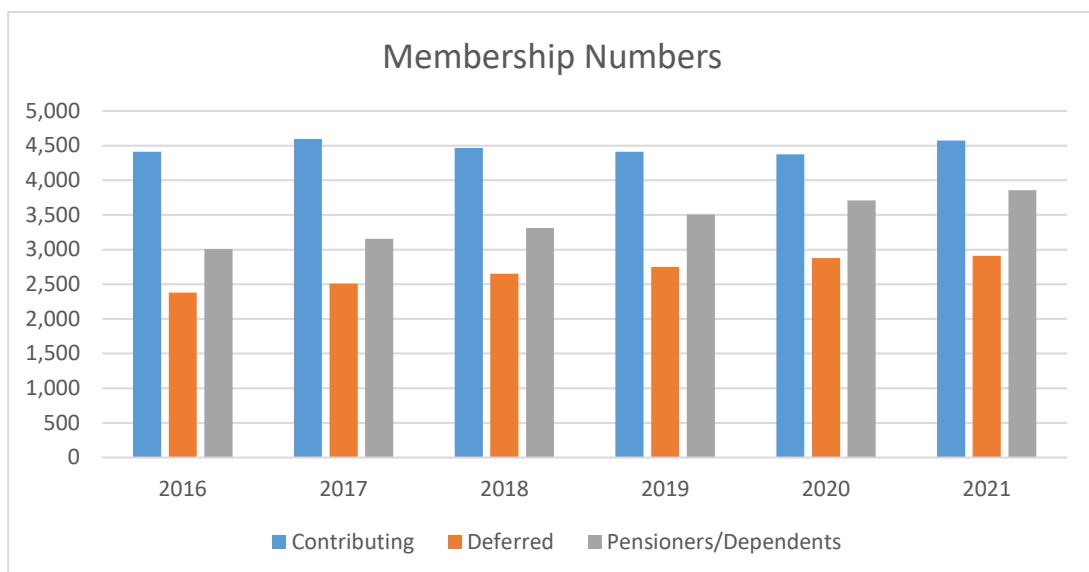
## **MEMBERSHIP**

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

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

The current membership of the Fund is 11,664, of which 4,647 are actively contributing and 4,040 are in receipt of their benefits. The table over provides a summary of the trends in membership:

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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 2021	Number of Contributors	Pensioners	Deferred Pensioners	Total
<b>Scheduled Bodies:</b>				
Scottish Borders Council	4,138	3,605	2,542	10,285
Borders College	195	92	77	364
	<b>4,333</b>	<b>3,697</b>	<b>2,619</b>	<b>10,649</b>
<b>Admitted Bodies</b>				
Scottish Borders Housing Association	67	104	74	245
LIVE Borders	136	59	68	263
Jedburgh Leisure Facilities Trust	2	2		4
Amey Community Limited (TUPEE Staff only)	2	9	3	14
CGI (TUPEE Staff only)	28	8	9	45
South of Scotland Enterprise	79			79
	<b>314</b>	<b>182</b>	<b>154</b>	<b>650</b>
<b>Admitted Bodies no contributing members</b>				
SB Carers		123	179	123
Gala Youth Project		2		2
Scottish Borders Careers		2	2	4
L&B Community Justice Authority		2	7	9
BC Consultants		15	15	30
Others		17	1	18
	<b>0</b>	<b>161</b>	<b>204</b>	<b>365</b>
<b>Total</b>	<b>4,647</b>	<b>4,040</b>	<b>2,977</b>	<b>11,664</b>

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## Visit Scotland Transfer

Scottish Ministers requested the consolidation of all Pension Scheme members of the Local Government Pension Scheme into one single Fund. As a result it was necessary to carry out a bulk transfer of scheme members from the Scottish Borders Council Fund to Lothian Pension Fund. The transfer saw seven pensioners, one active member and eight deferred members' transfer, with the bulk transfer value, as agreed by Fund Actuaries, of £1,804,036.28

## COMMUNICATION POLICY AND PERFORMANCE

### COMMUNICATION POLICY

The Fund approved the current Communications Policy on 24 September 2020. 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:-

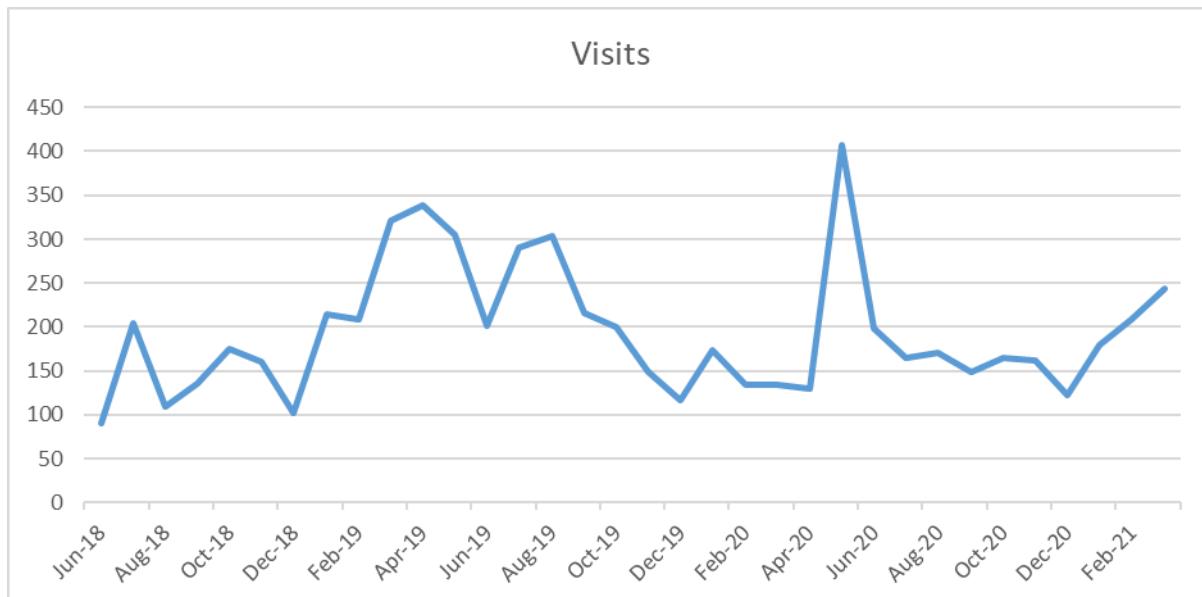
Fund website to provide information to as many stakeholders as possible at a time that suits them we provide access to the following: -

- 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](http://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.

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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 to end of March 2021. The scheme website can be found at [www.scottishborderscouncilpensionfund.org](http://www.scottishborderscouncilpensionfund.org)



## COMMUNICATION PERFORMANCE

The following communications took place during 2020/21

- The Employer Liaison meeting was held as a virtual meeting due to the restrictions in place as a result of the Covid-19 situation. In addition to 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.
- Information continues to be 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
- Details of Shared Cost AVC
- 7,067 Annual Benefits statements and newsletter issued.

## **SECTION 5**

## **FUNDING**

## 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-term 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 4 March 2021 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.

### Aims and Purpose of the Fund (Section 1, page 2 of FSS)

Aims To:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- enable primary contribution rates to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

Purpose To:

- Pay pensions, lump sums and other benefits to scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive contributions, transfer values and investment income.

### Funding Strategy (Section 5, page 5 of FSS)

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

- A funding level of 100%, as assessed by the Fund's appointed actuary, triennially, in accordance with the Regulations;

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- 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 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 2020

The Triennial Funding Valuation as at the 31 March 2020 was undertaken during 2020 and the final certified report was presented to the joint meeting of the Pension Fund Committee and Pension Board on 4 March 2021. 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 2020 Valuation was a funding level of 110% a slight reduction in the position assessed at 2017 of 114%. The funding position equates to a surplus of over £63m and the advice of the Actuary is that this surplus be used over time to partially offset increases in the primary employer's contribution rate of 21.9%. The Fund's common pool contributions rate remains stable for the first two years but due to uncertainties around the impact of McCloud and the Cost Cap Mechanism rates will be increased by 0.5% from 1 April 2023. Employers out with the common pool have seen individual employer rates change for specific circumstances.

	Past Service Funding Position – Scottish Borders Council Pension Fund		
Valuation Date as at 31 March	2014 £m	2017 £m	2020 £m
Value of the Scheme Liabilities	487	(573)	(650)
Smoothed Asset Value	490	653	713
<b>Surplus/ (Deficit)</b>	<b>3</b>	<b>80</b>	<b>63</b>
<b>Funding Level</b>	<b>101%</b>	<b>114%</b>	<b>110%</b>

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Note 19 to the Statement of Accounts on page 55, contains details of the outcome and assumptions used in the 2020 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 2020 Actuarial Valuation, the Actuary certified the primary rate at 21.9%. However in agreement with the Actuary a secondary rate of 3.96% has been deducted to allow the common rate of contribution as 18% of payroll for the next two years with an increase of 0.5% on 1 April 2023. The secondary rate will reduce the surplus of £63m over 50 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	
	2019/20	2020/21
Scottish Borders Council Common Pool	18.0%	18.0
Scottish Borders Housing Association – Individual	20.3%	20.3
CGI	21.1%	21.1
South of Scotland Enterprise	20.6%	20.6

### **Valuation for Statutory Accounts at 31 March 2020**

Note 20 to the Statement of Accounts on page 57, 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 2020 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](#)

## **SECTION 6**

## **INVESTMENTS**

## **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. Following the 2020 Triennial Valuation which reported a funding position of 110% and investment target returns of 3.8% the Fund will be undertaking a review of its Statement of Investment Principles and it's target asset allocation.

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

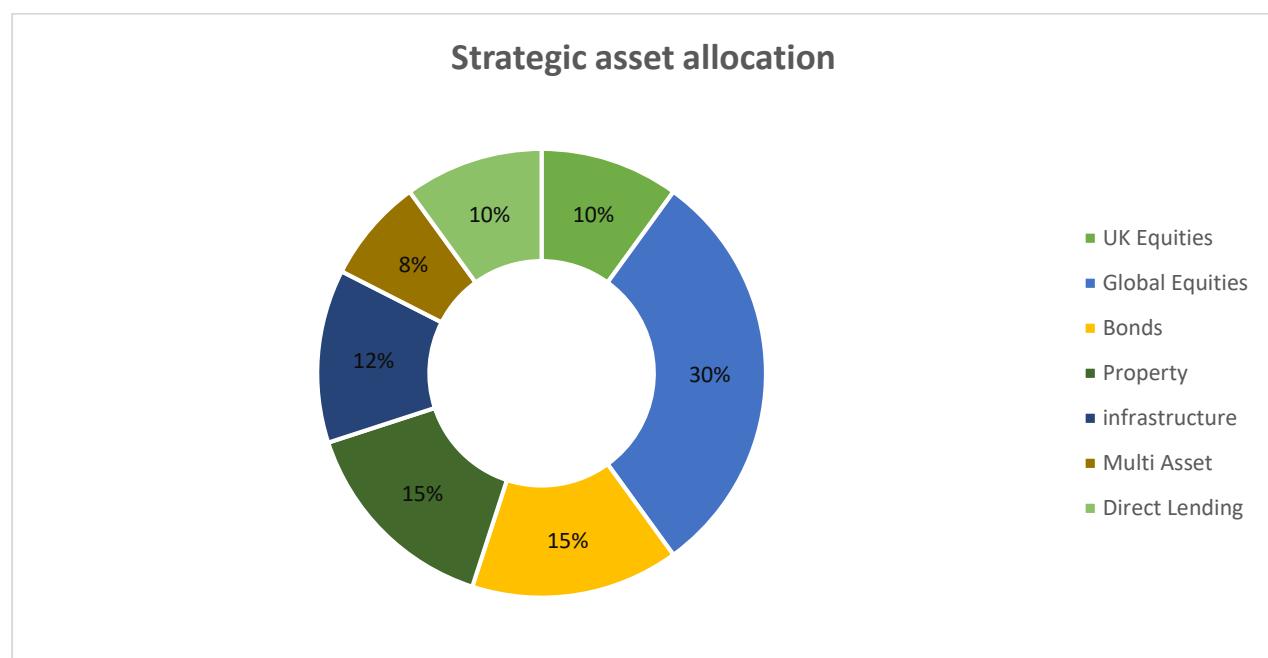
The Fund's investment objective is to support the Funding Strategy by adopting an Investment strategy and structure, which incorporates an appropriate balance between risk and return.

Following the 2017 Triennial Valuation, which showed the Fund at 114% 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 2020 showed the Fund at 110% funded and will be undertaking a review of the strategic asset allocation.

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, meaning the Fund is in 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 which will be reviewed in June 2021.



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:

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BLACKROCK



M&G  
INVESTMENTS

Morgan Stanley



PERMIRA  
DEBT MANAGERS



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 over shows the position as at 31 March 2021 against the Strategy:

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Asset Class	Asset Allocation at 31/3/20 %	Asset Allocation at 31/3/21 %	Strategic Benchmark %
UK Equity	10.4	13.1	10.0
Global Equity	33.2	32.9	30.0
Bonds	18.9	20.8	15.0
Alternatives	14.3	13.0	17.5
Property	13.8	11.1	15.0
Infrastructure	8.2	8.1	12.5
Cash	1.2	1.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### 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 2021 are show in the table below

Manager	Mandate Type	31 Mar 2020 (%)	31 Mar 2021 (%)
UBS	Pooled Fund -UK Equities	6.2	6.0
Baillie Gifford	UK Equities	4.2	7.1
Baillie Gifford	Global Equities	19.3	19.1
Morgan Stanley	Pooled Fund - Global Equities	13.9	13.8
M&G	Pooled Fund - Diversified Income	12.9	13.5
M&G	Pooled Fund - Bonds	5.9	7.3
UBS	Pooled Fund -Property	5.4	4.3
Blackrock	Pooled Fund – Property	8.4	6.8
LGT	Pooled Fund - Alternatives	7.1	6.9
Partners Group	Pooled Fund – Private Credit	3.3	3.2

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Permira	Pooled Fund – Private Credit	3.9	2.9
KKR	Infrastructure	0.4	0.4
Infrared	Infrastructure	0.2	0.1
Dalmore	Infrastructure	1.6	1.6
Brookfield	Infrastructure	0.2	0.2
Macquarie	Infrastructure	0.2	0.2
Equitix	Infrastructure	0.2	0.2
Allinda	Infrastructure	0.4	0.4
Gaia LP	Infrastructure	0.4	0.2
Oaktree	Infrastructure	0.2	0.3
Macquarie	Pooled Fund -Infrastructure Debt	4.5	4.5
Cash	Internally Managed Cash & Investments	1.2	1.0

### **Holdings**

The table below shows the top 20 direct holdings at 31 March 2021. 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 GBP	6.2	Naspers N Zaro	5.7
BHP Group PLC	5.1	Rio Tinto	5.0
Amazon Com Inc	4.2	Moodys Corp	3.7
Alphabet Inc	3.4	Taiwan Semicon	3.4
Microsoft Corp	3.4	Anthem Inc	3.3
Mastercard Inc	3.2	ADR Sea Ltd	3.2
Shopify Inc	3.1	Meituan	2.9
ADR Alibaba Grp holding limited	2.9	Martin Marietta Matls Inc	2.8
AIA Group Ltd	2.8	St James's Place	2.6
Tesla Inc	2.5	Olympus Corp	2.4

## **INVESTMENT PERFORMANCE**

### **MARKET CONTEXT**

2020 was dominated by the effects of Covid-19 across the globe. Many growth asset markets at the start of the pandemic retracted resulting in sharp drops across the markets at the start of the year with the low point at the end of Q1 2020. Many countries across the globe have implemented supportive monetary policies and fiscal support to their economies which have been received positively by the markets, many of which have now rebounded.

Equity markets were one of the markets most effected at the start of the Covid-19 pandemic with the significant drops in values. Equity markets partially bounced back in Q2 2020 as governments reacted to Covid-19. The announcements of Covid-19 vaccines in Q4 2020 provided further positive returns along with announcements of further monetary and fiscal support. UK equites also rebounded strongly during Q4 as the UK reached a trade deal agreement with the European Union ahead of the Brexit deadline. The markets ended the year having fully recovered from prior to the impact of Covid-19.

Real assets such as long lease property and infrastructure have been resilient and posted and posted positive performance during the year despite the global impact of Covid-19 and Brexit. Despite Covid-19 there remains demand for these assets due to its low-risk, secure, inflation linked, long term income streams. Core UK Property has also delivered positive returns following the fall at the Q1 2020

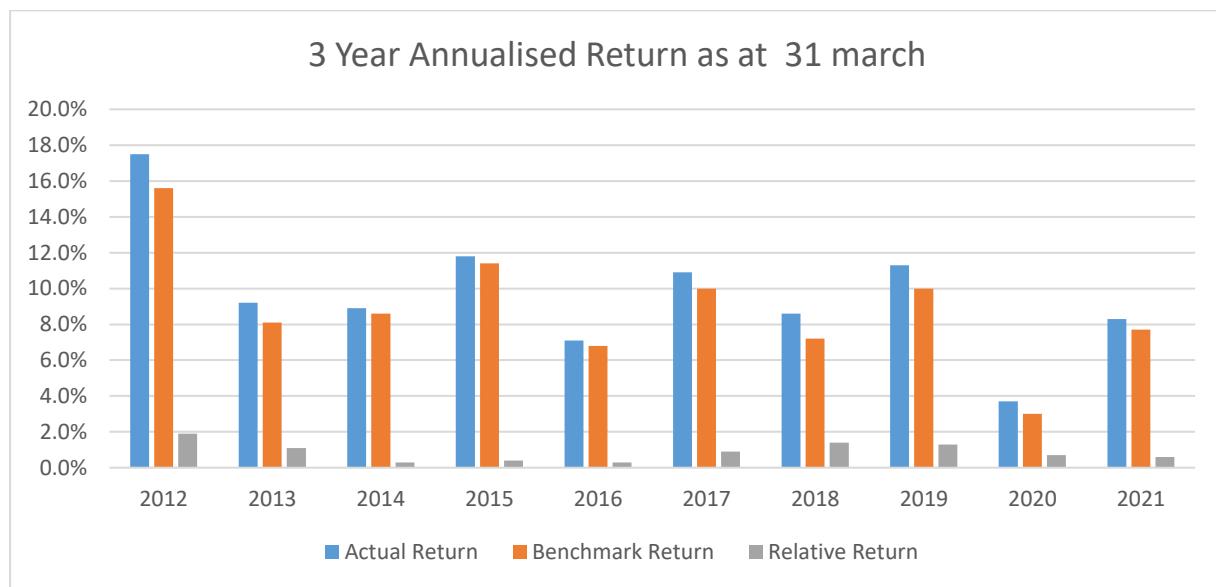
Credit markets as with other markets saw significant recovery in Q2 2020 due to the fiscal policies and again in Q4 2020 with announcements of vaccines. More recently, rising inflation expectations has put upward pressure on interest rates. This has led to interest rate sensitive assets such as inflation linked government debt and investment grade credit, performing negatively.

### **FUND PERFORMANCE**

Following the large drop in investment at 31 March 2020 due to the unprecedented economic disruption caused by Covid-19 the Fund has during 2020/21 fully recovered these losses. All asset class have preformed well over the year giving a strong positive performance for the year of 20.1% against a benchmark of 18.3%. The table over shows the rolling three year annualised relative return (i.e. Funds' return achieved compared with the benchmark) for the last 10 years.

**Scottish Borders Council Pension Fund  
Annual Report and Accounts for the year to 31 March 2021**

Rolling 3 year annualised performance



Each quarter, the Investment Consultants, Isio, 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 positive return of 20.1% against a benchmark of 18.3%.

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

Return on Investment as at 31/3/2021	1 year rolling return		3 year rolling return	
	Fund %	Bench <sup>1</sup> %	Fund %	Bench <sup>1</sup> %
<b>Total Fund</b>	<b>20.1%</b>	<b>18.3%</b>	<b>8.3%</b>	<b>7.7%</b>
Global Equities	39.8%	39.4%	16.6%	14.3%
UK Equities	30.4%	27.3%	4.2%	3.5%
Bonds	12.9%	3.3%	4.2%	3.6%
Alternatives	9.6%	4.0%	5.3%	4.6%
Property	0.3%	3.6%	2.4%	4.0%
Cash	-	-	-	-

The table above shows the largest contribution to the very positive returns has come from equities. This reflects the post Covid-19 bounce back from the large drop in equities at the 31 March 2020 which saw equities dropping by over 20% in Q1 2020.



## **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 second monitoring report was presented and approved by the Pension Fund Committee on 24 September 2020. The key highlights of this report are as follows:

- 15 out of 17 Managers are signatories of UNPIR representing 99.5% of the Fund.

**Scottish Borders Council Pension Fund  
Annual Report and Accounts for the year to 31 March 2021**

- PRI annual assessment scored 9 out of 15 Managers as higher than median.
- Internal scoring methodology scored 96.8%; 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.

The Fund actively investigates opportunities to increase investment in sustainable funds. This active management has seen an additional £100m move from the Morgan Global Brand Fund to the Global Sustain Fund, which has resulted in all funds held with Morgan Stanley now being in their Sustain Fund.



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 575 investors with assets of \$54 trillion under management. Scottish Borders Council Pension Fund became a signatory to this in March 2020.

## **Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2021**

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.

Due to the work of Climate Action 100 and the support of signatories like Scottish Borders Council Pension Fund an number of key success have been achieved by working companies such as BHP, Total, Shell and Southern Company all making improvements and commitments to Climate change targets.

## **SECTION 7**

# **INDEPENDENT AUDITORS REPORT**

**Scottish Borders Council Pension Fund**  
**Annual Report and Accounts for the year to 31 March 2021**

## **CONTACT DETAILS**

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

Pensions Team	Telephone 01835 – 825052/3
	E-mail <a href="mailto:pensions@scotborders.gov.uk">pensions@scotborders.gov.uk</a>

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](http://www.scottishborderscouncilpensionfund.org)

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

Kirsty Robb	Telephone 01835 – 825249
Pension & Investment Manager	E-mail <a href="mailto:krobb@scotborders.gov.uk">krobb@scotborders.gov.uk</a>





## TACKLING CHILD POVERTY

**Report by Service Director Customer & Communities and Service  
Director Young People, Engagement & Inclusion**

### AUDIT & SCRUTINY COMMITTEE

**29 June 2021**

#### 1 PURPOSE AND SUMMARY

- 1.1 This report provides the Committee with an update on the actions that Scottish Borders Council and Partners are taking to tackle Child Poverty in the Scottish Borders.
- 1.2 A previous report was presented to Audit & Scrutiny Committee on 14 January 2021 and it was requested that a further update would be provided in June 2021 in relation to:
  - (a) A definition of child poverty
  - (b) A view of the key drivers for child poverty
  - (c) How Councillors could be involved in the Council's approach to tackling child poverty
  - (d) Information to be included in presentation of data in quarterly performance reports
  - (e) Whether benchmarking with local authorities within the family group could be carried out to identify any underlying issues giving rise to the difference in percentage levels of child poverty and to learn from best practice.
- 1.3 The Child Poverty (Scotland) Act 2017 requires Local Authorities and Health Boards to jointly prepare a Local Child Poverty Action Plan, Report and an Annual Progress report. An Annual Progress Report for 2020/21 and a Report and Action Plan for 2021/22 were both endorsed by the Community Planning Strategic Board on 10 June 2021. Item 6 - [Agenda for Community Planning Strategic Board on Thursday, 10th June, 2021, 2.00 pm - Scottish Borders Council \(moderngov.co.uk\)](#) (minute to follow)
- 1.4 Both of these reports detail the actions that Scottish Borders Council and Partners are taking to alleviate child poverty in the Scottish Borders.

## **2 RECOMMENDATIONS**

### **2.1 I recommend that the Audit and Scrutiny Committee:**

- (a) Note the updates detailed sections 4-8 as requested by the Audit and Scrutiny Committee on 14 January 2021.**
- (b) Note the actions that Scottish Borders Council and Partners are taking to tackle Child Poverty in the Scottish Borders.**
- (c) Request that a Member Reference Group is established to provide input to the actions to tackle poverty and that approval of the scope and membership of the group is sought from Council as part of the Anti-Poverty Strategy Action Plan.**

### **3 BACKGROUND**

- 3.1 The Child Poverty (Scotland) Act 2017 sets out the Scottish Government's statement of intent to eradicate child poverty in Scotland by 2030. Local Authorities and Health Boards are required to jointly prepare a Local Child Poverty Report (including an Action Plan) and subsequently an annual progress report by the end of June each year.
- 3.2 The Child Poverty Planning Group (CPPG) manages the preparation and implementation of the Report and Action Plans and is accountable to the Scottish Borders Community Planning Partnership (CPP). The CPPG is a strategic group with senior multi-agency membership and exists to plan actions, undertake actions, and monitor and report actions to the CPP. The CPPG will shortly commence the planning and preparation of the 2022/23 Local Child Poverty Report and action plan.
- 3.3 The minutes of the previous Audit & Scrutiny Report requested that officers provide an update to the June Audit & Scrutiny Committee to facilitate discussion on the following:
  - (a) A definition of child poverty
  - (b) A view of the key drivers for child poverty
  - (c) How Councillors could be involved in the Council's approach to tackling child poverty
  - (d) Information to be included in presentation of data in quarterly performance reports
  - (e) Whether benchmarking with local authorities within the family group could be carried out to identify any underlying issues giving rise to the difference in percentage levels of child poverty and to learn from best practice.
- 3.4 The following sections set out the requested update, including the Local Child Poverty Action Plan for 2021/22 (Appendix 1), the Scottish Borders Child Poverty Index 2020 (Appendix 2), and Evidence and Statistics about Child Poverty in the Scottish Borders (Appendix 3), and Benchmarking Data (Appendix 4).

### **4 DEFINITION OF CHILD POVERTY**

- 4.1 The [Child Poverty \(Scotland\) Act 2017](#) does not specifically define 'poverty', instead it uses four income-based targets as measures.
  - (i) *Relative Poverty*  
Scottish Government defines relative poverty as: "a household earning less than 60% of average UK household income **for the year (after housing costs), taking account of the size and composition of the household.**"
  - (ii) *Absolute Poverty*  
Scottish Government defines absolute poverty as a household with "less than 60% of average UK household income **for the financial year beginning 1 April 2010**"

- (iii) *Low Income and Material Deprivation*  
Scottish Government defines “low income and material deprivation” as “less than 70% of average UK household income for the reference year” and “material deprivation” as “when families are unable to afford three or more items out of a list of basic necessities”.
- (iv) *Persistent Poverty*  
Scottish Government defines persistent child poverty as where a child has lived in relative poverty for three out of the last four years. The Scottish Government target states that less than 5% of children should live in persistently-poor households by 2030.

## 5 KEY DRIVERS OF CHILD POVERTY

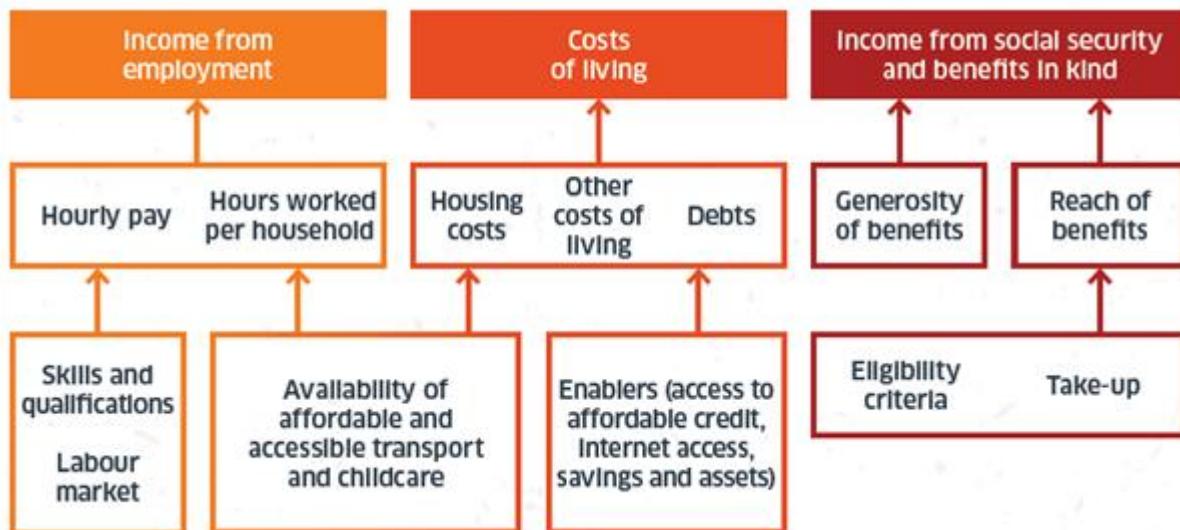
5.1 As identified by the Scottish Government’s [“Every child, every chance: tackling child poverty delivery plan 2018-2022”](#), direct drivers of poverty fall in to three main categories:

- (a) **Employment.** Income from parents' work and earnings is insufficient to lift them from poverty.
- (b) **Household costs.** The costs of living that households have to cover are too high.
- (c) **Social Security.** Income from social security has been cut back significantly by the UK Government, particularly for families with children, and is now inadequate to lift families from poverty.

5.2 The national evidence base provides justification for the three drivers, and Scottish Government are clear about their importance, however it is also recognised that there is more to do to understand what kinds of interventions in these areas will deliver the scale and kind of impacts needed at both a national and local level.

5.3 The relationship of those drivers to wider thematic areas is summarised in Figure 1 below.

Figure 1 – Direct drivers of poverty



5.4 In order to meet the requirements of the Child Poverty (Scotland) Act 2017, Scottish Borders Council and partners use the same direct drivers of poverty to set out and identify child poverty actions in the Borders to be undertaken through a multi-agency approach. Our Local Child Poverty Reports and Action Plans are set out in themes relating to the drivers, as we recognise the importance of using them to enable monitoring and evaluation.

5.5 In addition to the identified drivers, within the Scottish Borders, factors such as transport, educational attainment, digital connectivity and economic opportunities are also taken into account.

5.6 The Local Child Poverty Report and Action Plan for 2021/22 for the Scottish Borders was approved by the Community Planning Strategic Board on 10 June 2021, and the Action Plan is shown in Appendix 1. The Action Plan sets out a wide range of current activity that Scottish Borders Council, NHS Borders and Community Planning Partners plan to deliver in 2021/22 with the aim of eradicating child poverty. These actions build on the progress made and reported in the Child Poverty Annual Progress Report for 2020/21 which shows that, despite the challenges of covid-19, children and families experiencing hardship are benefitting from the many initiatives being undertaken.

## 6 WIDER COUNCILLOR INVOLVEMENT

6.1 At the Audit and Scrutiny Committee on 14 January 2021, a question was asked about whether there was scope for Councillors to be more involved in the actions to tackle child poverty. Reference was made to the Member/Officer Anti-Poverty Strategy Working Group. This is a short-life working group but there may be an opportunity for further Member involvement deriving from that. Consideration will be given to this in the Anti-Poverty Strategy Report due to be presented to Council in September 2021.

## **7 PRESENTATION OF SCOTTISH BORDERS DATA**

- 7.1 Whilst there is a desire to have more regular performance reporting, most of the national data associated with child poverty is only available on an annual or bi-annual basis, and frequently time lagged. More local indicators are being explored and considered in a new approach to obtaining data which is currently in development.
- 7.2 Work has commenced on preparing and agreeing baseline information to measure aspects of child poverty in the Scottish Borders. This work is supported by the Improvement Service National Peer Network for Child Poverty, and other local authorities. Scottish Borders Council prepares a local Child Poverty Index on an annual basis using experimental statistics (see Appendix 2) and this new approach will enhance the information provided within that.
- 7.3 It is envisaged that datasets will be built which will allow us to identify various family compositions and will help in the prioritisation of those families who need the most support. The datasets will report information from existing systems such as housing benefits, universal credit claims and will also be enhanced by direct lived experience. They will also provide us with an opportunity to design a standard, consistent and smart set of measures to assist us in reporting and understanding our data.
- 7.4 Once this new approach is developed, consideration will be given as to how this could be included in the Council's Corporate Performance and Improvement Reporting. Both qualitative and quantitative data are needed to strengthen our approach to tackling child poverty, and we will ensure that direct lived experience is always taken into account. It is also hoped that benchmarking with other local authorities will be possible as a result.
- 7.5 Further evidence and statistics on child poverty within the Scottish Borders is shown in Appendix 3, and shows statistics based on the drivers of child poverty as well as the key priority groups identified in "[Every child, every chance: tackling child poverty delivery plan 2018-2022](#)".

## **8 BENCHMARKING**

- 8.1 Scottish Borders Council participate in benchmarking activities undertaken at a national and local level. Appendix 3 sets out details of Children in Low Income Families for Scottish Borders Council, Dumfries and Galloway Council and Scotland, as well as within our Local Government Benchmarking family and at local ward level. The new approach described in paragraph 7.2 above will help us to understand the data in more detail and enable us to tackle child poverty by creating more specific actions in our Action Plans.
- 8.2 Appendix 4 also shows the indicators that are measured under the Local Government Benchmarking Framework. These indicators are indirectly linked to child poverty and show where deprivation may influence educational attainment and outcomes.

## **9 CONCLUSION**

- 9.1 Following the Audit and Scrutiny Committee of 14 January, this report provides an update in relation to the response requested by Audit and Scrutiny.
- 9.2 As described in paragraph 4.1 above, The [Child Poverty \(Scotland\) Act 2017](#) does not specifically define 'poverty', instead it uses four income-based targets as measures.
- 9.3 The key drivers are shown in section 5 and are set out by Scottish Government. Scottish Borders Council uses these drivers to identify actions to alleviate child poverty and the 2021/22 Action Plan sets out actions to address the challenges that children and families are experiencing as a result of both covid-19 and the wider thematics shown in Figure 1 of paragraph 5.3.
- 9.4 Wider Councillor involvement will be considered as part of the Anti-Poverty Strategy Report to Council in September 2021.
- 9.5 A new approach to producing child poverty data is being developed which will assist us in understanding our data, so that we can take specific actions to assist families in poverty.

## **10 IMPLICATIONS**

### **10.1 Financial**

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

### **10.2 Risk and Mitigations**

There is a requirement to provide further information to Audit and Scrutiny Committee to create a fuller understanding of child poverty within the Scottish Borders, and to set out approaches for both benchmarking and consideration of wider member engagement. This report provides further clarification and information for the Audit and Scrutiny Committee.

### **10.3 Integrated Impact Assessment**

N/A - An integrated impact assessment (IIA) has been completed on the Child Poverty Reports for 2020/21 and 2021/22 which was presented to the Community Planning Strategic Board on 10 June 2021. The IIA is published on the Council's website.

### **10.4 Sustainable Development Goals**

In considering each of the UN Sustainable Development Goals, the following may be considered to make a difference:

- a) End poverty in all its forms – Local action is reported in both the 2020/21 Annual Report and the 2021/22 Report and action plan which contribute to this goal.
- b) End hunger, achieve food security and improved nutrition – Local action is reported in both the 2020/21 Annual Report and the 2021/22 Report and action plan which contribute to this goal. The 2020/21 Report shows progress made in areas such as cooking skills and recipe cards and reports on food poverty specifically,

- whilst the 2021/22 Report contains actions planned around food security.
- c) Ensure healthy lives and promote wellbeing for all at all ages – activities are outlined in both reports which contribute to healthy lives eg. Summer holiday programmes provided by a range of partners. These programmes offer a variety of different activities including sports, culture, arts, cooking lessons, and often supply food to families to take home.
  - d) Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all – pupil equity funding allows schools to design programmes to close the poverty related attainment gap. Individual plans are drawn up for vulnerable children to ensure they are given the best opportunity to learn. The cost of the school day is constantly under review to ensure that trips and activities are affordable for all children. The Youth Guarantee operates to ensure that all school students applying for college are offered a suitable course to study. Other partners offer volunteering roles which build up confidence in young people so they can apply for jobs later on. Partners offer modern apprenticeship roles to young people furthest from the job market.
  - e) Reduce inequalities within and among countries – poverty and exclusion are being tackled in the Scottish Borders and actions are identified in 2021/22 Child Poverty Report and action plan.
  - f) Ensure access to affordable, reliable, sustainable and modern energy for all – housing tenants are supported with energy debt and advice is available on the best tariffs etc. Affordable homes are built and planned for tenants, and vulnerable groups are identified and supported with specific issues.
  - g) Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all – the Parental employability scheme provides opportunities for parents to train for roles as well as gain employment. The intensive family support service targets specific families to support them into employment.

#### **10.5 Climate Change**

There are no implications for climate change as a result of this report.

#### **10.6 Rural Proofing**

There are no rural proofing implications as a result of this report.

#### **10.7 Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

#### **10.8 Changes to Scheme of Administration or Scheme of Delegation**

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

## **11 CONSULTATION**

11.1 The Executive Director (Finance & Regulatory), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

### **Approved by**

**Jenni Craig** **Signature .....**  
**Service Director, Customer and Communities**

**Lesley Munro** **Signature .....**  
**Service Director, Young People, Engagement and Inclusion**

### **Author(s)**

Name	Designation and Contact Number
Janice Robertson	Strategic Planning & Policy Manager 01835 824000
Shona Smith	Communities & Partnership Manager 01835 824000

**Background Papers:** **Child Poverty Annual Progress Report 2020/21**  
**Child Poverty Report and Action Plan 2021/22**

**Previous Minute Reference:** Audit & Scrutiny Committee 14.01.21 Item 3

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

Contact us at Janice Robertson, Scottish Borders Council, HQ, Newtown St Boswells.  
TD6 0SA 01835 824000 [jrobertson@scotborders.gov.uk](mailto:jrobertson@scotborders.gov.uk)

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Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
<b>Employability</b>				
Deliver Parental Employability Project	1	SBC	Increased parental income and employment	Parents
Implementation of Intensive Family Support Service (IFSS)	1	City Region Deal SBC	Number of participants Number of employment opportunities	Young parent families Families where parents are aged 30-39
Promote the Youth Volunteering Ambassadors Project	1	Volunteer Centre Borders (VCB)	Number of opportunities	Children and young people
Promote the Saltire awards Scheme	1	VCB	Number of opportunities	Children and young people
Match young people remotely in each of the 9 high schools (plus anyone else under age 25) to opportunities that will support career aspirations	1	VCB	Number of opportunities	Children and young people
Deliver a 'removing youth volunteer barriers' project	1	VCB	Number of opportunities	Children and young people
Support services such as Skills Development Scotland and Activity agreements	1	VCB	Number of opportunities	Children and young people
Participate in the Borders College Youth Pathway Project	1	VCB	Number of opportunities	Children and young people
Engage with the Job Centre to support and advise individuals affected by COVID-19 or facing redundancy	1	VCB	Number of participants	Young people and families
Continue to create modern apprentice opportunities in the Early Years Team	1	SBC Early Years Team	Number of opportunities	Young people furthest from the job market
Engagement with Community Job Scotland and other supported employment opportunities for young people	1	Third Sector	Number of opportunities	Young people

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
Commitment to offering only contracts and not casual hours – provides certainty for people to have work for a contracted time period	1	Live Borders	Number of opportunities	All
Championing Fair Work - Scottish Ministers have sent guidance to all public bodies to focus on delivering the Government's vision for Scotland to be a leading Fair Work Nation by 2025, where high quality and fair work is the norm in workplaces across Scotland. SOSE will attach Fair Work First criteria to all its grants, procurements and other funding	1	SOSE	Number of funded organisations that engage in new Fair Work practices	All
Encouraging Job Creation - Through its funding and development support for businesses and other organisations, SOSE will help organisations to expand and innovate, resulting in growth and the safeguarding and/or creation of jobs	1	SOSE	Number of jobs safeguarded or created through its funding	All
Meeting Skills Needs - SOSE will support the work of the SoS Regional Economic Partnership's Education and Skills Strategic Group and the implementation of South of Scotland Regional Skills Investment Plan (RSIP)	1	SOSE	To be confirmed	Targeted Group
<b>Education</b>				
Implement a pilot of debt management/savings scheme with children in Burnfoot Primary School	2	SBC NHS Borders	Uptake of scheme	Children
Review the Cost of the School Day	2	SBC NHS Borders	Reduced costs to families	Children and families
Participate in Scottish Government's Youth Guarantee by securing an appropriate study programme for all school leavers who apply	1	Borders College	Uptake, successful completion of study and progression thereafter	All school leavers
Undertake a mentoring initiative to support those most at risk of disengagement to successfully transition through senior phase of school to college and for those at greatest risk of disengagement during their first year at College	1	Borders College	Uptake, successful completion of study and progression thereafter	All school leavers
Undertake College's 'Care Aware' initiative to provide support and a named person for care experienced young people and student carers. The initiative works to address barriers and provide	3	Borders College	Uptake, successful completion of study and progression thereafter	Students

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
information to maximise funding, access learning support and nurture				
Proactively promote free school meals (FSM) and clothing grant provision	2,3	SBC Education	Increased uptake	School children
Work in partnership with third sector and Live Borders on accessible Summer programmes which also help with food insecurity	2	SBC Education	uptake	Targeted children and families
Complete roll out of poverty related training to all staff in Education Service	2	SBC Education	Indicators on attainment	School children
The CLD service and third sector partners provide targeted learning programmes to support disadvantaged young people to succeed and achieve	1	CLD Third Sector Youth Organisations (YouthBorders)	Evaluation against Scotland's Youth Work Outcomes Completion of Youth Awards.	Targeted young people.
Run family learning programmes targeted at 18 of our primary schools where there are the highest levels of poverty	1,3	SBC CLD	Maximised income for families, enhance financial capabilities and increasing their income levels through improved employment	Families, children and young people
<b>Information &amp; Advice</b>				
Commitment to free access to family days out in museums service and outdoor play area (Harestanes Park) and active promotion of low/no-cost access to family days out	2	Live Borders	Number of participants	Families
Awareness Raising through social media, e-mail, telephone	2,3	CAB	No. of clients, Demographic information (if given), Client financial gain	All
Registered as the gateway for kickstart for young people	1,2,3	SBSEC	Work with CEF, the ALLIANCE, SCVO and Inclusion Scotland to utilise tools	All
Map all Financial Inclusion services and promote awareness	2,3	SBC Financial Inclusion NHS Borders	Monetary gains Reduced costs to families	All

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
Ensure UNCRC and Children's Rights are taken into account in Child Poverty work in the Scottish Borders	3	SBC NHS Borders Partner organisations	Compliance with legislation	All
Ensure duties under the Fairer Scotland Duty are taken into account in Child Poverty work in the Scottish Borders	3	SBC NHS Borders Partner organisations	Compliance with legislation	All
Delivery of TD1 Early Steps Programme for young parents and their children using a youth work approach	2,3	TD1 Youth Hub	Participation and Engagement data. Programme impact evaluation report	Young Parents in Eildon
Continued use of the Neglect Toolkit by the Child Protection Delivery Group in relation to income maximisation support for families	3	SBC Child Protection Delivery Group	Audit activity Child Protection Indicators	Children and young people most at risk of needing the child protection system
<b>Housing &amp; Energy</b>				
Borders Housing Network - Fuel Poverty Funding	2,3	Berwickshire Housing Association	EESHH compliance meet standards and aim to achieve 100% compliance with Scottish Government standards within 2021/22.	BHA Tenants
Supporting Communities Funding	2,3	Berwickshire Housing Association	Tracked and evaluated using the Scottish Federation Housing Associations (SFHA) social value toolkit	BHA Tenants
Covid Recovery Funding	2,3	Berwickshire Housing Association	Tracked and evaluated using the Scottish Federation Housing Associations (SFHA) social value toolkit	BHA Tenants
EESHH compliance	2	Berwickshire Housing Association	Tracked and evaluated using the Scottish Federation Housing Associations (SFHA) social value toolkit	BHA Tenants

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
Financial Inclusion Team	2,3	Berwickshire Housing Association	Tracked and evaluated using the Scottish Federation Housing Associations (SFHA) social value toolkit	BHA Tenants
BeWell Tenancy Sustainability Pathfinder	1,2,3	Berwickshire Housing Association	Tracked and evaluated using the Scottish Federation Housing Associations (SFHA) social value toolkit	BHA Tenants
Community Partnership Working across BHA: <ul style="list-style-type: none"> <li>• Berwickshire Swap</li> <li>• Allanbank Creative Hub</li> <li>• Horse Time</li> <li>• Splash</li> <li>• Eat, Sleep Ride</li> <li>• BAVS (neighbourhood bus / digital workshops for village halls)</li> </ul>	1,2,3	Berwickshire Housing Association	Tracked and evaluated using the Scottish Federation Housing Associations (SFHA) social value toolkit	BHA Tenants
Work with SBC Community Assistance Hubs to provide support and advice to tenants	1,2,3	Berwickshire Housing Association	Tracked and evaluated using the Scottish Federation Housing Associations (SFHA) social value toolkit	BHA Tenants
Provide a Warm Affordable Home and advice to keep warm <ul style="list-style-type: none"> <li>• Increasing the supply of affordable homes</li> <li>• Meeting Housing Need for families</li> <li>• SBHA HELP (Home Expenses - Lessening the Pinch) Project</li> <li>• Warm &amp; Well Project</li> </ul>	2,3	SBHA	No of tenants supported	SBHA Tenants
The Borders Housing Network (BHN) recently secured £450,000 from the Scottish Government's Social Housing Fuel Support Fund. Disperse funds to support those in fuel debt	2,3	Borders Housing Network	No of tenants supported	Housing Tenants
Reduce the risk of eviction by using Triage Tool	2,3	SBHA	Less tenants evicted	SBHA Tenants
Support Digital Inclusion for SBHA Tenants	2,3	SBHA	Uptake of scheme	SBHA Tenants
Continue with the Transitions Project to support young people	2,3	SBHA	No of young people supported	SBHA Tenants

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
Review the delivery of services, develop housing and support pathways for the following groups, with the aim of preventing or alleviating homelessness for; (a)Individuals with Drug and Alcohol (d) Individuals up to the age of 26 who were previous looked after by the Local Authority (e) individuals with an offending History (f) Victims of domestic abuse	3	SBC Homelessness	The Scottish Housing Network monitor RRTP performance by local authority annually, providing a national benchmarking framework	All
Review and improve the advice and support to people who are subject to a Section 11 notice	3	SBC Homelessness	The Scottish Housing Network monitor RRTP performance by local authority annually, providing a national benchmarking framework	All
Implement a pilot, Housing First model that meets the needs of people with multiple needs in the Scottish Borders and which, as far as is possible in a rural context, conforms with the 7 principles of Housing First'  Page 31	3	SBC Homelessness	The Scottish Housing Network monitor RRTP performance by local authority annually, providing a national benchmarking framework	All
Support homeless and potentially households to access digital equipment and data	2,3	SBC Homelessness	The Scottish Housing Network monitor RRTP performance by local authority annually, providing a national benchmarking framework	All
Review the existing processes for the provision of furniture and goods to homeless households	2,3	SBC Homelessness	The Scottish Housing Network monitor RRTP performance by local authority annually, providing a national benchmarking framework	All
Review existing processes to ensure applications for DHP are maximised to prevent homelessness and/or to achieve positive outcomes for people who are Homeless or threatened with homelessness	2,3	SBC Homelessness	The Scottish Housing Network monitor RRTP performance by local authority annually, providing a national benchmarking framework	All
Work with Home Energy Scotland to refer families that are struggling to eat or heat	2,3	SBSEC Work with CEF, the ALLIANCE, SCVO and	Number of referrals	Scottish Borders Tenants

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
		Inclusion Scotland to utilise tools		
SBHA's Development Programme will deliver 22 new build affordable homes early 2021-22	2	SBHA	Number of affordable homes completed	All families and young people in housing need
SBHA will seek to maximise financial capacity to increase their contribution to new homes in the coming years and will confirm further in 2021-22	2	SBHA	Number of affordable homes completed	All families and young people in housing need
SBHA will introduce emergency community monitoring tool software which will risk assess tenants' support needs and determine the levels of contact and intervention required	2	SBHA	Number of tenants managing to sustain tenancies	SBHA Tenants at risk
<b>Health &amp; Wellbeing</b>				
Continue to provide free sanitary products to students in need through a sustainable partnership whereby products are delivered to students rather than them collecting them	2	Borders College	Uptake, successful completion of study and progression thereafter	Students
Co-ordination and development of Holiday Programmes for children and young people which include provision of positive and engaging activities and food (subject to access to schools estate and COVID-19 restrictions)	2	Live Borders SBC NHS Borders	Uptake of programme	Targeted communities
Delivery of Youth Work Education Recovery Fund – Youth Work holiday programmes in April, Summer, October 2021 to young people most impacted by Covid-19	2	YouthBorders / CLD	Evaluation of programme against Scotland's Youth Work Outcomes	Targeted young people most impacted by Covid-19.
Scoping targeted Project in Burnfoot to encourage greater participation in sport/physical activity for the whole family group	2	Live Borders SBC	Evaluation framework of participants	Targeted communities
Provide free or low cost access to activities, experiences and trips during evenings, weekends delivered by community-based youth work organisations	2	Third Sector Youth Organisations (YouthBorders)	uptake	Children and young people
Develop the promotion and development of Young Scot membership and rewards which support wellbeing, provision of trusted information, and provide opportunities and experiences to young people	2	CLD Youth Learning YouthBorders JHIT	Uptake	Anyone aged 11-25

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
<b>Communities &amp; Partnerships</b>				
Three Locality Co-ordinators working within the Community Assistance Hubs will continue provide support and assistance to those in need, including those that have been shielding. This includes food provision, assistance with fuel costs & clothing, referrals into financial inclusion support. Give financial support to Foodbanks & FareShare outlets to assist with practical issues – white goods etc	2,3	SBC Communities & Partnership Team	No performance indicators – demand led response during pandemic and beyond	All
Support to Community-led Projects - SOSE provides funding to community groups, community organisations and social enterprises to initiate new ideas or develop existing activity that will create measurable social, community, local economic and/or environmental impact and seeks to be enterprising and sustainable in the long term	2, 3	SOSE	Number of organisations funded whose activities indirectly or directly address child poverty	All
<b>Tackling Digital Exclusion</b>				
Support Connecting Scotland Programme (Digital Inclusion)	2,3	SBC NHS Borders	No of devices and people benefitting	Targeted groups
Provide laptop loans and broadband provision to all students in need to enable them to engage in their studies	2,3	Borders College	Uptake, successful completion of study and progression thereafter	students
Device lending library of ipad/chromebook devices for excluded families. Community Renewal Fund application to progress this with children/families in poverty and integrated referral pathway to include other aspects of health and wellbeing offer	2,3	Live Borders	Uptake	Families with no access to electronic devices
Digital Inclusion - SOSE has provided £75,000 funding to Scottish Borders Council to allow it to extend its Connecting Scottish Borders Programme (Digital Inclusion) activity in 2021/22	2, 3	SOSE SBC	Align with measures adopted by SBC	Targeted Groups
<b>Fuel related activity</b>				
Continue to engage with the Scottish Borders Home Energy Forum.	2	NHS Borders Home Energy Scotland	Number of vouchers given out	Early years families

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
Deliver the Home Energy Efficiency Programme	2	SBC Home Energy Scotland Changeworks	Households living in fuel poverty Number of private sector energy efficiency measures installed Number of households provided with energy advice/information	Tenants
<b>Food related activity</b>				
Establish and promote closer working with local foodbanks	2,3	CAB	No. of clients, Demographic information (if given), Client financial gain	All
Continue to supply food to various towns and food schemes across the Scottish Borders as well as clothes for children and books	2,3	SBSEC	Work with CEF, the ALLIANCE, SCVO and Inclusion Scotland to utilise tools	Children and families
Address food insecurity through the provision of food to individuals and families via Fareshare and other food distribution schemes including food growing and community cafes	2	SBC Third Sector	uptake	All
Deliver a breakfast programme for S1-S4 young people entitled to free school meals	2	CLD Youth Workers	Uptake of programme	S1-S4 young people entitled to free school meals
Continue to establish breakfast clubs in schools. Breakfast clubs are established in a number of schools in areas of greatest need but the aim is to have one in every school	2	SBC Schools	Children from poorer households will have had at least two nutritional meals per day whilst at school	All children and young people
<b>Financial Inclusion</b>				
Increase referral pathways from Health Visitors and Family Nurse Partnership for financial inclusion	2,3	SBC Financial Inclusion NHS Borders	Financial gains uptake	Mothers and pregnant women
Extend Galashiels pilot with community midwifery services to increase referrals	2,3	SBC Financial Inclusion NHS Borders	Financial gains uptake	Mothers and pregnant women
Introduce e-form for referrals to Financial Inclusion	3	SBC Financial Inclusion	Uptake of use of e-form	Families

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
		NHS Borders		
Award discretionary funding to students in financial hardship as a result of family circumstances for housing and food costs	2	Borders College	Uptake, successful completion of study and progression thereafter	Students
Continue supporting local community responses during the pandemic through our distribution of microgrants, support to community development and empowering local organisations offering input to children and families with governance, funding and promoting network and collaboration	2,3	BAVS	Ongoing monitoring for outcomes report for Scottish Government	All
Contact every school in the Scottish Borders to promote The Scottish Government MTT Project to offer Financial Health checks to every family – income maximisation and ensuring families are receiving everything they are entitled to	2,3	CAB	No. of clients, Demographic information, Client financial gain	Parents and families
Help children and families with travel costs	2	SBSEC	Work with CEF, the ALLIANCE, SCVO and Inclusion Scotland to utilise tools	All children
Support with 'Seedcorn Fund' to help projects that can help deliver support	2	SBSEC	Work with CEF, the ALLIANCE, SCVO and Inclusion Scotland to utilise tools	All
Distribute funding to ASN Families	2	Borders Additional Needs Group (BANG)	Amount of funds distributed	ASN Families
Support parents with DLA Applications	2,3	BANG	Amount of DLA applications	ASN Families
Access emergency funds for families in crisis via routes such as Borders Children's Charity, Cash for Kids, or organisation specific crisis funds	2	SBC NHS Borders Third Sector	Uptake of funds/schemes	Families
Continue support for Early Years from the Welfare Benefits Assistant	2,3	SBC Early Years	Monetary gains Food parcels given out Uptake of schemes	Early years families

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
Mapping signposting of all assistance available and link with partners	3	SBC	Record gains made, monitor national child poverty levels, Monitor Scottish Government benefit statistics (benefit take up, SWF and DHP spending, etc)	All
Financial Inclusion resources for Early Years to maximise take up of benefits	3	SBC	Record gains made, monitor national child poverty levels, Monitor Scottish Government benefit statistics (benefit take up, SWF and DHP spending, etc)	Early Years Families
Increasing awareness of benefits among parents of primary and secondary pupils	3	SBC	Record gains made, monitor national child poverty levels, Monitor Scottish Government benefit statistics (benefit take up, SWF and DHP spending, etc)	Parents of primary and secondary pupils
Support Employability Team to maximise income from benefits	3	SBC	Record gains made, monitor national child poverty levels, Monitor Scottish Government benefit statistics (benefit take up, SWF and DHP spending, etc)	All
Increase take up of free school meals and clothing grants as well as awareness of other benefits (such as Best Start Grant and Scottish Child Payment)	3	SBC	Record gains made, monitor national child poverty levels, Monitor Scottish Government benefit statistics (benefit take up, SWF and DHP spending, etc)	All
Increase awareness of Scottish Welfare Fund	3	SBC	Record gains made, monitor national child poverty levels, Monitor Scottish Government benefit statistics (benefit take up, SWF and DHP spending, etc)	All

Action	Poverty Driver*	Partners Involved	How will impact be assessed?	Intended beneficiaries/target group
<b>Money Worries</b>				
Increase money worries conversations across all staff working in early years and promote the benefits available to families widely	2,3	NHS Borders CAB	Monetary gains, support given	All
Encourage people to get advice if worried about debt and meeting their financial commitments	2,3	CAB	No. of clients, Demographic information (if given), Client financial gain	All
Promote the Citizens Advice Money Map Tool through Social media	2,3	CAB	No. of clients, Demographic information (if given), Client financial gain	All

**\*Poverty Drivers**

- 1 Income from Employment
- 2 Costs of living
- 3 Income from Social Security and benefits in kind

# Scottish Borders Child Poverty Index 2020

May 2021

E.R. Murray for Scottish Borders Council (experimental statistics)

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## SB CPI: Purpose, Reason for Reboot and Scoring

The purpose of the Scottish Borders Child Poverty Index (SB CPI) is to provide additional insight into Child Poverty in the Scottish Borders. This work has been triggered by the Scottish Government's allocation of Pupil Equity Funding (PEF) and SBC's Corporate Management Team's view that allocation could be improved. The SB CPI was also created to work alongside the Scottish Index of Multiple Deprivation. SIMD provides a way of looking at deprivation in an area, covering the whole population and does not specifically reflect child poverty.

The SB CPI is a tool to help inform the Local Child Poverty Action Plan and which is a requirement of the Child Poverty Act (Scotland) 2017.

The SB CPI was first developed for 2017 and then updated for both 2018 and 2019. Then in 2020 the component sourced from HMRC "Children in Low Income Families" changed significantly meaning that a 'reboot' was required for 2020 including redoing the SB CPI results for 2017, 2018 and 2019. Additionally, in early 2020 the Scottish Government updated the Scottish Index of Multiple Deprivation (SIMD). This means that the SIMD2020 is a better comparison to SB CPI.

The index 'reboot' is based on data related to four components for area in the Scottish Borders. These components are:

- Children in Low Income Families (**CiLIF**) – Source is [DWP/HMRC](#).<sup>1</sup> Relative low-income is defined as a family whose equivalised income is below 60 per cent of contemporary median income. Gross income measure is Before Housing Costs (BHC) and includes contributions from earnings, state support and pensions. For the SB CPI uses the most recent available year's data, currently there is an one year lag e.g for SB CPI 2020 uses the CiLIF data for 2019/20.
- Free School Meals (**FSM**) – Source is SBC. The proportion of pupils recorded for Free School Meals of all pupils in area for school year.
- Clothing Grant (**CLG**) - Source is SBC. The proportion of pupils recorded for Clothing Grant of all pupils in area for school year.
- Educational Maintenance Allowance (**EMA16+**) – Source is SBC. The proportion of pupils who are aged 16 or older (before 01 March of school year) who receive Educational Maintenance Allowance of those pupils in SBC School of all pupils aged 16 or older (before 01 March of school year).

The table below shows the results for Scottish Border for 2017 to 2020

SB CPI Components / Year	For SB CPI 2017	For SB CPI 2018	For SB CPI 2019	For SB CPI 2020
<b>Children in Low Income Families - CiLIF (DWP) ^</b>	19.8%	21.8%	20.6%	<b>22.5%</b>
<b>Free School Meals - FSM (SBC)</b>	10.0%	10.4%	11.6%	<b>15.7%</b>
<b>Clothing Grant - CLG (SBC)</b>	14.6%	15.1%	15.2%	<b>18.1%</b>
<b>Educational Maintenance Allowance 16+ - EMA16+ (SBC) *</b>	8.2%	6.2%	3.8%	<b>16.0%</b>

<sup>^</sup> CILIF: Data is one year lag ; e.g. for 2020 the DWP data is for 2019

\* EMA16+: Pupils that are aged 16 before the 1st of March of the school year

The results for 2020 show some of the Covid-19 pandemic impact, with an increase in the proportion of pupils receiving free school meals, clothing grant and educational maintenance allowance. It is important to

<sup>1</sup> The calculation of proportion of Children in Low Income Families for the purpose of the Scottish Borders Child Poverty Index differs to 'official statistics' due to the availability of the data from Stat-Xplore. The children in Stat-Xplore are defined as dependent individuals aged under 16; or aged 16 to 19 in full-time non-advanced education or in unwaged government training. (Not just those aged under 16 – unable to group into age bands). The figure for all children is then expressed as proportion of those aged 0 to 15 as published by NRS. It is recognised that this calculation is imperfect, but practical for the purpose of the SB CPI.

note that the children in low income families relates to 2019/20, so the full impact of Covid-19 pandemic is not reflected in these figures; this will be reflected in the 2021 SB CPI.

The table below shows the score that an area will receive based on the result for each component. The SB CPI allows for an area to have a score ranging from 0 to 20, where 0 indicates no element of child poverty and 20 the highest levels of child poverty.

<b>Children in Low Income Families (DWP)</b>	<b>Free School Meals (SBC)</b>	<b>Clothing Grant (SBC)</b>	<b>Educational Maintenance Allowance 16+ (SBC)</b>
0 / 0: None	0 : None	0 : None	0: None
1: Under 10%	1 : Under 5%	1 : Under 5%	0.5: Under 5%
2 : 10% to Under 20%	2 : 5% to Under 10%	2 : 5% to Under 10%	1.0: 5% to Under 10%
3 : 20% to Under 30%	3 : 10% to Under 15%	3 : 10% to Under 15%	1.5: 10% to Under 15%
4 : 30% to Under 40%	4 : 15% to Under 20%	4 : 15% to Under 20%	2.0: 15% to Under 20%
5 : 40% or More	5 : 20% to Under 30%	5 : 20% to Under 30%	2.5: 20% to Under 30%
	<b>6 30% or More</b>	<b>6 30% or More</b>	<b>3.0: 30% or More</b>

Note that the EMA scores are half the other components reflecting the population size.

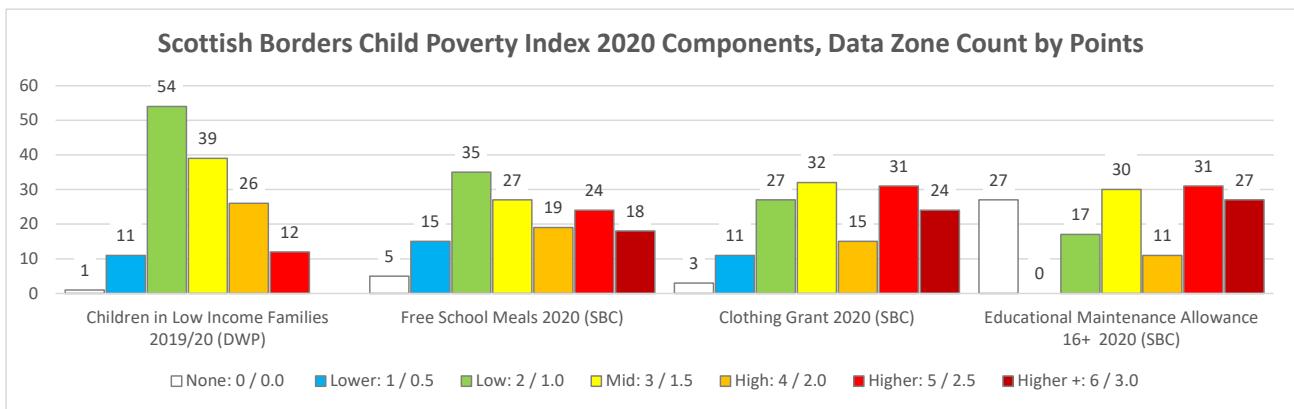
A summary position for each primary school may be seen in: **Appendix 1: Scottish Borders Child Poverty Index (SB CPI) 2020: Primary School Ranking.**

The tables and graph below shows the allocation of data zones in the Scottish Borders for each of the components. It is interesting to note that for each component there are at least 1 data zones that does not have that specific component. However, every data zone in the Scottish Borders has some evidence of child poverty.

<b>SB CPI Score for 2020 by Scottish Borders Data Zones - Count</b>	<b>Children in Low Income Families 2019/20 (DWP)</b>	<b>Free School Meals 2020 (SBC)</b>	<b>Clothing Grant 2020 (SBC)</b>	<b>Educational Maintenance Allowance 16+ 2020 (SBC)</b>
None: 0 / 0.0	1	5	3	27
Lower: 1 / 0.5	11	15	11	0
Low: 2 / 1.0	54	35	27	17
Mid: 3 / 1.5	39	27	32	30
High: 4 / 2.0	26	19	15	11
Higher: 5 / 2.5	12	24	31	31
<b>Higher +: 6 / 3.0</b>		<b>18</b>	<b>24</b>	<b>27</b>
SBC Data Zones	143	143	143	143

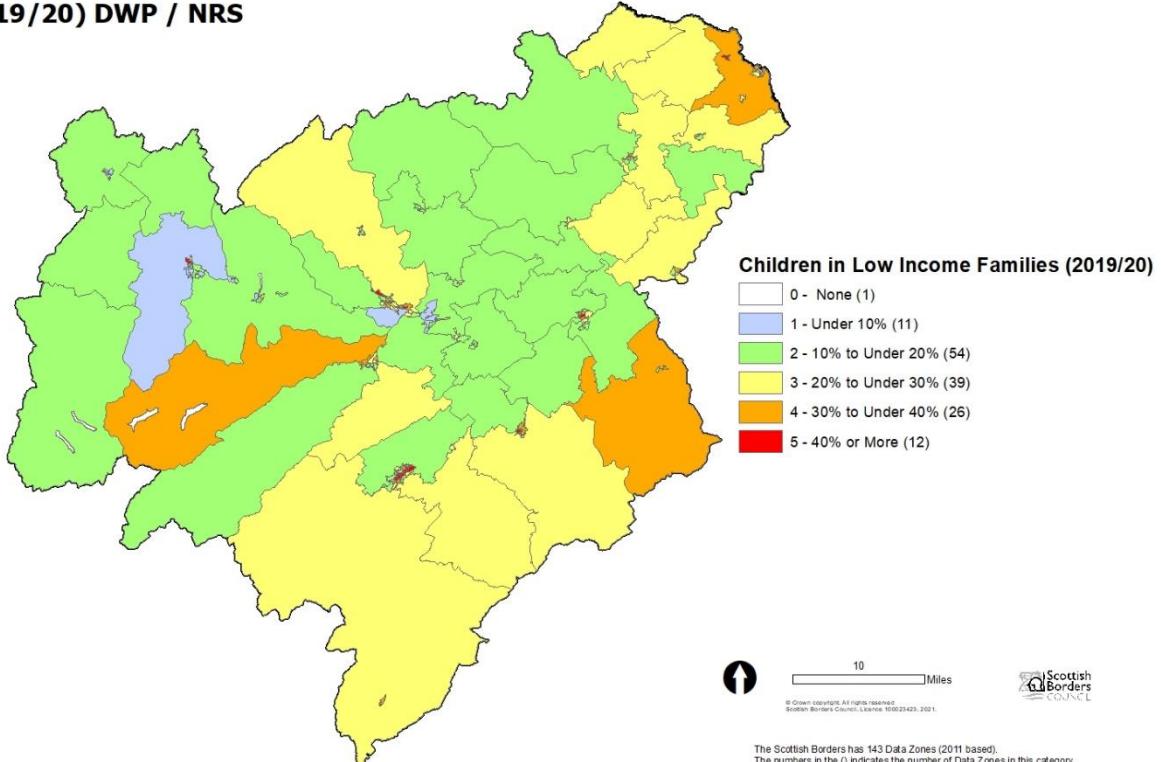
  

<b>SB CPI Score for 2020 by Scottish Borders Data Zones - Percent</b>	<b>Children in Low Income Families 2019/20 (DWP)</b>	<b>Free School Meals 2020 (SBC)</b>	<b>Clothing Grant 2020 (SBC)</b>	<b>Educational Maintenance Allowance 16+ 2020 (SBC)</b>
None: 0 / 0.0	0.7%	3.5%	2.1%	18.9%
Lower: 1 / 0.5	7.7%	10.5%	7.7%	0.0%
Low: 2 / 1.0	37.8%	24.5%	18.9%	11.9%
Mid: 3 / 1.5	27.3%	18.9%	22.4%	21.0%
High: 4 / 2.0	18.2%	13.3%	10.5%	7.7%
Higher: 5 / 2.5	8.4%	16.8%	21.7%	21.7%
<b>Higher +: 6 / 3.0</b>		<b>12.6%</b>	<b>16.8%</b>	<b>18.9%</b>
SBC Data Zones	100.0%	100.0%	100.0%	100.0%

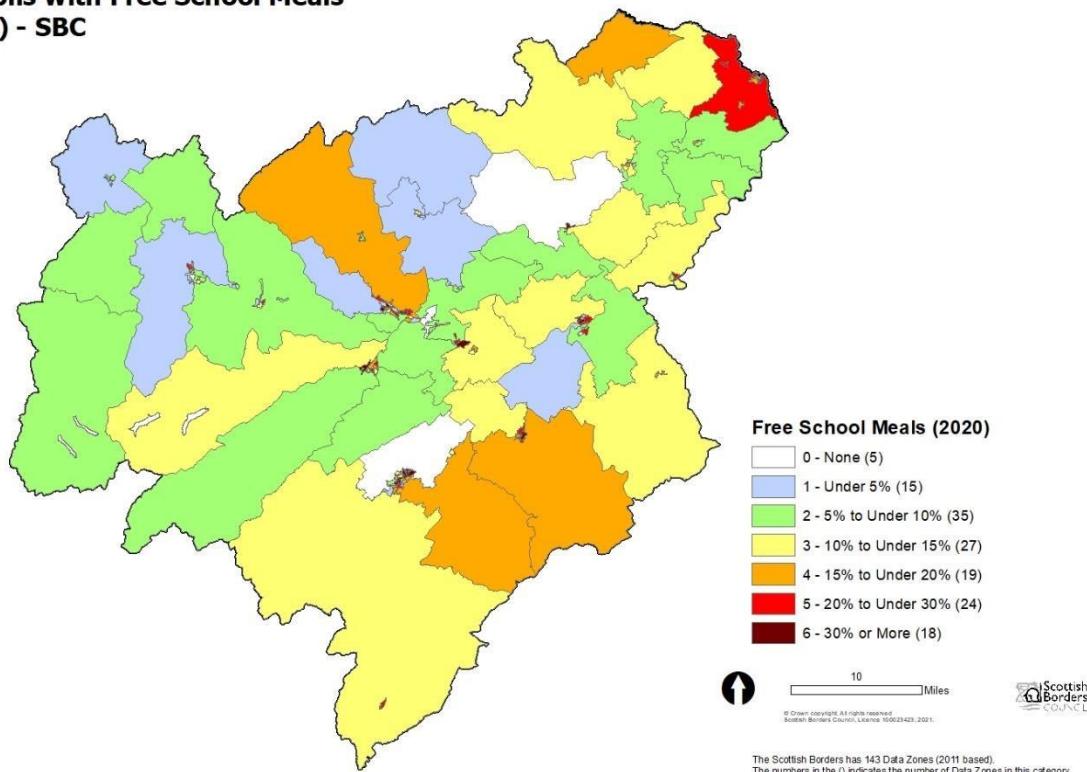


Below are the maps for each component, showing the results for each of the 143 data zones in the Scottish Borders.

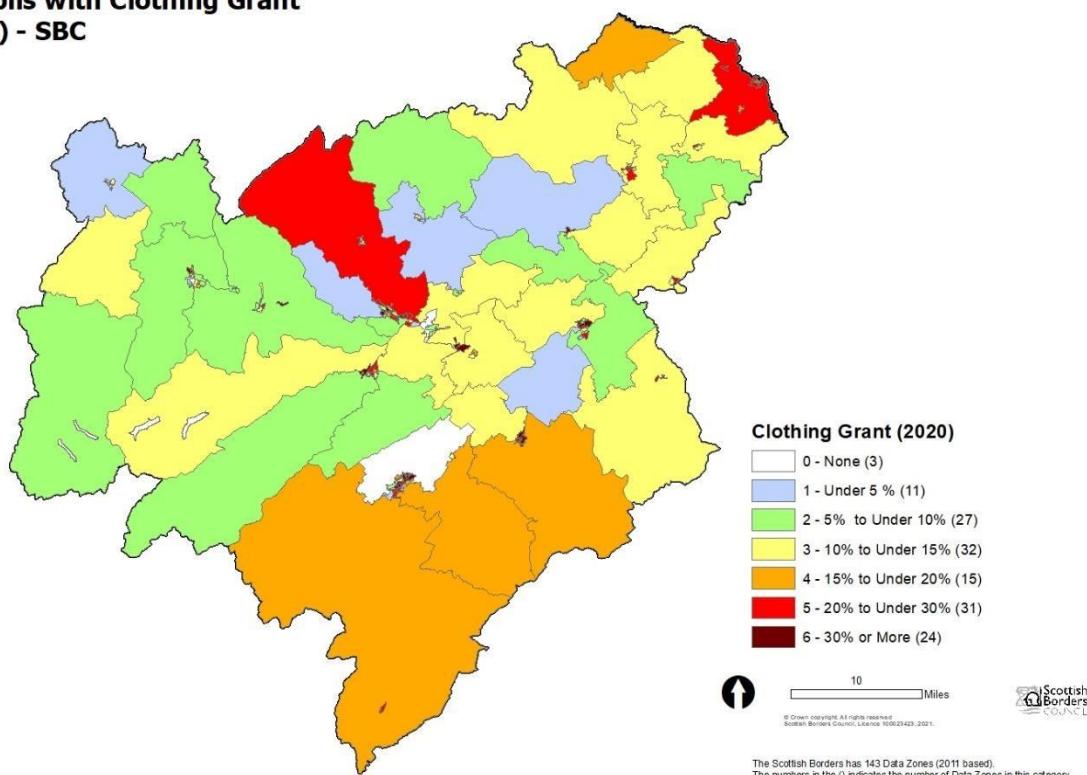
**Scottish Borders Child Poverty Index 2020  
% Children in Low Income Families  
(2019/20) DWP / NRS**



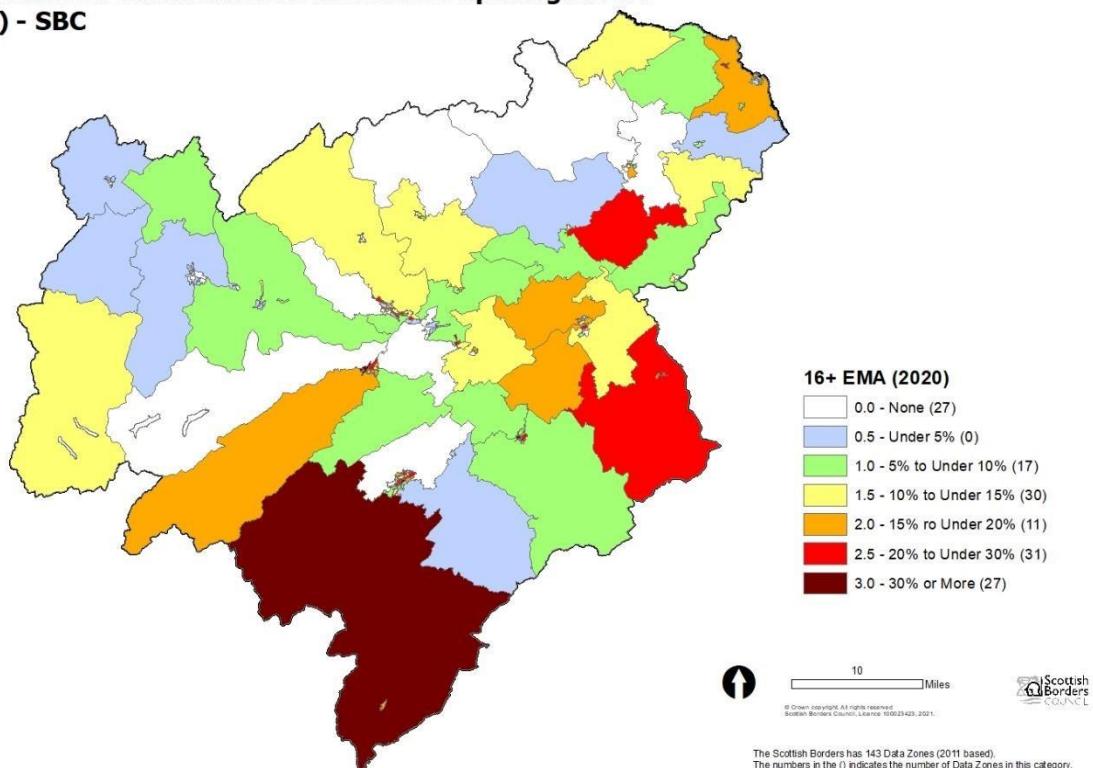
**Scottish Borders Child Poverty Index 2020**  
**% Pupils with Free School Meals**  
**(2020) - SBC**



**Scottish Borders Child Poverty Index 2020**  
**% Pupils with Clothing Grant**  
**(2020) - SBC**



**Scottish Borders Child Poverty Index 2020**  
**% Educational Maintenance Allowance Pupils Aged 16+**  
**(2020) - SBC**

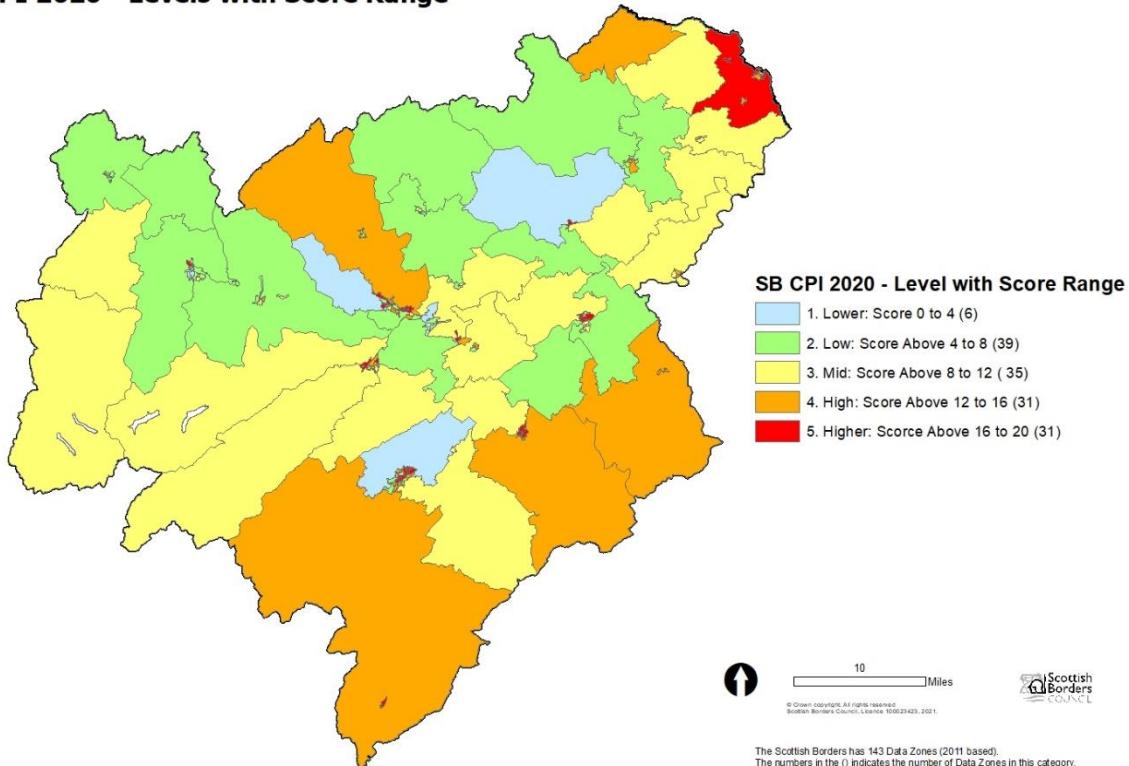


## Scottish Borders Child Poverty Index 2020 Scores

The graph and map below shows the Scottish Borders data zones based on the SB CPI score, grouped into levels of Child Poverty. Higher level (32 data zones) have a score of above 16 to 20; High level (31 data zones) have a score of above 12 to 16; Mid level (35 data zones) have a score of above 8 to 12; Low level (39 data zones) have a score of above 4 to 8; and Lower level (6 data zones) have a score of 0 to 4. Every data zone in the Scottish Borders has some element of child poverty.

**Appendix 2: Change in SB CPI Level by Locality** lists the data zones within each locality along with its SIMD2020 decile and the SB CPI level for 2017, 2018, 2019 and 2020.

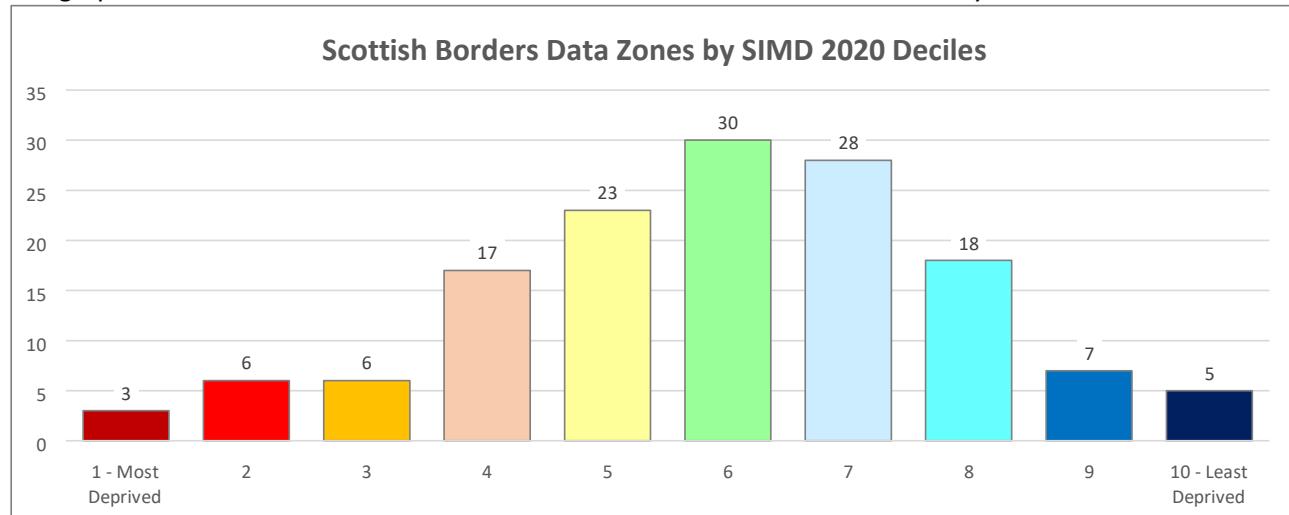
**Scottish Borders Child Poverty Index 2020  
SB CPI 2020 - Levels with Score Range**



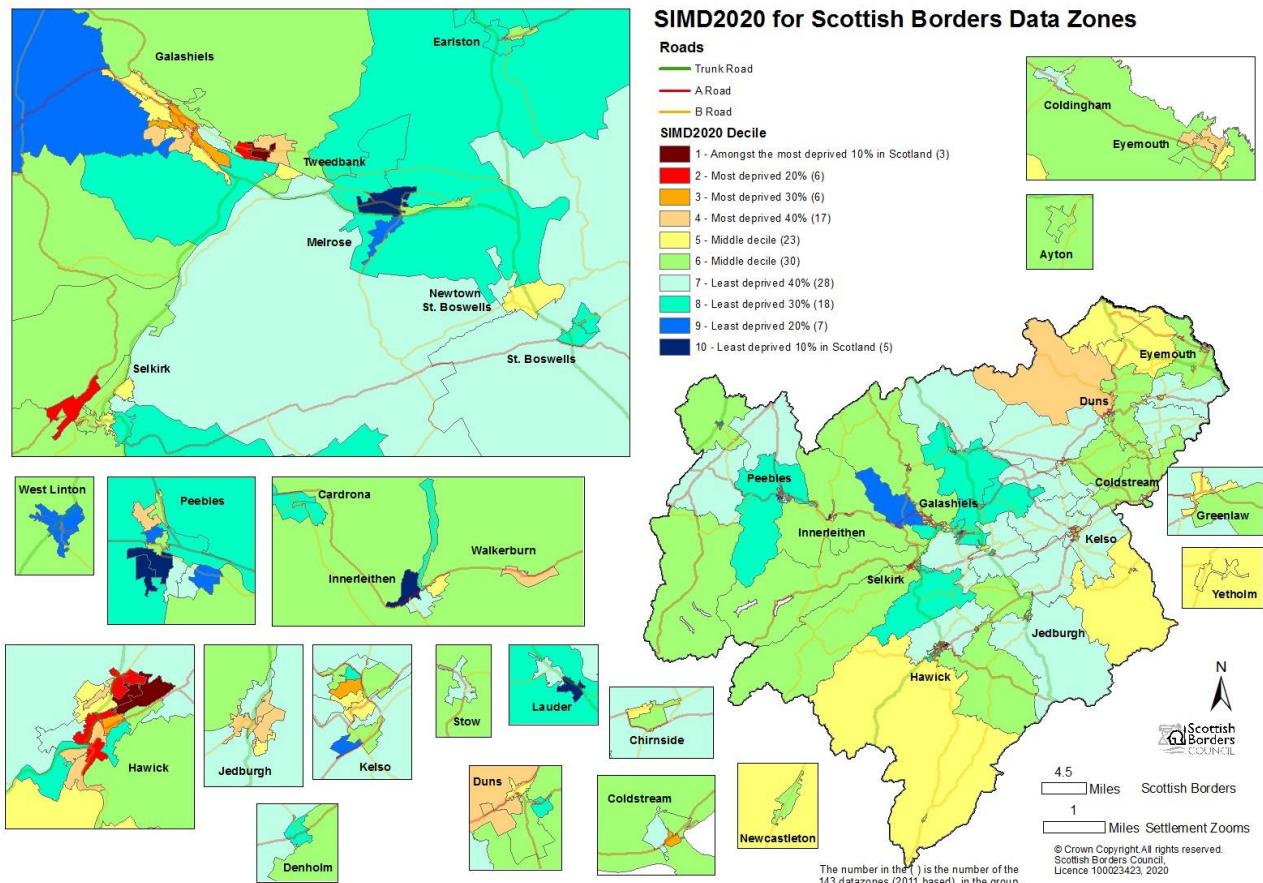
## Comparing Scottish Borders Child Poverty Index 2020 to SIMD 2020

The Scottish Index of Multiple Deprivation (SIMD) is a good tool for identifying overall deprivation, however, it is not poverty specific or child focused. The SB CPI is a tactile index created to enable better insight in to child poverty within the Scottish Borders. This is a basic comparison between SIMD2020 Decile and SB CPI Score.

The graph below shows the count of the 143 data zones in the Scottish Borders by the SIMD 2020 Decile.

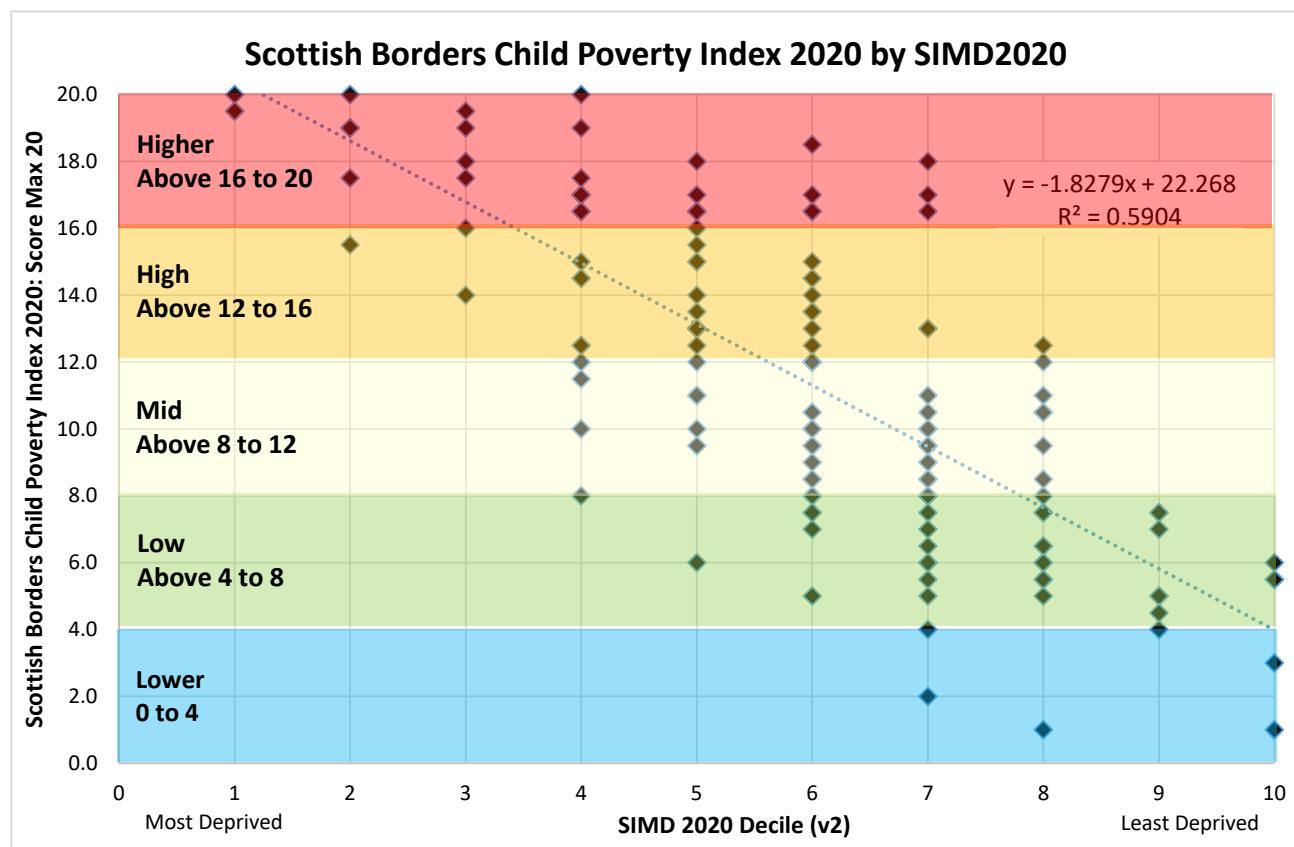


The map below shows the Scottish Borders data zones and the SIMD2020 decile.



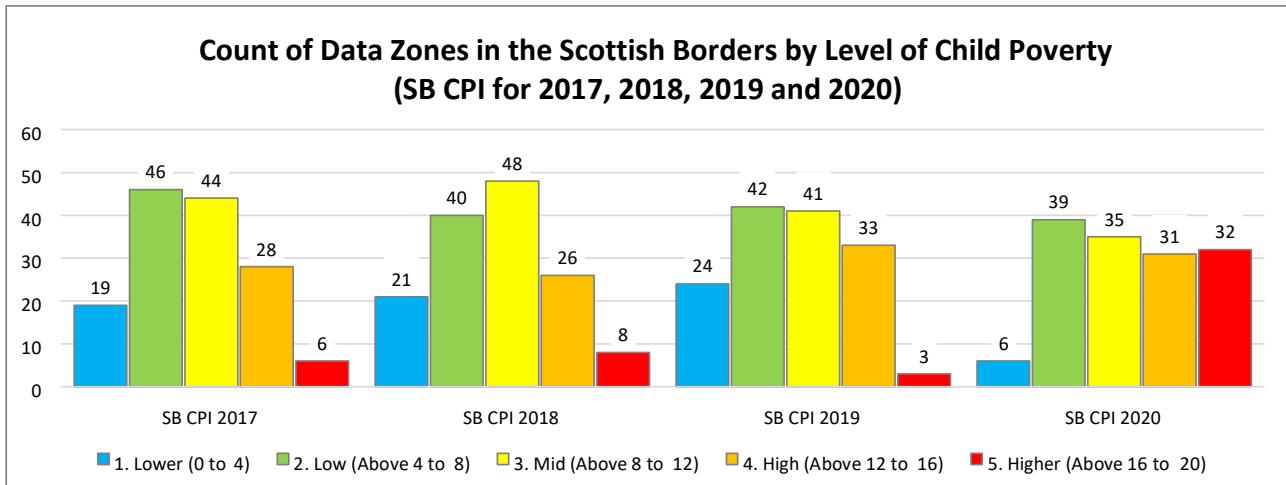
The graph below shows the 143 data zones in the Scottish Borders by SB CPI 2020 score and SIMD2020 decile. Although there is a clear relationship between deprivation and child poverty as represented by the data zones in the most deprived decile 1 and decile 2 also having a higher level of child poverty. However, there are several areas in the Scottish Borders where the level of child poverty is higher than expected when looking at SIMD decile. Again, it is important to remember that SIMD looks at the whole population and deprivation (not poverty only) and the SB CPI specifically focuses on children and poverty.

The graph below show that the data zones with the higher level of child poverty can have an SIMD2020 decile of 7.

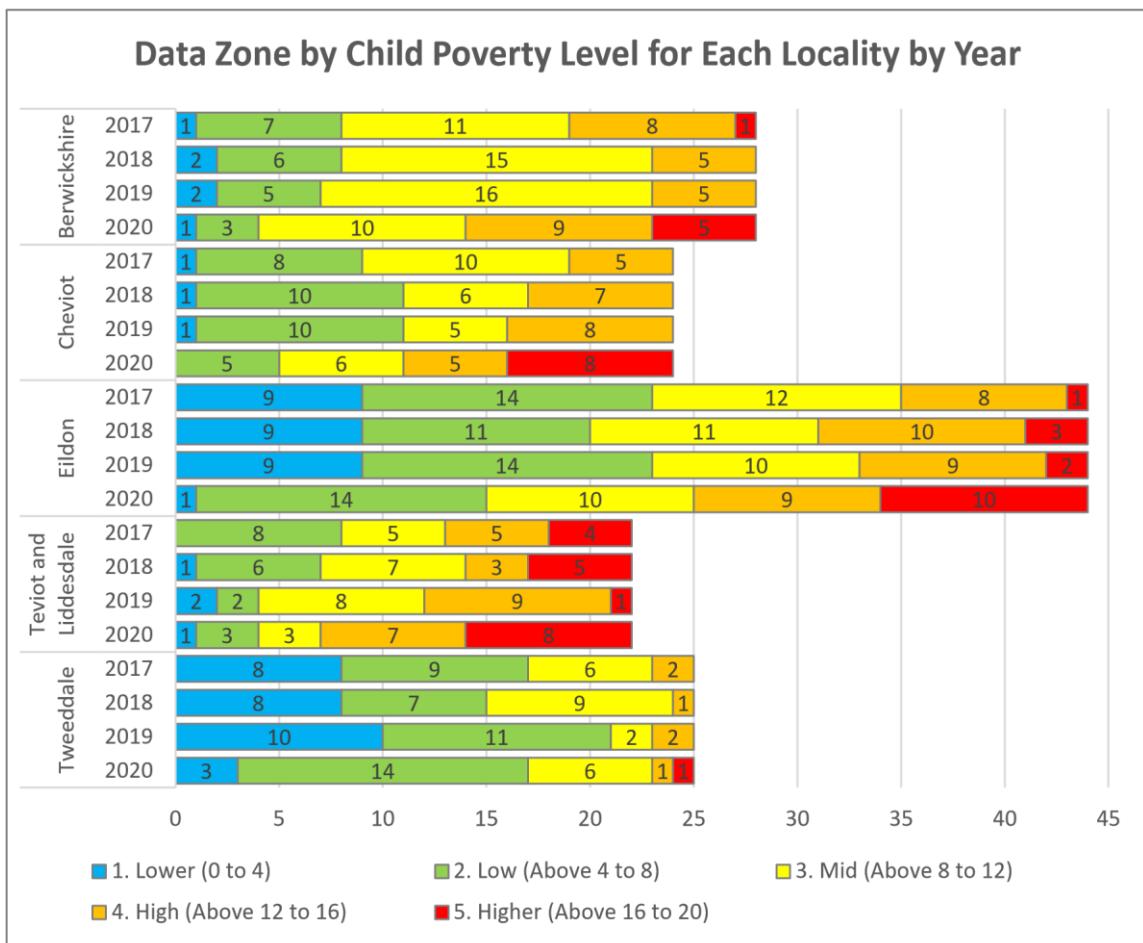


## Scottish Borders Child Poverty Level Change Over Time and By Locality

The graph below shows the distribution of data zones by level of child poverty for 2017, 2018, 2019 and 2020. Between 2017 and 2019 the number of data zones in the 'high' and 'higher' level decreased. However, in the SB CPI 2020 the impact of Covid19 is evident, with 63 of the 143 (44%) data zones in the Scottish Borders having 'high' or 'higher' level of child poverty.



The graph below shows the distribution of data zones in each of the localities by level of child poverty for 2017, 2018, 2019 and 2020. Again between 2017 and 2019 the number of data zones with 'high' or 'higher' levels of child poverty decreased. However, in 2020 the impact of Covid19 can be seen in all areas of the Scottish Borders. In 2019 46% of the data zones had 'lower' or 'low' levels of child poverty that reduced to 31% in 2020.



## Appendix 1: Scottish Borders Child Poverty Index 2020: Primary School Ranking

The table below ranks the non-denominational primary schools in the Scottish Borders by the 'Average of SB CPI Score' for the primary school based best fit data zones. The components of the SB CPI 2020 are:

- Percent of Children in Low Income Families (CiLIF) 2019/20 from DWP / NRS
- Percent of Pupils in Receipt of Free School Meals (FSM) 2020 from SBC's SEEMIS
- SEEMIS Percent of Pupils in Receipt of Clothing Grant (CG) 2020 from SBC's
- Percent of Pupils Aged 16+ in Receipt of Education Maintenance Allowance (EMA) 2020 from SBC's SEEMIS

Each primary school is allocated into a SB CPI level based on the school's score.

Scottish Borders	22.5%	15.7%	18.1%	16.0%	13.0	3. Mid	6	39	35	31	32	143
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SB CPI 2020 Primary School Rank	Secondary School	Primary School	Average of % CiLIF 2019/20 (DWP)	Average of % FSM 2020 (SBC)	Average of % CLG 2020 (SBC)	Average of % EMA16+ 2020 (SBC)	School SB CPI 2020 Score (Max 20)	School SB CPI 2020 Level	SB CPI 2020 Level				Count of Data Zones
									Lower	Low	Mid	High	
1	Hawick High School	Burnfoot Primary	39.5%	44.5%	49.6%	31.5%	19.0	Higher					4
2	Eyemouth High School	Coldingham Primary	47.5%	20.4%	24.5%	40.0%	18.0	Higher					1
3	Galashiels Academy	Langlee Primary	33.7%	25.2%	30.4%	29.4%	17.5	Higher		1			3
4	Hawick High School	Newcastleton Primary	31.4%	23.2%	23.2%	33.3%	17.0	Higher					1
4	Jedburgh Grammar	Jedburgh Primary	31.3%	25.1%	28.5%	31.6%	17.0	Higher				2	4
4	Selkirk High School	Philiphaugh Primary	25.0%	25.6%	30.1%	39.6%	17.0	Higher		1			2
4	Berwickshire High School	Greenlaw Primary	21.0%	30.4%	30.4%	16.7%	17.0	Higher					1
8	Galashiels Academy	Burgh Primary	39.3%	22.1%	29.1%	24.6%	16.5	Higher		1			2
													3

Scottish Borders
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22.5%	15.7%	18.1%	16.0%	13.0	3. Mid	6	39	35	31	32	143
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SB CPI 2020 Primary School Rank	Secondary School	Primary School	Average of % CiLIF 2019/20 (DWP)	Average of % FSM 2020 (SBC)	Average of % CLG 2020 (SBC)	Average of % EMA16+ 2020 (SBC)	School SB CPI 2020 Score (Max 20)	School SB CPI 2020 Level	SB CPI 2020 Level					Count of Data Zones
									Lower	Low	Mid	High	Higher	
9	Hawick High School	Trinity Primary	37.8%	18.3%	23.5%	63.3%	16.0	High				1	1	2
10	Eyemouth High School	Eyemouth Primary	31.0%	19.2%	22.6%	15.1%	15.0	High			1	2	2	5
10	Eyemouth High School	Ayton Primary	29.9%	21.4%	21.4%	19.9%	15.0	High			1	1	1	2
10	Earlston High School	Newtown Primary	20.2%	22.8%	24.5%	19.9%	15.0	High		1	1	1	1	3
10	Kelso High School	Yetholm Primary	12.7%	20.0%	28.0%	33.3%	15.0	High			1			1
14	Hawick High School	Drumlanrig St Cuthberts Primary	28.1%	18.6%	21.0%	23.2%	14.5	High		3	4	2	9	
14	Galashiels Academy	Balmoral Primary	27.7%	22.4%	26.1%	13.7%	14.5	High		1	1	2	4	
14	Kelso High School	Broomlands Primary	25.5%	19.2%	22.0%	23.4%	14.5	High		1	1	2	4	
14	Kelso High School	Edenside Primary	25.0%	17.3%	20.0%	22.4%	14.5	High		1	2	2	5	
14	Selkirk High School	Knowepark Primary	24.2%	18.3%	20.3%	27.4%	14.5	High		1	3	1	5	
14	Galashiels Academy	Fountainhall Primary and Heriot Primary	20.7%	19.7%	22.2%	20.0%	14.5	High			1		1	
20	Eyemouth High School	Cockburnspath Primary	29.2%	15.2%	15.2%	20.0%	13.5	High			1		1	
21	Kelso High School	Morebattle Primary	32.2%	11.1%	13.3%	37.5%	13.0	High			1		1	
21	Berwickshire High School	Coldstream Primary	24.8%	18.3%	21.3%	7.8%	13.0	High		2	2		4	
23	Hawick High School	Wilton Primary	20.4%	12.8%	16.4%	23.8%	12.5	High		1	1		2	

Scottish Borders	22.5%	15.7%	18.1%	16.0%	13.0	3. Mid	6	39	35	31	32	143
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SB CPI 2020 Primary School Rank	Secondary School	Primary School	Average of % CiLIF 2019/20 (DWP)	Average of % FSM 2020 (SBC)	Average of % CLG 2020 (SBC)	Average of % EMA16+ 2020 (SBC)	School SB CPI 2020 Score (Max 20)	School SB CPI 2020 Level	SB CPI 2020 Level					Count of Data Zones
									Lower	Low	Mid	High	Higher	
24	Galashiels Academy	St Peters Primary	18.9%	15.1%	18.5%	19.9%	12.0	Mid		1		2		3
25	Berwickshire High School	Duns Primary	23.8%	12.2%	15.4%	11.7%	11.5	Mid		2	2	2		6
25	Peebles High School	Walkerburn Primary	18.8%	7.6%	30.3%	12.5%	11.5	Mid			1			1
27	Berwickshire High School	Chirnside Primary	25.2%	12.9%	15.6%	6.8%	11.0	Mid			2	1		3
27	Eyemouth High School	Reston Primary	24.0%	11.3%	11.3%	15.4%	11.0	Mid			1			1
27	Berwickshire High School	Swinton Primary	20.4%	9.1%	10.3%	30.0%	11.0	Mid			2			2
27	Kelso High School	Ednam Primary	19.5%	11.9%	14.9%	31.6%	11.0	Mid			1			1
27	Earlston High School	St Boswells Primary	16.2%	14.9%	15.3%	15.5%	11.0	Mid		1	1	1		3
32	Selkirk High School	Yarrow Primary	33.3%	14.0%	14.0%	0.0%	10.0	Mid			1			1
32	Hawick High School	Denholm Primary	29.3%	14.7%	14.7%	8.0%	10.0	Mid			2			2
32	Selkirk High School	Kirkhope Primary	20.0%	6.5%	9.7%	33.3%	10.0	Mid			1			1
32	Peebles High School	Kingsland Primary	18.4%	11.7%	15.3%	5.5%	10.0	Mid		4	1		1	6
36	Galashiels Academy	Tweedbank Primary	19.3%	9.9%	12.9%	21.0%	9.5	Mid		1	1	1		3
37	Selkirk High School	Lilliesleaf Primary	22.6%	8.8%	9.6%	12.5%	8.5	Mid			1			1
37	Hawick High School	Stirches Primary	20.6%	5.7%	8.6%	13.3%	8.5	Mid	1		1			2
37	Peebles High School	Newlands Primary	15.2%	9.2%	11.8%	10.0%	8.5	Mid			1			1
37	Peebles High School	Broughton Primary	14.7%	9.0%	9.0%	20.0%	8.5	Mid			1			1
37	Peebles High School	St Ronans Primary	12.6%	9.8%	12.7%	11.5%	8.5	Mid	3	1	1			5
42	Galashiels Academy	Glendinning Primary	19.9%	10.3%	12.0%	0.0%	8.0	Low			1			1
42	Earlston High School	Earlston Primary	19.5%	7.6%	9.6%	16.8%	8.0	Low		1	2			3
42	Jedburgh Grammar	Ancrum Primary	15.1%	7.3%	7.8%	18.8%	8.0	Low		1	1			2
42	Earlston High School	Lauder Primary	14.1%	6.5%	6.8%	17.6%	8.0	Low		2	1			3
42	Kelso High School	Sproutson Primary	12.8%	5.4%	5.4%	18.8%	8.0	Low		1				1
42	Peebles High School	Eddleston Primary	11.3%	8.2%	8.2%	15.4%	8.0	Low		1				1
48	Earlston High School	Gordon Primary	15.9%	5.1%	5.1%	11.1%	7.5	Low		1				1
49	Earlston High School	Melrose Primary	12.6%	6.8%	6.9%	3.5%	6.5	Low	1	2	1			4
49	Peebles High School	Priorsford Primary	10.5%	6.5%	7.5%	2.2%	6.5	Low	2	3	1			6
51	Galashiels Academy	Stow Primary	13.4%	6.4%	6.4%	0.0%	6.0	Low			1			1
51	Peebles High School	West Linton Primary	8.9%	5.8%	6.3%	6.5%	6.0	Low		3				3
53	Earlston High School	Channelkirk Primary	19.8%	3.9%	5.3%	0.0%	5.0	Low		1				1
54	Earlston High School	Westruther Primary	13.8%	0.0%	0.7%	9.5%	4.5	Low	1					1
55	Galashiels Academy	Clovenfords Primary	13.1%	3.3%	3.3%	0.0%	4.0	Low	1					1

## Appendix 2: Change in SB CPI Level by Locality

### Berwickshire

SETTLEMENT (Best Fit)	Data Zone 2011 Code and Name	SIMD2020 Decile v2	SB CPI 2017 Level	SB CPI 2018 Level	SB CPI 2019 Level	SB CPI 2020 Level
Ayton	S01012309: Ayton	6	2. Low	3. Mid	3. Mid	4. High
Chirnside	S01012320: Chirnside - West	5	4. High	4. High	4. High	4. High
	S01012321: Chirnside - East	6	3. Mid	3. Mid	3. Mid	3. Mid
Coldingham	S01012311: Coldingham	7	5. Higher	4. High	3. Mid	5. Higher
Coldstream	S01012325: Coldstream - West	7	2. Low	2. Low	3. Mid	3. Mid
	S01012326: Coldstream - South	3	4. High	4. High	3. Mid	4. High
	S01012327: Coldstream - East	6	4. High	3. Mid	3. Mid	4. High
Duns	S01012305: Duns - South	6	2. Low	2. Low	3. Mid	4. High
	S01012306: Duns - West	4	4. High	3. Mid	3. Mid	4. High
	S01012307: Duns - North	5	3. Mid	3. Mid	3. Mid	3. Mid
	S01012308: Duns - East	8	3. Mid	3. Mid	2. Low	3. Mid
Eyemouth	S01012314: Eyemouth - Gunsgreen	5	4. High	3. Mid	4. High	5. Higher
	S01012315: Eyemouth - Seafront Harbour	4	2. Low	1. Lower	3. Mid	3. Mid
	S01012316: Eyemouth - Central	4	3. Mid	3. Mid	4. High	4. High
	S01012317: Eyemouth - South	6	3. Mid	3. Mid	3. Mid	4. High
	S01012318: Eyemouth - North	4	4. High	4. High	4. High	5. Higher
Greenlaw	S01012300: Greenlaw	5	4. High	4. High	4. High	5. Higher
Rural - Berwickshire	S01012301: Swinton Leithholm and Fogo Area	6	2. Low	2. Low	2. Low	3. Mid
	S01012302: Cranshaws - Abbey St Bathans Area	4	3. Mid	3. Mid	2. Low	2. Low
	S01012303: Westruther and Polwarth Area	7	1. Lower	1. Lower	1. Lower	1. Lower
	S01012304: Gordon and Hume Area	7	2. Low	2. Low	2. Low	2. Low
	S01012310: St Abbs and Eyemouth Landward	6	3. Mid	2. Low	3. Mid	5. Higher
	S01012312: Reston and Coldingham Moor Area	5	4. High	3. Mid	3. Mid	3. Mid
	S01012313: Cockburnspath and Area	5	2. Low	3. Mid	2. Low	4. High
	S01012319: Preston and Manderston Area	6	3. Mid	3. Mid	3. Mid	2. Low
	S01012322: Whitsome Allanton and Hutton Area	7	3. Mid	2. Low	1. Lower	3. Mid
	S01012323: Foulden and Area	7	3. Mid	3. Mid	3. Mid	3. Mid
	S01012324: Birgham and Ladykirk Area	6	3. Mid	3. Mid	3. Mid	3. Mid

### Cheviot

SETTLEMENT (Best Fit)	Data Zone 2011 Code and Name	SIMD2020 Decile v2	SB CPI 2017 Level	SB CPI 2018 Level	SB CPI 2019 Level	SB CPI 2020 Level
Jedburgh	S01012349: Jedburgh - Howden	5	4. High	3. Mid	4. High	4. High
	S01012350: Jedburgh - Doom Hill	4	4. High	4. High	4. High	5. Higher
	S01012351: Jedburgh - East Central	4	3. Mid	3. Mid	4. High	5. Higher
	S01012352: Jedburgh - West Central	7	2. Low	3. Mid	4. High	5. Higher
	S01012353: Jedburgh - Abbey	4	3. Mid	4. High	3. Mid	5. Higher
Kelso	S01012330: Kelso S - Pinnaclehill	6	3. Mid	4. High	4. High	3. Mid
	S01012331: Kelso S - Maxwellheugh	9	1. Lower	1. Lower	1. Lower	2. Low
	S01012334: Kelso N - High Croft Orchard Park	6	4. High	4. High	4. High	5. Higher
	S01012335: Kelso N - Hendersyde Oakfield	7	3. Mid	2. Low	3. Mid	2. Low
	S01012336: Kelso N - Abbotseat	8	3. Mid	3. Mid	2. Low	3. Mid
	S01012337: Kelso N - Poynder Park	3	3. Mid	4. High	4. High	5. Higher
	S01012338: Kelso S - Bowmont and Edenside	5	3. Mid	3. Mid	3. Mid	5. Higher
	S01012339: Kelso S - Abbey	5	2. Low	2. Low	2. Low	3. Mid
Rural - Cheviot	S01012340: Kelso S - Broomlands	6	4. High	4. High	4. High	5. Higher
	S01012329: Morebattle Hownam and Area	5	3. Mid	2. Low	2. Low	4. High
	S01012332: Smailholm Stitchill and Ednam Area	7	3. Mid	3. Mid	2. Low	3. Mid
	S01012333: Sprouston and Area	7	2. Low	2. Low	2. Low	2. Low
	S01012341: Oxnam and Camptown Area	7	2. Low	2. Low	2. Low	4. High
	S01012342: Ancrum and Lanton Area	6	2. Low	2. Low	2. Low	3. Mid
St Boswells	S01012343: Roxburgh Heiton Eckford Area	7	2. Low	2. Low	2. Low	2. Low
	S01012346: Dryburgh Charlesfield Maxton Area	7	3. Mid	2. Low	2. Low	3. Mid
Yetholm	S01012347: St Boswells - East	8	2. Low	2. Low	3. Mid	4. High
	S01012348: St Boswells - West	8	2. Low	2. Low	2. Low	2. Low
	S01012328: Town Yetholm	5	4. High	4. High	3. Mid	4. High

## Eildon

SETTLEMENT (Best Fit)	Data Zone 2011 Code and Name	SIMD2020 Decile v2	SB CPI 2017 Level	SB CPI 2018 Level	SB CPI 2019 Level	SB CPI 2020 Level
Darnick and Gattonside	S01012289: Gattonside - Darnick - Chiefswood	8	2. Low	1. Lower	1. Lower	1. Lower
Earlston	S01012269: Earlston - West	8	1. Lower	2. Low	2. Low	2. Low
	S01012270: Earlston - East	6	2. Low	3. Mid	2. Low	3. Mid
Galashiels	S01012274: Galashiels - N - Halliburton	6	2. Low	2. Low	2. Low	2. Low
	S01012275: Galashiels - N - Town Centre	3	3. Mid	4. High	4. High	5. Higher
	S01012276: Galashiels - N - Windyknowe	5	1. Lower	2. Low	2. Low	2. Low
	S01012277: Galashiels - N - Wood St	5	4. High	4. High	4. High	5. Higher
	S01012278: Galashiels - W - Old Town	4	4. High	4. High	3. Mid	3. Mid
	S01012279: Galashiels - W - Thistle St	3	5. Higher	4. High	4. High	5. Higher
	S01012280: Galashiels - W - Balmoral Rd	4	3. Mid	4. High	4. High	5. Higher
	S01012281: Galashiels - W - Balmoral Pl	5	3. Mid	4. High	3. Mid	4. High
	S01012282: Galashiels - S - Netherdale	8	1. Lower	1. Lower	2. Low	2. Low
	S01012283: Galashiels - S - St Peters Sch	5	4. High	4. High	3. Mid	4. High
	S01012284: Galashiels - S - Huddersfield	3	4. High	4. High	4. High	4. High
	S01012285: Galashiels - S - Glenfield	7	2. Low	1. Lower	2. Low	2. Low
	S01012286: Gala - Langlee - East	4	3. Mid	3. Mid	3. Mid	5. Higher
	S01012287: Gala - Langlee - Central	1	4. High	5. Higher	5. Higher	5. Higher
	S01012288: Gala - Langlee - West	2	4. High	5. Higher	5. Higher	5. Higher
Lauder	S01012296: Lauder - South	10	2. Low	1. Lower	1. Lower	2. Low
	S01012298: Lauder - North	7	3. Mid	3. Mid	1. Lower	3. Mid
Melrose and Newstead	S01012290: Melrose - Newstead	6	3. Mid	2. Low	2. Low	3. Mid
	S01012291: Melrose - Dingleton Hill	9	2. Low	2. Low	1. Lower	2. Low
	S01012292: Melrose - High Street	10	1. Lower	1. Lower	2. Low	2. Low
Newtown St Boswells	S01012344: Newtown St Boswells - South	5	3. Mid	4. High	3. Mid	4. High
	S01012345: Newtown St Boswells - North	7	2. Low	3. Mid	3. Mid	5. Higher
Rural - Eildon	S01012268: Earlston and Melrose Landward	8	2. Low	2. Low	2. Low	3. Mid
	S01012271: Heriot - Fountainhall - Stow Landward	6	2. Low	3. Mid	3. Mid	4. High
	S01012297: Blainslie and Legerwood	8	1. Lower	1. Lower	1. Lower	2. Low
	S01012299: Oxton and Area	7	1. Lower	1. Lower	1. Lower	2. Low
	S01012376: Ashkirk Lilliesleaf and Midlem Area	8	2. Low	2. Low	2. Low	3. Mid
	S01012377: Bowden and Lindean Area	7	1. Lower	1. Lower	1. Lower	2. Low
	S01012378: Ettrick Water and Bowhill Area	6	2. Low	2. Low	2. Low	3. Mid
Selkirk	S01012379: Yarrow Water and Sunderland Area	6	1. Lower	3. Mid	2. Low	3. Mid
	S01012380: Selkirk - Shawburn	5	3. Mid	3. Mid	4. High	5. Higher
	S01012381: Selkirk - Town Centre	5	2. Low	3. Mid	4. High	4. High
	S01012382: Selkirk - Hillside Terrace	8	2. Low	2. Low	2. Low	3. Mid
	S01012383: Selkirk - Shawpark	7	3. Mid	4. High	3. Mid	4. High
	S01012384: Selkirk - Dunsdale	6	3. Mid	3. Mid	4. High	4. High
	S01012385: Selkirk - Heatherlie	6	3. Mid	3. Mid	3. Mid	2. Low
Stow	S01012386: Selkirk - Bannerfield	2	4. High	5. Higher	4. High	5. Higher
	S01012272: Stow	7	1. Lower	1. Lower	1. Lower	2. Low
Tweedbank	S01012293: Tweedbank - West	6	2. Low	2. Low	2. Low	4. High
	S01012294: Tweedbank - North	5	4. High	3. Mid	3. Mid	3. Mid
	S01012295: Tweedbank - East	7	3. Mid	2. Low	1. Lower	2. Low

## Teviot and Liddesdale

SETTLEMENT (Best Fit)	Data Zone 2011 Code and Name	SIMD2020 Decile v2	SB CPI 2017 Level	SB CPI 2018 Level	SB CPI 2019 Level	SB CPI 2020 Level
Denholm	S01012356: Denholm	8	2. Low	2. Low	2. Low	3. Mid
Hawick	S01012359: Hawick - Burnfoot - South East	1	5. Higher	5. Higher	4. High	5. Higher
	S01012360: Hawick - Burnfoot - Central	1	5. Higher	4. High	4. High	5. Higher
	S01012361: Hawick - Burnfoot - West	2	4. High	5. Higher	4. High	5. Higher
	S01012362: Hawick - Burnfoot - North	2	5. Higher	5. Higher	5. Higher	5. Higher
	S01012363: Hawick Central - Wellogate	2	3. Mid	3. Mid	4. High	4. High
	S01012364: Hawick Central - Trinity	3	4. High	3. Mid	4. High	5. Higher
	S01012365: Hawick Central - Millers Knowes	8	2. Low	1. Lower	1. Lower	2. Low
	S01012366: Hawick Central - Town Centre	4	5. Higher	5. Higher	4. High	5. Higher
	S01012367: Hawick Central - Weensland	6	4. High	4. High	4. High	4. High
	S01012368: Hawick West End - Wilton Dean	7	2. Low	2. Low	3. Mid	2. Low
Newcastleton	S01012369: Hawick West End - Crumhaughill and Parkdale	8	2. Low	2. Low	2. Low	2. Low
	S01012370: Hawick Central - Drumlanrig	4	3. Mid	2. Low	3. Mid	4. High
	S01012371: Hawick West End - Crumhaugh	4	3. Mid	3. Mid	4. High	4. High
	S01012372: Hawick North - Commercial Road	2	4. High	5. Higher	4. High	5. Higher
	S01012373: Hawick North - Wilton Hill	5	3. Mid	3. Mid	3. Mid	3. Mid
	S01012374: Hawick North - Stirtches	5	2. Low	2. Low	3. Mid	4. High
	S01012375: Hawick North - Silverbuthall	4	4. High	3. Mid	3. Mid	4. High
	S01012354: Newcastleton	6	2. Low	4. High	3. Mid	5. Higher
	S01012355: Teviothead and Hermitage Area	5	3. Mid	3. Mid	3. Mid	4. High
Rural - Teviot and Liddesdale	S01012357: Minto Cauldmill and Boonraw Area	7	2. Low	3. Mid	1. Lower	1. Lower
	S01012358: Bonchester Bridge and Chesters Area	6	2. Low	2. Low	3. Mid	3. Mid

## Tweeddale

SETTLEMENT (Best Fit)	Data Zone 2011 Code and Name	SIMD2020 Decile v2	SB CPI 2017 Level	SB CPI 2018 Level	SB CPI 2019 Level	SB CPI 2020 Level
Cardrona	S01012261: Cardrona	8	1. Lower	2. Low	2. Low	2. Low
Innerleithen	S01012264: Innerleithen - North	8	1. Lower	1. Lower	1. Lower	2. Low
	S01012265: Innerleithen - East	5	3. Mid	3. Mid	4. High	4. High
	S01012266: Innerleithen - South	7	3. Mid	3. Mid	2. Low	3. Mid
	S01012267: Innerleithen - West	10	1. Lower	1. Lower	1. Lower	2. Low
Peebles	S01012251: Peebles - N - Connor St	4	4. High	4. High	4. High	5. Higher
	S01012252: Peebles North - Dalatho	6	2. Low	3. Mid	2. Low	3. Mid
	S01012253: Peebles - N - Cuddyside	6	2. Low	3. Mid	2. Low	2. Low
	S01012254: Peebles - N - March St	9	2. Low	3. Mid	2. Low	2. Low
	S01012255: Peebles - N - Eastgate	8	2. Low	2. Low	1. Lower	2. Low
	S01012256: Peebles - S - Calvalry Park	9	2. Low	1. Lower	2. Low	2. Low
	S01012257: Peebles - S - Gallow Hill	7	3. Mid	3. Mid	2. Low	3. Mid
	S01012258: Peebles - S - Edderston Rd	10	1. Lower	1. Lower	1. Lower	1. Lower
	S01012259: Peebles - S - Caledonian-Springhill	10	1. Lower	1. Lower	1. Lower	1. Lower
Rural - Tweeddale	S01012260: Peebles - S - Victoria Park	7	3. Mid	2. Low	2. Low	2. Low
	S01012244: Carllops Romanobridge	6	1. Lower	1. Lower	1. Lower	2. Low
	S01012247: Eddleston and Area	7	2. Low	1. Lower	1. Lower	2. Low
	S01012248: Stobo - Blyth Bridge - Skirling	7	3. Mid	3. Mid	2. Low	3. Mid
	S01012249: Broughton and Upper Tweed	6	3. Mid	3. Mid	3. Mid	3. Mid
	S01012250: Glentress and Manor Valley	8	2. Low	2. Low	1. Lower	2. Low
Walkerburn	S01012262: Tweeddale East Landward	6	2. Low	2. Low	2. Low	2. Low
	S01012273: Clovenfords and Area	9	2. Low	2. Low	1. Lower	1. Lower
West Linton	S01012263: Walkerburn	4	4. High	3. Mid	3. Mid	3. Mid
West Linton	S01012245: West Linton - Lower	9	1. Lower	1. Lower	1. Lower	2. Low
	S01012246: West Linton - Upper	9	1. Lower	2. Low	2. Low	2. Low

## Appendix 3

### Statistical evidence

#### Statistical evidence about the Drivers of Child Poverty in the Scottish Borders

##### Earnings

- Scottish Borders median gross weekly pay (workplace based) in 2020 for full-time workers was **£481** a week. (Nomis)<sup>1</sup>
- This is **£111 lower** than the Scottish average of **£593** and is the 2nd lowest out of the 32 Scottish Local Authority areas.(Nomis)

##### Skills and qualifications

- An estimated **6.3%** of working-age people in the Annual Population survey had no qualifications in 2020. This is better than the Scottish average of **8.0%**. (Nomis)
- **95%** of Scottish Borders 16-19 year olds were participating in employment, education or training in 2020, according to Skills Development Scotland (SDS) data. This is slightly higher than the Scottish average of **92%**.<sup>2</sup>
- **72%** of Scottish Borders young adults aged 16-19 participated in Education in 2020; similar to the Scottish average of **72%**.(SDS)
- **222%** of Scottish Borders young adults aged 16-19 entered employment, training or another positive destination other than education in 2020. This is similar to the Scottish average of **20%** (SDS)

##### Accessible transport

- **47.6%** of children in Scottish Borders live in areas classified as “Rural” (Accessible-rural or Remote-rural) by the Urban-rural Classification system in 2018.<sup>3</sup>

##### Childcare

- 5,370 children were registered by the Care Inspectorate for Early Learning and Childcare in 2019 in the Scottish Borders. This is **28.2%** of all children, slightly higher than the Scottish average of **27.2%**.<sup>4</sup>

##### Food insecurity and food costs

- The January 2020 Independent Food Aid Network<sup>5</sup> reported six participating independent food banks in the Scottish Borders between April 2018 and September 2019. They gave out **3,915** food parcels, an **8%** increase on the previous year. This shows that there is sustained and increasing food insecurity in the Scottish Borders, which is certain to get worse in 2020. Following the outbreak of Covid-19, IFAN analysed data from independent food banks in Scotland comparing February to July 2019 with February to July 2020. The table below shows the results for Scotland.

<sup>1</sup> <https://www.nomisweb.co.uk/>

<sup>2</sup> <https://www.skillsdevelopmentscotland.co.uk/media/47100/rsa-infographic-scottish-borders.pdf>

<sup>3</sup> <https://statistics.gov.scot/home>

<sup>4</sup> <https://www.careinspectorate.com/index.php/statistics-and-analysis>

<sup>5</sup> <https://www.foodaidnetwork.org.uk/scotland-food-bank-data>

*Table 2: The number of people supported by independent food banks in Scotland (February to July in 2019 and 2020)*

Month	2019	2020
February	9,209	10,137
March	9,483	12,614
April	9,279	19,613
May	9,778	18,897
June	8,972	17,415
July	9,470	17,060

#### Internet access

- The Scottish Household Survey estimates that **90%** of households in Scottish Borders had home internet access in 2019, an increase of 2% since 2018. This has been steadily increasing year after year and is now higher than the Scottish average of **88%**.<sup>6</sup>

#### Fuel Poverty

- Around **29%** of all households in the Scottish Borders are fuel poor, equivalent to approximately 16,000 households. There seems to be a higher level of fuel poverty in the Scottish Borders compared to Scotland (25%), although it is not statistically different.<sup>7</sup>
- Households with higher levels of fuel poverty in the Scottish Borders are those that are Older (38%) and those in Social Housing (51%).
- Around **15%** of all households in the Scottish Borders are in extreme fuel poverty, which is not significantly different to the 12% for Scotland.

#### Children in families with Limited Resources<sup>8</sup>

- 20.4%** of children in the Scottish Borders are living with limited resources **before** housing costs compared to 17.3% for Scotland. This is above the Scottish average and is 6th-highest out of the 32 Local Authority areas.
- 24%** of children are living with limited resources **after** housing costs, compared to 20.7% for Scotland. The Scottish Borders is still 4th-highest out of the 32 Local Authority areas.

#### Children in Low Income families<sup>9</sup>

- 18%** of children in Scottish Borders were living in relative low income families for the financial year end 2020, similar to 19% for Scotland.

<sup>6</sup> <https://scotland.shinyapps.io/sg-scottish-household-survey-data-explorer/>

<sup>7</sup> [Scottish House Condition Survey: Local Authority Analyses to 2016-2018 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-house-condition-survey-local-authority-analyses-to-2016-2018/)

<sup>8</sup> <https://www.gov.scot/publications/children-in-families-with-limited-resources/>

<sup>9</sup> <https://www.gov.uk/government/collections/children-in-low-income-families-local-area-statistics#contents>

## **Statistical evidence about the high priority groups and other statistics**

- 8.1% (or 4,241) of Scottish Borders households in the 2011 Census<sup>10</sup> were a lone-parent family. This is a lower proportion than the Scottish average of 11.1% of households (263,360 households)
- The Scottish Borders has a lower crude rate of teenage pregnancies (per 1,000 females aged 15 – 19) of **27.2** compared to 30.5 for Scotland.<sup>11</sup>
- According to SBC's internal Education Management Information System SEEMIS, 95.4% of pupils have English as their “First-Language”.
- According to Scottish Government statistics<sup>12</sup>, there were 187 children in the Scottish Borders in 2020 who were Looked After by the Local Authority in a variety of settings, equal to which 0.7% of the population aged 0 to 17, compared to 1.4% for Scotland. Of the children looked after by Scottish Borders Council 18% are aged under 5, similar to the 19% for Scotland.

## **Other high level statistical evidence relating to child poverty in the Scottish Borders**

- In Scotland Young Carers are more common in lone parent families and these Young Carers also contribute the most hours 47% (3 years ago this figure stood at 28%) of Young Carers in the most deprived areas care for 35 hours a week or more, compared with 24% (previously 17%) of Young Carers in the least deprived areas, who provide care for 35 hours a week or more. As at 21<sup>st</sup> September 2018, there were 75 carers recorded on Seemis (the Council's Education Management Information system).

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<sup>10</sup> <https://www.scotlandscensus.gov.uk/>

<sup>11</sup> [https://scotland.shinyapps.io/ScotPHO\\_profiles\\_tool/](https://scotland.shinyapps.io/ScotPHO_profiles_tool/)

<sup>12</sup> <https://www.gov.scot/publications/childrens-social-work-statistics-2019-20/>

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## Child Poverty Benchmarking

### Children in Low Income Families

On 25 March 2021 the Department of Work and Pensions (DWP) published ["Annual Official Statistics on the number of children living in low income families across the UK for financial years ending \(FYE\) 2015 to 2020."](#) This publication provides the number and percentage of children (aged under 16) living in both Relative and Absolute low income families for Local Authorities and wards for the FYE 2015 to 2020.<sup>1</sup> **It is very important to note that there is no material impact of COVID-19 on the data used in this release.**

The difference between Relative and Absolute low income is:

**Relative low income** is defined as a family in low income Before Housing Costs (BHC) in the **reference year**. A family must have claimed Child Benefit and at least one other household benefit (Universal Credit, tax credits or Housing Benefit) at any point in the year to be classed as low income in these statistics.

**Absolute low income** is defined as a family in low income Before Housing Costs (BHC) in the reference year in comparison with incomes in **financial year ending 2011**. A family must have claimed Child Benefit and at least one other household benefit (Universal Credit, tax credits or Housing Benefit) at any point in the year to be classed as low income in these statistics.

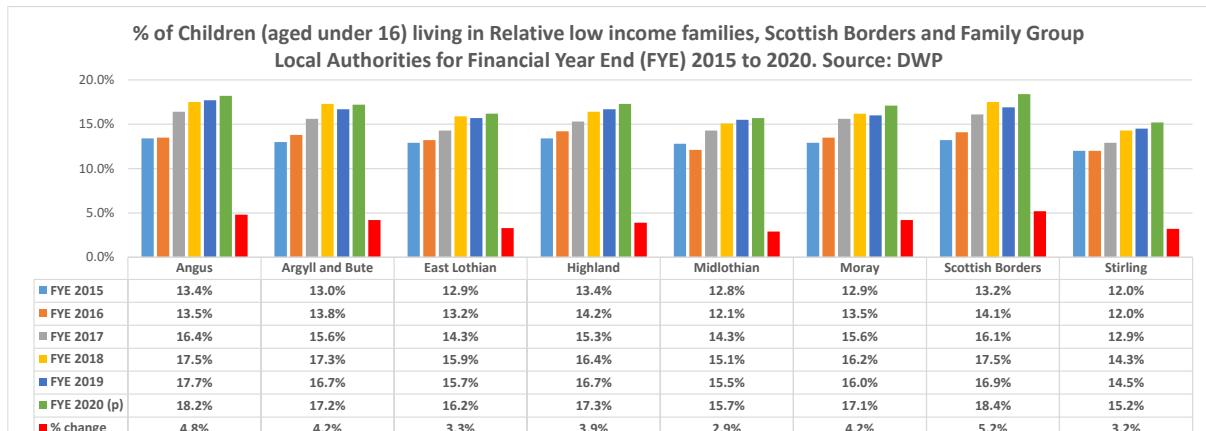
The table below show the proportion of children in Relative and Absolute low income families for the financial years ending (FYE) 2015 to 2020. Note that there has been a greater change in the Scottish Borders compared to Scotland for both relative and absolute. The table below also shows the figures for Dumfries and Galloway, showing the challenges for the South of Scotland Region.

Type	Area - Type	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (p)	% Change
Relative	Scotland	14%	15%	16%	18%	18%	19%	4.5%
	Scottish Borders	13%	14%	16%	18%	17%	18%	5.2%
	Dumfries and Galloway	16%	17%	18%	21%	20%	22%	6.0%
Absolute	Scotland	14%	14%	13%	15%	15%	16%	1.3%
	Scottish Borders	13%	13%	13%	14%	14%	15%	1.6%
	Dumfries and Galloway	16%	16%	15%	17%	16%	19%	2.2%

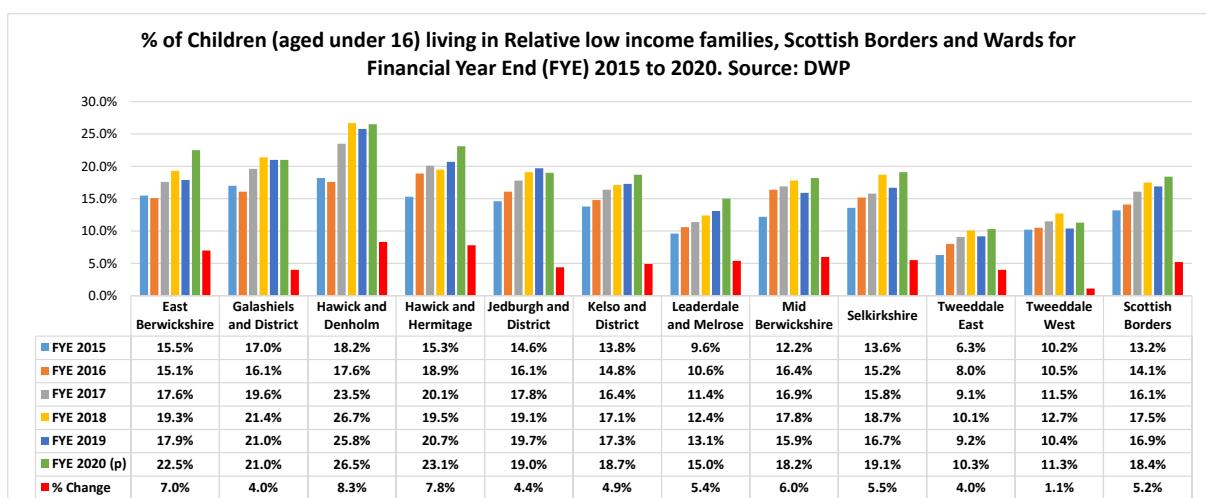
Source: DWP / NRS

The Scottish Borders is in a Local Government Benchmarking Group with seven other Scottish Local Authorities. The graph with table below show the proportion of children in Relative low income families FYE 2015 to 2020 and the percentage change between 2015 and 2020. It should be noted that the Scottish Borders has had the largest increase children in Relative low income families of 5.2% compared to the others. In FYE 2020 the Scottish Borders had the highest proportion of children in low income families of 18.4% compared to the family group.

<sup>1</sup> The figures for Scotland have been derived from summing up the Scottish Local Authorities numbers and applying the NRS aged 0 to 15 population.



Within the Scottish Borders the percent of children (aged under 16) living in Relative low income families ranges between 10.3% for Tweeddale East compared to 26.5% for Hawick and Denholm for FYE 2020. The graph with table below show the proportion of children (aged under 16) living in Relative low income families for each ward in the Scottish Borders between FYE 2015 and 2020 as well as the change between 2015 and 2020.



This is before the impact of the Covid-19 Pandemic is taken into account which is likely to make the situation worse.

### [Local Government Benchmarking Framework](#)

The LGBF is a high-level benchmarking tool designed to support senior management teams and elected members to ask questions about key council services.

The framework provides high-level ‘can openers’ which are designed to focus questions on why variations in cost and performance are occurring between similar councils. They do not supply the answers. That happens as councils engage with each other to ‘drill down’ and explore why these variations are

happening. Throughout the year, there are several workshop events which cover all aspects of LGBF where professionals from service areas discuss results and approaches. At this time, this does not specifically focus on Child Poverty.

The Scottish Borders can be benchmarked against all councils in Scotland and specifically against seven similar councils ([family group](#)). Within the LGBF there are several indicators that show where deprivation (poverty) may influence educational attainment and outcomes. These include:

- % of pupils gaining 5+ awards at level 5
- % of pupils gaining 5+ awards at level 6
- % of pupils from deprived areas gaining 5+ awards at level 5 (SIMD)
- % of pupils from deprived areas gaining 5+ awards at level 6 (SIMD)
- Overall average total tariff
- Average total tariff SIMD quintile 1
- Average total tariff SIMD quintile 2
- Average total tariff SIMD quintile 3
- Average total tariff SIMD quintile 4
- Average total tariff SIMD quintile 5
- % of P1, P4 and P7 pupils combined achieving expected CFE Level in Literacy
- % of P1, P4 and P7 pupils combined achieving expected CFE Level in Numeracy
- Literacy Attainment Gap (P1,4,7 Combined) - percentage point gap between the least deprived and most deprived pupils
- Numeracy Attainment Gap (P1,4,7 Combined) - percentage point gap between the least deprived and most deprived pupils

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## SCRUTINY WORK PROGRAMME

**Committee dates** – Thursday 19 August (Scrutiny); Thursday, 21 October (Scrutiny); Monday 22 November (Audit & Scrutiny); Thursday 9 December (Scrutiny); Thursday 13 January 2022 (Scrutiny); Monday 14 February 2021 (Audit & Scrutiny); Thursday 9 June 2021 (Scrutiny) (new Council).

	SUBJECT	SCOPE & APPROACH	LEAD OFFICER	COMMITTEE MEETING DATE
1.	<b>Responsible Dog Ownership Policy</b>	<b>Scope:</b> Review the implementation of the policy and establish its level of success  <b>Approach:</b> Scrutiny hearing	David Robertson, Executive Director (Finance & Regulatory)	19 August 2021
2.	<b>Income Management Policy</b>	<b>Scope:</b> Review the Income Management Policy established in 2012 and benchmark current charges against other areas of Scotland.  <b>Approach:</b> Initial Scrutiny hearing to determine best methodology and reporting	David Robertson, Executive Director (Finance & Regulatory)	21 October 2021
3.	<b>Rural Proofing Policy</b>	<b>Scope:</b> Review of the effectiveness of the current Rural Proofing Policy.  <b>Approach:</b> Scrutiny hearing	To be confirmed (was Rob Dickson)	21 October 2021

	<b>SUBJECT</b>	<b>SCOPE &amp; APPROACH</b>	<b>LEAD OFFICER</b>	<b>COMMITTEE MEETING DATE</b>
4.	<b>Council resources on Roads, including white lining</b>	<b>Scope:</b> A review of the effectiveness of the application of Council resources to the roads network to provide a benchmark for future years for the national Roads Condition Index.  <b>Approach:</b> Scrutiny hearing	John Curry, Service Director Assets & Infrastructure	22 November 2021
5.	<b>Following the Public Pound – grant evaluations</b>	<b>Scope:</b> An evaluation of the process for grant monitoring and evaluation  <b>Approach:</b> Scrutiny hearing	Jenni Craig, Service Director Customer & Communities	9 December 2021
6.	<b>Management and Maintenance of Public Halls</b>	<b>Scope:</b> An evaluation of the community contribution to the management and maintenance of public halls, including those managed by Live Borders.  <b>Approach:</b> Scrutiny hearing	To be confirmed (was Rob Dickson)	9 December 2021
7.	<b>Public transport and communities</b>	<b>Scope:</b> An evaluation of the current situation and future plans for supporting rural communities to set up their own community transport where there was demand and current transport inadequate.  <b>Approach:</b> Initial Scrutiny hearing to determine best methodology and reporting	To be confirmed (was Rob Dickson)	13 January 2022



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