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AUDIT AND SCRUTINY COMMITTEE THURSDAY, 21 OCTOBER 2021

A MEETING of the AUDIT AND SCRUTINY COMMITTEE will be held VIA MICROSOFT TEAMS on THURSDAY, 21 OCTOBER 2021 at 10.15 am

J. J. WILKINSON,
Clerk to the Council,

14 October 2021

BUSINESS		
1.	Apologies for Absence.	
2.	Order of Business.	
3.	Declarations of Interest.	
4.	<p>Minute. (Pages 5 - 10)</p> <p>Minute of Meeting of the Audit and Scrutiny Committee held on 20 September 2021 to be approved and signed by the Chairman. (Copy attached.)</p>	5 mins
AUDIT BUSINESS		
5.	<p>External Audit Annual Report 2020/21 for Scottish Borders Council Pension Fund (Pages 11 - 54)</p> <p>Consider the Annual Audit Report 2020/21 and ISA580 from the External Auditors on Scottish Borders Council Pension Fund reviewed by Pension Fund Joint Committee and Board prior to Council approval. (Copy attached)</p>	20 mins
6.	<p>Audited Report and Accounts 2020/21 for Scottish Borders Council Pension Fund (Pages 55 - 150)</p> <p>Consider the audited annual report and accounts 2020/21 of the Pension Fund reviewed by Pension Fund Joint Committee and Board prior to Council approval. (Copy attached)</p>	10 mins
7.	<p>External Auditors' Annual Audit Reports 2020/21</p> <p>Consider the Annual Audit Reports from the External Auditor on various entities for review and scrutiny prior to Council approval. (Copies attached).</p>	30 mins
	(a) ISA260 SBC	(Pages 151 - 160)
	(b) ISA260 Trusts	(Pages 161 - 184)

	(c) External Audit Annual Report 2020/21 for Scottish Borders Council	(Pages 185 - 224)	
8.	Audited Annual Reports and Accounts 2020/21	(Pages 225 - 230)	20 mins
	Consider report by the Executive Director Finance & Corporate Governance on various entities' audited Annual Reports and Accounts for the year ended 31 March 2021 for review and scrutiny prior to Council approval. (Copies attached).		
	(a) Scottish Borders Council	(Pages 231 - 354)	
	(b) SBC Common Good Funds	(Pages 355 - 380)	
	(c) SBC Charitable Trusts	(Pages 381 - 478)	
	(i) SBC Welfare Trust (ii) SBC Education Trust (iii) SBC Community Enhancement Trust (iv) Ormiston Institution (v) SBC Charity Funds		
	(d) Lowood Tweedbank Ltd	(Pages 479 - 488)	
	(e) Bridge Homes LLP	(Pages 489 - 506)	
9.	Any Other Audit Items Previously Circulated.		
10.	Any Other Audit Items which the Chairman Decides are Urgent.		
	SCRUTINY BUSINESS		
11.	Any Other Scrutiny Items Previously Circulated.		
12.	Any Other Scrutiny Items which the Chairman Decided are Urgent		
13.	Items Likely to be taken in Private		
	Before proceeding with the private business, the following motion should be approved:- "That under Section 50A(4) of the Local Government (Scotland) Act 1973 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the relevant paragraphs of Part 1 of Schedule 7A to the aforementioned Act."		
14.	Minute	(Pages 507 - 508)	2 mins
	Consider Private Minute of Meeting held on 20 September 2021. (Copy attached.)		

NOTES

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

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

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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTES of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held via MS Teams
on Monday, 20 September 2021 at 10.15 am

Present:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, J. Greenwell
(from paragraph 8), N. Richards E. Robson, H. Scott, S. Scott, and
E. Thornton-Nicol; Ms H. Barnett.

Apologies:- Mr M. Middlemiss.

In Attendance:- Executive Director Finance & Regulatory (David Robertson), Director
Infrastructure & Environment (John Curry), Chief Officer Audit & Risk (Jill
Stacey), Clerk to the Council, Democratic Services Officer (W. Mohieddeen).

1. **ORDER OF BUSINESS**

The Chair notified the Committee he was minded to change the order of business. Due to the nature of the content and likely discussion of item 7 on the agenda, Progress Update on LDS Financial Management Update, this could lead to the identification of recipients of particular services provided by the Learning Disability Service.

DECISION

AGREED to take item 7 on the agenda as private business, within the terms of paragraphs 3 and 10 of Part 1 of Schedule 7 of the Local Government (Scotland) Act 1973,

2. **MINUTE**

There had been circulated copies of the Minute of the meeting of the Audit and Scrutiny held on 19 August 2021. With reference to the decisions at paragraph 2.4, Responsible Dog Ownership, the Clerk to the Council advised that an update on when the Committee would receive the information requested would be brought to the next meeting of the Committee. With reference to paragraph 3, a potential Scottish Borders Autism Survey review, the Clerk advised that the Strategy had been agreed during the shadow year of the H&SC Integrated Joint Board, and further information was being sought on the likely review process. This would be provided to the next meeting of the Committee.

DECISION

AGREED the Minute for signature by the Chairman.

3. **ACTION TRACKER**

There had been circulated copies of the Action Tracker. The Chief Officer Audit and Risk presented the Action Tracker and confirmed that it did not include actions relating to Scrutiny business. The Executive Director Finance & Regulatory provided a verbal ICT Cybersecurity update in relation to action 3 from the meeting held on 10 May 2021. Officers had been

working with CGI in the last few months on updating the PSN accreditation with the Cabinet Office. Penetration testing had been carried out and there were minor remediation points to address before a submission would be made at the end of September 2021. A piece of work had been requested from CGI on wider Cybersecurity, with further details requested on the specific work and pricing elements for this. A further quote for this work was anticipated shortly.

DECISION

(a) NOTED the Action Tracker.

(b) AGREED to remove action 3 from the meeting of 10 May 2021 from the Action Tracker.

4. RISK MANAGEMENT IN SERVICES

4.1 A verbal presentation of Risk Management in the Assets & Infrastructure Service was delivered by the Director Infrastructure & Environment, Mr John Curry. The Director presented the structure of risks managed across the teams noting the recent change of directorates which included Assets and Infrastructure now being called Infrastructure and Environment, and that included Planning and Building Standards which would be included in the next update. Corporate risks managed by the Director included property, capital projects and climate change. In response to questions from Members, Mr Curry explained that some work was being outsourced at the moment for local specialists. That would continue but there needed to be consistency of support and marketing to make the best of the Council's assets. While it was noted that house prices were at a premium in some areas, a balance was needed in terms of selling of Council property to get the best return, and linking that to place making and getting the best for communities. Discussion then centred on the full use of older buildings and properties that were difficult to convert, and issues with being factors on tenanted land (Common Good farms). Mr Curry explained that this related to the corporate landlord model with a piece of work to do to recognise land ownership and management. Councillor Anderson suggested that the ward-by-ward discussions take place with Councillors on property, given the successful discussions around playparks which had been held with Members, and Mr Curry advised he would pick up on this suggestion. With regards to the relationship with Live Borders, Mr Curry confirmed that both organisations held large estates with specialisms e.g. schools and swimming pools and all were visible, public buildings. These suffered to a certain extent with maintenance and age-related issues. There was only so much resource available and that needed to be balanced against priorities. There were possibly opportunities around the capital investment programme to address some age-related issues with the estate and the Council would work with Live Borders to deliver a more sustainable estate in future. In response to a question about community centres and their potential loss of business as previous tenants had found alternative venues due to Covid closures, this would be picked up with the Live Borders Management Team as well as their Property Officer.

4.2 The Director continued the presentation covering capital projects. The capital programme was significant, setting out need and addressing the best ways to address these needs. It was noted that due to the pandemic there was a materials shortage in construction including inflated prices which was having an impact on the Scottish Borders Council programme. In terms of climate change, it was hoped to reduce the reliance on fossil fuels, but bio mass heating may not be the way forward in terms of heating buildings. A bit of work was needed on the fabric of buildings to ensure they were as high performing as possible and not so reliant on additional heating. Buildings also needed to be the right size to get the most value and should existing buildings be repurposed, then that needed to be taken into account at the beginning of a project. Capital projects would continue to be monitored in light of climate change mitigations, including whether any planning policies needed to be amended. The Executive Director, Finance & Regulatory, further advised that the new High School building

projects had very tight environmental targets which were extremely onerous, so the design of the buildings, their size and the way they would be used was fundamental. The design team was aware of the Council's ambitions in this regard.

- 4.3 Details were also given of the Service risks associated with facilities, passenger transport, property, roads & infrastructure and waste. In terms of facilities management, work was being undertaken on digitising the mailing system to handle confidential mail and remove where possible human error risks from the equation. With regards to passenger transport, there was a high risk from the impact of the pandemic on operators with some routes being regarded as less viable and work had been ongoing with operators to assess the actual impact. Work had also been undertaken along with support from Human Resources to ensure operators had adequately trained escorts in place for vulnerable children and adults. Mr Curry advised that the Waste Transfer Station was having a fire suppressant system; health and safety inspections were being carried out across waste sites following a couple of incidents involving members of the public; and the trade waste database was being reviewed with CGI. In terms of Utility Companies digging up roads and pavements and then providing shabby replacement materials, Mr Curry advised work was underway with the companies to set out expectations, communications to the public, etc. The Council would need to be very clear at the start what standard was expected before they could have any recourse with the Company. The Executive Director, Finance & Regulatory, added that it may be possible for officers to provide a briefing note on the legal position regarding road repairs and the Chief Legal Officer could be asked to provide a note of the powers of the Council. Mr Curry confirmed that, given changes to the skills required of a future workforce, e.g. changes to heating systems, work was already with the South of Scotland Agency and Borders College on training. In terms of bus passes for youths, this was funded but there was a cap in place and work was underway with commercial services on that. The Waste Manager was also in conversation with Zero Waste Scotland on the changing rules on recycling and the types of materials, with an update due to be provided to Elected Members in due course.

DECISION

NOTED the update.

5. ANNUAL TREASURY MANAGEMENT REPORT 2020-21

There had been circulated copies of the Annual Treasury Management Report 2020-21 by the Executive Director, Finance & Regulatory Services. The CIPFA Code of Practice on Treasury Management in the Public Services required an annual report on treasury management to be submitted to Council following the end of each financial year and the report highlighted the Council's treasury activity undertaken in the year ending 31 March 2021 and the performance of the Treasury function. Appendix 1 to the report contained the annual report of treasury management activities for 2020/21 and an analysis of performance against targets set in relation to Prudential and Treasury Management Indicators. The performance comparisons reported were based on the revised indicators agreed as part of the mid-year report approved on 23 November 2020. This showed the Council's borrowing requirement to fund the capital investment undertaken during 2020/21, how much the Council actually borrowed against the sums budgeted, and the level of external debt within approved limits. During the year, the Council had again, where possible, deferred borrowing using surplus cash rather than undertake new borrowing. However, the Council did undertake temporary borrowing for cash flow purposes amounting to £15m during the year. Treasury management activity for the year had been undertaken in compliance with approved policy and the Code. The Council remained under-borrowed against its Capital Financing Requirement at 31 March 2021. In response to Members' questions, the Director, Mr Robertson, advised that, with regard to the capital expenditure being down by 20% and the timing and execution of the capital programme, this relied heavily on the forecasting of project managers, and should they be over-optimistic then this in turn impacted on the treasury management forecast. The programme was also impacted by inflation and the

shortage of construction materials which in turn could impact on the ability to spend capital funds by March 2022. The Pension & Investments Manager, Ms Kirsty Robb, confirmed that Link Assets would be in attendance at a future briefing to speak to Members about the capital programme and PFIs in relation to treasury management. Mr Robertson further advised that the capital financing requirement was the amount that still had to be put in place to ensure the capital programme was fully funded and the gross borrowing was the amount already done. It was a complicated position to manage the cash position of the Council with outflows and inflows, to ensure enough liquidity. In terms of funding resources, Ms Robb confirmed that some temporary borrowing had been carried out with other local authorities, and SBC could also lend to other local authorities, although traditionally the Council had not carried out the latter. Each project within the capital programme had different nuances as to why it was not in line with forecast and any variances were reported in the quarterly capital monitoring reports to the Executive Committee. Mr Robertson added that the size and complexity of the current capital programme dwarfed previous ones, and slippage was complicated. Work was currently underway to bring forward a 10 year plan for both capital and revenue which would include some assumptions such as the impact of longer term inflation.

DECISION

NOTED that treasury management activity in the year to 31 March 2021 was carried out in compliance with the approved Treasury Management Strategy and Policy as detailed in the report and in Appendix 1 of the report.

6. INTERNAL AUDIT WORK TO AUGUST 2021

- 6.1 There had been circulated copies of a report by the Chief Officer, Audit & Risk, on Internal Audit Work to August 2021. The report provided Members 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. The work Internal Audit had carried out in the period from 12 June to 27 August 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22 was detailed. A total of 2 final Internal Audit reports had been issued – Scottish Government Support Grants and Performance Management Local Government Benchmarking Framework - and there were 3 recommendations (medium rated) made associated with the Scottish Government Support Grants report. An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit & Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, was shown in Appendix 1 to the report. The SBC Internal Audit function conformed to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS)(2017), including the production of the report to communicate the results of the reviews.
- 6.2 It was highlighted that in 2020-21 additional Internal Audit work had been done early on coronavirus business support funds, and in response to the ongoing risk, a 2021/22 planned audit was included on Scottish Government support grants. Legislation surrounding these grants was complex and introduced different grants that had to be incorporated into processes and procedures quickly to allow payments to be made in a timely manner. It was noted that in terms of forms, processes and due diligence checks regarding genuine suppliers, fraudulent attempts had been reported through appropriate bodies and shared with other Councils to try to ensure no payment was made in the first place. In the Chief Officer's opinion, enough checks were made on the genuineness of applications. The recommendations could be applied to other aspects of Council business. The Cabinet Office and Audit Scotland added business grants to the National Fraud Initiative 2020-2021 and initial data sets were requested from public sector organisations to enable data matching to detect fraud or error.

**DECISION
NOTED:**

- (a) the final assurance reports issued in the period from 12 June to 27 August 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22;**
- (b) the Internal Audit Assurance Work in Progress and Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter; and**
- (c) the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

MEMBER

Councillor Greenwell joined the meeting.

7. AUDIT SCOTLAND FRAUD AND IRREGULARITY UPDATE 2020-21

There had been circulated copies of the recently published Audit Scotland Fraud and Irregularity Update 2020-21 along with a covering report by the Chief Officer, Audit & Risk, which aimed to make members aware of the Audit Scotland Update and the Management Actions required in response for improvement and assurance purposes. Having robust fraud prevention and investigation arrangements in place contributed to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse. A focus on prevention and detection and promotion of counter fraud culture across the Council, taking account of reducing resources, was associated with the Council's Counter Fraud Policy, which stated the roles and responsibilities in tackling fraud; with the primary responsibility for the prevention, detection and investigation of fraud resting with Management. During discussion, the role of the Integrity Group was covered highlighting that this was an officers' forum which had representatives from across the Council's Services to support Management to fulfil their responsibilities in tackling fraud. Its purpose was to improve the Council's resilience to fraud, theft, corruption, and crime; overseeing the counter fraud policy framework; agreeing and monitoring the implementation of counter fraud improvement actions; raising awareness as a method of prevention; and performing self-assessment checks against best practice. Mrs Stacey confirmed that information could be sent out to staff on a regular basis and the link to the Audit Scotland update included. While there had been an increase in scams and phishing, regular staff updates had been issued to remind all staff, including those working from home, of the dangers. With regard to Cybersecurity, the CGI Cyber Security Officer attended a number of different groups and the IT Client Manager also had internal responsibility, with appropriate system based controls in place.

DECISION

- (a) NOTED the Audit Scotland Fraud and Irregularity Update 2020/21, published in July 2021.**
- (b) AGREED:**
 - (i) to request that the Integrity Group considers the report as part of their counter fraud role and responsibilities and determines any Management Actions required in response for improvement and assurance purposes;**
 - (ii) to request that the Integrity Group, at the same time, revisits the assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks carried out during 2020/21, and assesses progress on**

any agreed actions;

- (iii) to request that the Integrity Group reports back to the Committee on findings and necessary actions; and,
- (iv) that the Chief Officer Audit & Risk arranged to disseminate the Audit Scotland Update to Council staff as necessary.

8. **ANY OTHER AUDIT ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

The Chair advised that an additional meeting of the Audit & Scrutiny Committee was due to be held on 5 October to consider a petition which had been received. The meeting due to be held on 21 October would consider both audit and scrutiny business, with the audit business being heard first.

**DECISION
NOTED.**

9. **PRIVATE BUSINESS**

DECISION

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business detailed in the Appendix to this Minute on the grounds that it involved the likely disclosure of exempt information as defined in Paragraphs 3 and 10 of Part I of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

10. **PROGRESS UPDATE ON LDS FINANCIAL MANAGEMENT RECOMMENDATION**

The Committee considered a verbal update from the Joint Manager of the Learning Disability Service on progress with the LDS Financial Management Recommendation.

The meeting concluded at 12:55pm.

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Pension Fund Committee

20 October 2021

Scottish Borders Council Pension Fund Audit of 2020/21 annual report and accounts

Independent auditor's report

1. Our audit work on the 2020/21 annual report and accounts is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters referred to later in this letter and receipt of a revised set of annual report and accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 28 October 2021. (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Pension Fund Committee's consideration our draft annual report on the 2020/21 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual report and accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

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

Unadjusted misstatements

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

6. We identified one unadjusted error during the audit relating to late valuations for level 3 investment assets. If corrected, this would have increased investment asset values by £0.36 million.

Fraud, subsequent events and compliance with laws and regulations

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

Representations from Director - Finance & Corporate Governance (Section 95 Officer)

8. As part of the completion of our audit, we are seeking written representations from the Director - Finance & Corporate Governance on aspects of the annual report and accounts including the judgements and estimates made.

9. A letter of representation template is attached at [Appendix B](#). This should be signed and returned to us by the Director - Finance & Corporate Governance with the signed annual report and accounts prior to the independent auditor's report being certified. Due to Covid-19 restrictions, electronic signatures will be arranged this year.

Outstanding matters

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

- Information outstanding on the pension calculation of an employee's lump sum

Yours faithfully,

Gillian Woolman MA FCA CPFA

APPENDIX A: Proposed Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Scottish Borders Council Pension Fund (the fund) for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the financial transactions of the fund during the year ended 31 March 2021 and of the amount of disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the

fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

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

Responsibilities of the Director - Finance & Corporate Governance and Scottish Borders Council Pension Fund Committee for the financial statements

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

In preparing the financial statements, the Director - Finance & Corporate Governance is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the fund is complying with that framework;
- identifying which laws and regulations are significant in the context of the fund;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The Director - Finance & Corporate Governance is responsible for the statutory other information in the annual report. The statutory other information comprises the information other than the financial statements and my auditor's report thereon.

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission

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

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

and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Gillian Woolman MA FCA CPFA

Audit Director

Audit Scotland

102 West Port

Edinburgh

EH3 9DN

APPENDIX B Letter of Representation (ISA 580)

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

Dear Gillian,

Scottish Borders Pension Fund Annual report and accounts 2020/21

1. This representation letter is provided in connection with your audit of the annual report and accounts of Scottish Borders Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the management commentary, annual governance statement and governance compliance statement.

2. I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of Scottish Borders Council Pension Fund's annual report and accounts for the year ended 31 March 2021.

General

3. I have fulfilled my responsibilities for the preparation of the 2020/21 annual report and accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual report and accounts have been made available to you for the purposes of your audit. All transactions undertaken by Scottish Borders Council Pension Fund have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

6. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and The Local Authority Accounts (Scotland) Regulations 2014.

7. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Scottish Borders Council Pension Fund at 31 March 2021 and the transactions for 2020/21.

Accounting Policies & Estimates

8. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Scottish Borders Council Pension Fund circumstances and have been consistently applied.

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

Going Concern Basis of Accounting

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

Assets

11. For the year ended 31 March 2021, the amounts included in the Net Assets Statement reflects investments managed/held both internally and externally by appointed fund managers and the global custodian on behalf of the funds. Amounts have been calculated in accordance with approved bases of valuation and fairly represent the values at 31 March 2021. In making these assertions I am reliant on the opinions of the appointed fund managers. As far as we can reasonably ascertain, all assets are free from any lien, encumbrance, or charge except as disclosed in the financial statements.

Banking and Cash Flow Arrangements

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

Other Current Assets

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

Liabilities

14. All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.

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

16. The pension assumptions made by the actuary in the IAS 19 Report for the Scottish Borders Council Pension Fund have been considered and I confirm that they are consistent with management's own view.

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

Contingent Liabilities

18. There are no significant contingent liabilities, other than those disclosed in Note 28 of the financial statements. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the accounting code 2020/21 and IAS 37.

Fraud

19. I have provided you with all information in relation to

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

Laws and Regulations

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

Related Party Transactions

21. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all the fund's related parties and all the related party relationships and transactions of which I am aware.

Management Commentary

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

Corporate Governance

23. I acknowledge, as officer with the responsibility for the proper administration of the funds' financial affairs under section 95 of the Local Government (Scotland) Act 1973, my responsibility for the corporate governance arrangements and internal controls. The fund has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

24. I confirm that the Annual Governance Statement and the disclosures I have made comply with the guidance from the Scottish Ministers and in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. Also, I have reviewed the Governance Compliance Statement and the disclosures I have made comply with the guidance from the Scottish Ministers. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

Events Subsequent to the Date of the Statement of Financial Position

25. There have been no material events since the date of the Net Assets Statements which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

26. Since the date of the Net Assets Statements no events or transactions have occurred, which though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Yours sincerely

David Robertson

Director - Finance & Corporate Governance

Scottish Borders Council Pension Fund

2020/21 Annual Audit Report



 AUDIT SCOTLAND

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

October 2021

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Key messages

2020/21 annual accounts

- 1 The financial statements of Scottish Borders Council Pension Fund give a true and fair view of the state of affairs of the Fund as at 31 March 2021 and have been properly prepared in accordance with the financial reporting framework.
- 2 The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared in accordance with the guidance.

Financial management

- 3 The Fund has had a strong investment performance in 2020/21 and recovered from the significant impact of the pandemic on investment values last year, with investment values increasing by £147.5m. The Fund had a positive performance of 20.1% against the benchmark of 18.3%.
- 4 The Fund has appropriate and effective financial management arrangements.
- 5 Standards of conduct and arrangements for prevention and detection of fraud and error were appropriate.

Financial sustainability

- 6 The triennial funding valuation as at March 2020 assessed the Fund as fully funded at 110%.
- 7 The Fund has appropriate and effective financial planning arrangements in place.

Governance and transparency

- 8 The governance arrangements introduced in response to the pandemic are appropriate and operated effectively.
- 9 There is effective scrutiny, challenge, informed decision making and a commitment to openness and transparency.
- 10 The Fund actively considers Environmental, Social and Governance matters as part of its Investment Strategy.

Best Value

- 11** The pension administration function's performance against targets has been affected by added pressures from the pandemic, but performance in priority areas remained high.
- 12** The Fund has effective arrangements in place for monitoring investment performance and scrutinising investment management expenses.
- 13** Fund investment performance in 2020/21 has exceeded all agreed benchmarks as markets recover from the significantly reduced annual returns last year.
- 14** Over the medium to longer term, the Fund has outperformed its three-, five - and ten-years benchmarks.

Introduction

1. This report is a summary of our findings arising from the 2020/21 audit of Scottish Borders Council Pension Fund (the Fund).
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2021 meeting of the Audit and Scrutiny Committee and to the September meeting of the Pension Fund Committee and Pension Board. This report comprises:
 - an audit of the Fund's annual accounts
 - consideration of the wider dimensions of financial management, financial sustainability, governance and transparency, and value for money, that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#)
3. The main elements of our audit work in 2020/21 have been:
 - an audit of the Fund's 2020/21 annual accounts including the issue of an independent auditor's report setting out our opinions
 - a review of the Fund's main financial systems
 - consideration of the four audit dimensions of financial management, financial sustainability, governance and transparency and value for money.

Added Value

4. We add value to the Fund through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

5. Scottish Borders Council (the 'Council') is the administering authority for the Scottish Borders Council Pension Fund. The Council delegates this responsibility to the Pension Fund Committee (the 'Committee'). The Pension

Fund Board (the 'Board') is responsible for establishing arrangements to ensure the proper conduct of the affairs of the Fund in accordance with the law and the requirements of the Pensions Regulator.

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

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

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

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

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

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

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

Auditor Independence

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

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £21,510, as set out in our Annual Audit Plan, remains unchanged.

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

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

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

The financial statements of Scottish Borders Council Pension Fund give a true and fair view of the state of affairs of the Fund as at 31 March 2021 and have been properly prepared in accordance with the financial reporting framework.

The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared in accordance with the guidance.

Our audit opinions on the annual accounts are unmodified

16. The annual accounts for the year ended 31 March 2021 were approved by the Scottish Borders Council on 28th October 2021. We reported, within the independent auditor's report that:

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

The Covid-19 pandemic had no impact on audit evidence

17. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly. The audit was conducted remotely, in line with Scottish Government public health guidance on social distancing.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

18. As a result of the continuing impact of Covid-19 the submission deadlines for Pension Fund audited annual accounts and annual audit reports have been set at 30 November 2021.

19. The unaudited annual report and accounts were received in line with our revised audit timetable on 23 August 2021. Scottish Borders Council were able to deliver unaudited financial statements in accordance with the original audit timetable (30 June 2021) included in the Annual Audit Plan. However, due to the scheduling challenges of Audit Scotland, the audit timetable was revised.

20. Although later than first planned, the annual accounts were signed off in line with the revised timetable permitted to reflect the impact of Covid-19.

There were no objections raised to the annual accounts

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

Overall materiality is £8.6 million

22. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of an identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements, and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

23. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the financial statements. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

24. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality (1% of gross assets)	£8.6 million
Performance materiality (60% of materiality)	£5.1 million
Reporting threshold	£250 thousand

Materiality level	Amount
Specific materiality (Benefits Payable)	£2.5 million
Specific performance materiality (Benefits Payable)	£1.5 million

Source: Audit Scotland

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

25. [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

We have no significant findings to report on the annual accounts

26. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have no issues to report from the audit.

Identified misstatements of £0.36 million were not adjusted in the accounts. These were less than our performance materiality and we did not need to further revise our audit approach

27. Total misstatements identified were £0.36 million, which if adjusted, would have increased investment asset values by £0.36 million. These consist of late valuations received for Level 3 assets. The valuations for these assets are included in the accounts with a lagged valuation date of 31 December 2020. The valuations were not available when the unaudited accounts were issued. The final valuations were received during our audit. After discussions with management, we concluded that adjustments for these final valuations were not required as the total adjustment required of £0.36 million is below our performance materiality level. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety, and do not indicate any systemic error.

Other matters arising from the audit of the financial statements

28. **Goodwin tribunal:** the Goodwin tribunal case changes the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005 and affects the pensions of male spouse survivors whose entitlement

arose on or after this date. Scottish Borders Council Pension Fund has added a contingent liability note to its accounts to disclose this matter. We are content with this disclosure.

29. Code Requirements: Changes to the Code of Practice for Local Authority Accounting in the UK for 2020/21 include the requirement to provide an expansion within the investment note, of pooled investments between “equities, bonds, property, hedge funds, diversified growth funds, private equity funds, infrastructure funds and other”. Scottish Borders Council Pension Fund have amended Note 14 to adhere to code requirements. We are content with the amendments.

30. Pension Recalculation: We identified an error with the total pension lump sum payment awarded to one member. The options presented to the member were not based on accurate information. Management have agreed to recalculate the member’s options and to re-engage with the member. We found no other instances of incorrect calculations. Additional testing was not required as we could readily conclude that this was an isolated case. This is detailed in [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Recommendation 1

For unusual or exceptional pension benefits, management should ensure that there are additional quality assurance arrangements in place for the review of calculations.

Progress was made on prior year recommendations

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

2. Financial management

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

Main judgements

The Fund has had a strong investment performance in 2020/21 and recovered from the significant impact of the pandemic on investment values last year, with investment values increasing by £147.5m. The Fund had a positive performance of 20.1% against the benchmark of 18.3%.

The Fund has appropriate and effective financial management arrangements.

Standards of conduct and arrangements for prevention and detection of fraud and error were appropriate.

Financial management arrangements were appropriate and effective

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

33. Investment performance reports are submitted to the Pension Fund Committee on a quarterly basis, with administration performance reports submitted annually. Reports are comprehensive and well presented with enough narrative to describe issues to Councillors and other committee members. Through our attendance at the Pension Fund Committee we have observed adequate level of review and scrutiny by members. The Council has delivered training to members of the committee during the year including training on Financial Markets and Investment Products, Investment Concepts and Terminology, Fund Governance and Stewardship, Pension Administration Issues and Regulatory Environment. It is important that committee members undertake all given training to ensure knowledge and skills are kept current. All members met their training requirements for the period.

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

Systems of internal control

35. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that Scottish Borders Council Pension Fund has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements. The Pension Fund uses the administering authority's key financial systems, in particular the general ledger, payroll, and accounts payable systems. Whilst we concluded that overall systems of internal control are operating effectively, we noted that some general documentation and administrative control procedures had not been completed, and evidence of checks performed in a timely manner were not available. We understand some control procedures were historically completed in paper format, which have not been updated to reflect the move to home working. This is detailed in [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Recommendation 2

Management should review administrative procedures and update these to reflect the move to home working. Management should also ensure that officers are familiar with their responsibilities for the completion of supporting paperwork to evidence processes have been completed and reviewed in a timely manner.

The Fund has had a strong investment performance in 2020/21 and recovered from the significant impact of the pandemic on investment values

36. When considering the investment performance of the Fund during 2020/21, it is important to recognise the impact of Covid-19 on financial markets and investments. Asset values reduced significantly at the end of 2019/20, decreasing in value over 2019/20 by £19 million, as the global impact of the pandemic significantly increased market volatility. Asset values have recovered during 2020/21 and the Fund's net assets increased from £713 million to £860 million (£147 million increase) as at 31st March 2021. The Fund's performance in 2020/21 is summarised in [Exhibit 3](#).

37. The Fund's actuary, Hymans Robertson, estimated that pension liabilities had increased by 23% from £887 million to £1,088 million at 31st March 2021 (£201 million increase) for the Fund.

38. During 2020/21 the £25.2 million benefits payable by the Fund exceeded the £20.7 million contributions received. Pensioner numbers rose by 188, a 4.9% increase. Other factors, in addition to increasing pensioner numbers, affected the rise in benefits payable, including individual members' entitlement. The Fund has reported negative cashflows for several years and this is expected to continue as the scheme matures.

39. The Fund operates in a challenging environment and a number of issues may increase pressures on the future funding position, including lack of economic growth and the impact of EU withdrawal. Pension specific issues such as the scheme cost cap mechanism, guaranteed minimum pension (GMP) equalisation and the McCloud ruling on age discrimination are also likely to impact on the funding position in the coming years.

40. The Fund actively considers these challenges and continues to monitor risks through the risk register. The funding strategy statement and investment strategy are reviewed and revised following actuarial valuations to ensure that the Fund is well placed to continue to pay its liabilities.

Exhibit 3 Assets, funding level and investment performance

Increase in net assets	Funding level	Investment performance
£860 million	110%	10.3%
Closing net assets as at 31 March 2021	2020 Funding Valuation	Average annual return on investments over 5 years
+£147 million (+20.6%)		
£713 million	114%	20.1%
Opening assets at 1 April 2020	2017 Funding Valuation	Return on investments 2020/21

Source: 2020/21 Scottish Borders Council Pension Fund audited annual report and accounts

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

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

42. We assessed the Fund's arrangements for the prevention and detection of fraud. The Fund relies on the administering body's (Scottish Borders Council) arrangements for the prevention and detection of fraud and corruption. These include Code of Conduct for members and officers, Whistleblowing Policy and the Fraud, Bribery and Corruption Policy.

43. The risk profile of public bodies during 2020/21 has been significantly affected by the Covid-19 pandemic, including the move to working from home. This is likely to have increased the risk of fraud and error as control environments and internal controls have had to change to allow for services to

operate effectively and respond to issues in a timely manner. We have reviewed the arrangements put in place by Scottish Borders Council Pension Fund to address any heightened risks and concluded that they are appropriate.

44. Instances of fraud and corruption can be particularly prevalent in the procurement function. We carried out an assessment of the arrangements to prevent fraud and corruption in the procurement function. We concluded that arrangements for preventing fraud and corruption in the procurement function are appropriate.

3. Financial sustainability

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

Main judgements

The triennial funding valuation as at March 2020 assessed the Fund as fully funded at 110%.

The Fund has appropriate and effective financial planning arrangements in place.

The triennial valuation as at March 2020 assessed the Fund as fully funded

45. A full triennial valuation of the Scottish Borders Council Pension Fund was carried out at 31 March 2020 and reported to the Pension Fund Committee in March 2021. One of the main purposes of the triennial valuation is to inform the setting of pension contribution rates for the forthcoming 3 years and to inform a review of funding and investment strategies to ensure the continued payment of members' pension benefits as they fall due.

46. The March 2020 triennial funding valuation reported that the Fund assets were sufficient to meet 110% of its liabilities. This is a slight drop from 114% in the 2017 valuation, but it still means that, overall, the investment assets were higher than the projected liabilities. This enables the fund to utilise the surplus by maintaining the employer's contribution for the Scottish Borders Council Pool at 18% for the first 2 years, and then increasing the rate by 0.5% in year 3, to mitigate for future uncertainties. The rates for other bodies ranged from 20.3% - 22%.

Financial planning arrangements are appropriate and effective

47. The results of the triennial valuation are in effect a snapshot of the Fund at 31 March 2020. Following each triennial valuation, the Fund reviews and revises its funding strategy. The funding strategy is a summary of the Fund's approach to funding liabilities. The investment strategy outlines the types of investment to be held and the balances between the different types of investment

48. The Strategic Investment Review was reported to the Pension Fund Committee on 10 June 2021. The review of the current strategy in place was reviewed by the Fund's investment advisers, Isio, in consultation with the Fund's officers. The Fund is 110% fully funded. The primary aim of the Fund is "To provide for members' pension and lump sum benefits on their retirement or for

their dependants' benefits on death before or after retirement, on a defined benefits basis". To meet this aim the Fund must ensure it sets levels of contributions that will build up assets sufficient to meet all future benefit payments. The employer contribution rates agreed as part of the 2020 valuation process require the Fund's investments to deliver a return of at least 3.8% per annum to support the funding position. The Fund has performed well and has over the last 10 years consistently produced a positive return above benchmark over a 3-year rolling period. The recent strong performance has largely been achieved from equity investments. The allocation to equities has been reduced in the last 5 years complimenting a well-diversified portfolio of investments. These previously sat at 40% of asset allocation, and are recommended to maintain at 40%, with a movement of 10% into an Environmental, Social and Governance focussed fund. The Fund has over the last two years, as part of its Responsible Investment Policy, moved all its equity investments with Morgan Stanley into the Global Sustain fund which excludes tobacco, alcohol, and stocks in carbon polluting businesses. Allocations to diversified credit remain consistent at 10% with a reduction of 3.5% in diversified alternatives, 5% reductions in property, an increase of 2% in property long lease and 2.5% increase in property residential.

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

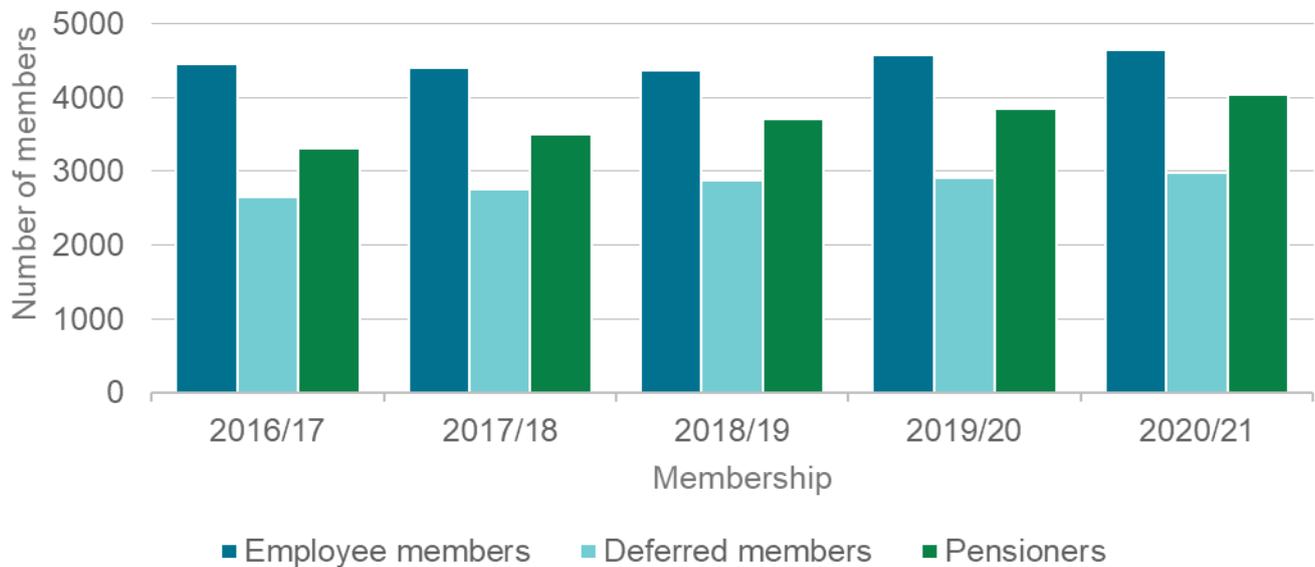
Fund membership levels continue to increase but the ratio of active members to pensioners is reducing

50. The Fund is a multi-employer fund with one Local Authority, and around 16 other employers. The current membership profile is shown at [Exhibit 4](#).

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

Exhibit 4

Scottish Borders Council Pension Fund membership



Source: Scottish Borders Council Pension Fund 2020/21 audited financial statements

52. Membership of the Fund increased by 326 to 11,664 at 31 March 2021: an increase of 2.8%. The impact of auto-enrolment continues to contribute to the increase in employee members.

53. In 2020/21 the number of pensioners receiving a pension from Scottish Borders Council Pension Fund increased by 184 and the number of pensioner members continues to increase steadily each year. The number of active members continues to outweigh the number of pensioners but the ratio of active members to pensioners has reduced over the past five years.

54. Cash flows from dealings with members continue to be negative, with more paid out in benefits than that received from contributions. Over the long term, the cash flow position will impact on the investment strategy as income from investments rather than contributions will be needed to pay pensions. The fund has been maturing since 2013/14. The Fund has considered this as part of its investment strategy and is further diversifying its investment structure to increase investment in income generating assets. This has been a proactive response from the Fund to move to more income bearing assets to pay annual pensions as the fund matures.

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

56. There was one bulk transfer out of the Fund in 2020/21, as Visit Scotland received Ministerial approval to consolidate all its LGPS memberships into one LGPS fund, Lothian Pension Fund. Sixteen members were transferred from Scottish Borders Council Pension Fund to Lothian Pension Fund.

Future rates of employer contributions

57. As stated in paragraph 48, following the triennial valuation in 2020, the actuary agreed employer contribution rates with individual employers from 1 April 2021. For the Scottish Borders Council Pool, the employer rate has remained consistent at 18% for the next 2 years, with a slight increase of 0.5% in year 3, to mitigate for future uncertainties. The rates for other bodies range from 20.3% - 22.0% and are based on individual employer circumstances. Two bodies are closed funds with new employees unable to join. Based on the increased risks for these bodies, individual rates have been recommended by the actuary. Another body which joined the Fund is not included within the pool; therefore initial rates have been recommended for this body. For one body, these rates include an element of deficit recovery contributions to support employers financial planning. The approximate split of all contributions received in year is set out at [Exhibit 5](#).

Exhibit 5 Contributions in 2020/21

	Administering authority	Other scheduled bodies	Admitted bodies	Total
	£m	£m	£m	£m
Employer contributions	13.3	0.7	1.5	15.5
Employee contributions	4.4	0.2	0.5	5.1
Total	17.7	0.9	2.0	20.6

Source: Scottish Borders Council Pension Fund 2020/21 audited financial statements and supporting working papers

58. As mentioned in paragraph 54, the continued growth in pensioner numbers makes funding pension payments increasingly challenging. The Fund is further diversifying its investment structure to increase investment in income generating assets.

4. Governance and transparency

The effectiveness of scrutiny and oversight and the transparent reporting of information

Main Judgements

The governance arrangements introduced in response to the pandemic are appropriate and operated effectively.

There is effective scrutiny, challenge, informed decision making and a commitment to openness and transparency.

The Fund actively considers Environmental, Social and Governance matters as part of its Investment Strategy.

Governance arrangements operating throughout the pandemic have been appropriate and operated effectively

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

60. Scottish Borders Council Pension Fund amended its governance arrangements in response to the pandemic. The impact of Covid-19 from March 2020 has been set out in the Annual Governance Statement in the Fund's annual report and accounts.

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

There are effective arrangements for complying with the Pensions Regulator Public Service Code

62. The Public Sector Pensions Act 2013 provided for extended regulatory oversight by the Pensions Regulator. The Pensions Regulator issued a code on

the governance and administration of public service pension schemes in January 2015 which funds are expected to comply with.

63. There were no breaches of the Code that required to be reported to the Pensions Regulator in 2020/21.

64. The Pensions Regulator places a legal requirement on Pension Board members to maintain an appropriate level of knowledge and understanding of scheme rules, policies and pensions law. Pensions Committee and Pension Board members are expected to attend at least two training sessions per year. As mentioned in paragraph 33, all Pension Board members and Pensions Committee members met the training requirement for 2020/21. Training sessions were offered online during 2020/21 to enable access to training while working remotely.

Performance reporting was of a good standard

65. Management Commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

66. The Fund's 2020/21 management commentary has improved in quality from the prior year and is written with the stakeholder in mind. It details complex areas in an understandable style, with linkages to further information included within different sections of the report. This helps increase transparency in reporting the financial performance and financial position of the Fund.

Openness and transparency

67. Openness and transparency relate to how a body operates and makes decisions and is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant and timely information about how the body is taking decisions and using resources.

68. The Pension Fund Committee and Board meetings are available for the public to view. Under the current circumstances, these are being transmitted live over Microsoft Teams. Commercially sensitive information is dealt with in private sessions. Minutes of the public meetings are available on the Scottish Borders Council website.

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

The Fund actively considers Environmental, Social and Governance matters as part of its Investment Strategy.

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

71. The Fund approved a Statement of Responsible Investment Policy on 30 November 2018 which details the Fund's approach to responsible investment and arrangements to monitor manager performance against the principles in this policy. The overwhelming majority of fund managers engaged with Scottish Borders Council Pension Fund (99.5%) are signatories to the United Nations Principles for Responsible Investment. The Fund became a signatory to Climate Action 100+ in March 2020. As a signatory the Fund supports Climate Action 100+ in its engagement with the boards and senior management of companies around the world to implement a strong governance framework, take actions to reduce greenhouse gas emissions and provide enhanced corporate disclosures. The Fund actively engages with fund managers to ensure they are incorporating ESG opportunities to increase investment in sustainable funds. This has been demonstrated with their £100m move within Morgan Stanley from their Global Brand Fund to their Global Sustain Fund, which excludes investments in tobacco, alcohol and fossil fuels as well as being carbon light.

5. Best Value

Using resources effectively and continually improving services

Main judgements

The pension administration function's performance against targets has been affected by added pressures from the pandemic, but performance in priority areas remained high.

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

Fund investment performance in 2020/21 has exceeded all agreed benchmarks as markets recover from the significantly reduced annual returns last year.

Over the medium to longer term, the Fund has outperformed its three-, five - and ten-years benchmarks.

The pension administration function's performance against targets has been affected by added pressures from the pandemic, but performance in priority areas remained high

72. The Pension Fund Committee meets on a quarterly basis and receives regular reports on both fund administration and investment performance. The focus of measuring the performance of pensions administration includes both member experience and statutory compliance.

73. The Fund's business plan sets out a range of service standards against which administration performance is monitored. The administration function's performance against its targets for Service Standards have been affected by the pressures of the pandemic, alongside an increasing workload. Most staff are working from home which makes many processes slower. However, performance in several priority areas has remained high, including issuing 100% of annual benefit statements on time. During 2021/22, the Fund has recently implemented Members Self Service which will help reduce the number of routine enquiries from scheme members where they will be able to obtain information directly via the self-service functionality. Key administration tasks reported for 2020/21 included 1,155 pension estimates, with the implementation of Members Self Service. This should help improve performance going forward.

Fund investment performance in 2020/21 has exceeded all agreed benchmarks as markets recover from the significantly reduced annual returns last year

74. The Fund appoints several external investment managers. Individual investment manager performance is reviewed regularly by The Pension Fund Investment and Performance Sub-Committee Committee and the Fund's investments team also carries out annual diligence reviews for each appointed fund manager.

75. Financial markets have largely recovered from last year's exceptional volatility, when returns against most asset classes, especially equities, reduced significantly due to the impact of the pandemic. 2020/21 investment performance has exceeded the agreed benchmarks.

76. [Exhibit 6](#) shows that over the year, the Fund generated a return of 20.1% against a benchmark of 18.3%. Equity portfolios were the most significant contributor to this increase. Over the medium to longer term, the Fund has outperformed its three-, five- and ten-years benchmarks.

Exhibit 6 Fund investment performance



Source: Scottish Borders Council Pension Fund 2020/21 audited financial statements

77. Investment return and risk are inextricably linked, and it is not possible for us to give an opinion on the relative performance of the Fund's investments given the risk exposure of the asset allocation and investments made.

The Fund adequately scrutinises investment management expenses

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

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

80. The Fund has encouraged all its investment managers to use the collection templates per the Cost Transparency Initiative, to submit their investment expenses information, which allows consistency of reporting of investment management expenses.

81. The investment management costs are consistent with the prior year rounded at £5.3m for both 2019/20 and 2020/21. Contributing factors for this include the movement of funds to other funds with lower fees and the movement of funds into pooled funds, resulting in lower fund of fund costs.

82. The Fund has satisfactory arrangements in place for monitoring investment performance and scrutinising investment management expenses.

National performance audit reports

83. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, we published reports which may be of interest to the Fund. These are outlined in [Appendix 4](#) accompanying this report.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Pension Recalculation</p> <p>Audit testing identified one error included within a member's lump sum pension calculation. The options presented to the member were not based on accurate information. This is considered to be an isolated error. Management relied on a model used by other LGPS Funds to calculate the pension due; this model had not however been updated to reflect the specific circumstances of the member. This error was also missed on independent review of the pension calculation.</p> <p>Risk</p> <p>There is a risk that calculations are not accurate, and members are not presented with the correct pension options.</p>	<p>For unusual or exceptional pension benefits, management should ensure that there are additional quality assurance arrangements in place for the review of calculations.</p> <p>Paragraph 30</p>	<p>Agree to review the model used in the calculation of such payments, ensuring this is compliant with legislation. A senior member of the team will carry out an additional review of all such calculations in future.</p> <p>Responsible officer</p> <p>HR Shared Services Manager</p> <p>Agreed date</p> <p>01/10/2021</p>
<p>2. Administrative Procedures</p> <p>Audit testing identified administrative procedures in paper format have not been updated nor completed with the move to home working. This includes the completion of checklists for specific tasks such as procedures following</p>	<p>Management should review administrative procedures in place and update these to reflect the move to home working. Management should also ensure that officers are familiar with their responsibilities for the completion of supporting paperwork to evidence processes have been</p>	<p>A review of procedures will be undertaken along with a reminder issued to all members of the Pensions Administration Team of the requirement to provide evidence of completion/checking of completed work. With continued home working software has now been</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>retiral of an employee and leavers checklists. We also identified there is no documented checks on pension calculation figures.</p> <p>Risk</p> <p>There is a risk all required tasks are not completed and errors not identified in a timely manner.</p>	<p>completed and reviewed in a timely manner.</p> <p>Paragraph 35</p>	<p>deployed to all team members to allow them to add Names and Date Stamp.</p> <p>Responsible officer</p> <p>HR Shared Services Manager</p> <p>Agreed date</p> <p>01/10/2021</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Pensioner validation using ATMOS reports</p> <p>As part of our review of pension payment controls, we requested a sample of ATMOS match reports for testing. These reports are used by management to identify deceased pensioners so that pension payments are stopped in a timely manner, minimising overpayments.</p> <p>The ATMOS match reports we received for testing were five months old. Therefore, there is no evidence that the matches have been investigated by management in a timely manner.</p> <p>Risk</p> <p>There is a risk that, without prompt investigation by management, pensions are being overpaid.</p>	<p>ATMOS reports should be reviewed, and any matches investigated in a timely manner to prevent any overpayments to deceased pensioners.</p> <p>Update for 2020/21</p> <p><i>This was not actioned for the financial year 2020/21.</i></p>	<p>Agreed. Additional members of the Pensions Administration Team to be trained on the use and operation of ATMOS reporting, which removes a potential single point of failure. The Pensions Admin Team is now implementing “Tell Us Once” software provided by the DWP to remove the need for ATMOS reporting in future.</p> <p>Responsible officer</p> <p>HR Shared Services Manager</p> <p>Agreed date</p> <p>30/11/2021</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Validation of overseas pensioners</p> <p>Validation of pensioners is considered a key control that should be in place to ensure that pensioners in receipt of pensions are still eligible to receive payment.</p> <p>We identified that, whilst letters and statements are issued to overseas pensioners, the process to ensure their existence, has not been carried out during 2019/20.</p> <p>Risk</p> <p>There is a risk that without adequate controls being in place to validate the existence of pensioners, pensions are paid to deceased pensioners</p>	<p>The existing process in place should be reviewed to ensure it is still appropriate. The process should be actioned on a frequent basis to ensure existence of overseas pensioners.</p> <p>Update for 2020/21</p> <p><i>This was last completed by Scottish Borders Council Pension Fund in September 2020. This process should be completed annually.</i></p>	<p>Now agreed standard practice. Carry out the annual review for 2021, this was completed in 2020. There has been a slight delay in getting these issued this year.</p> <p>Responsible officer</p> <p>HR Shared Service Manager</p> <p>Agreed date</p> <p>31/12/2021</p>
<p>5. Reconciliation of pensions paid figure</p> <p>There is no monetary reconciliation performed to show the total pensions paid figure agrees with the ledger. Therefore, the total pensions paid figure cannot be tied back to the ledger.</p> <p>The HRSS manager advised that there has never been a reconciliation performed between pensions paid figure and the financial ledger.</p> <p>A monthly report run for differences in payments from one month to the next is available but unfortunately due to work pressures and staff shortages this has not been completed for this</p>	<p>The pensions paid figure should be reconciled month on month and variances to the ledger investigated. Management should perform monthly reconciliations between the pensions paid figure and the ledger.</p> <p>Update 2019/20</p> <p>Whilst there is an automated nature to the transfer of the figures between the payroll system and ledger data, there is a residual risk that manual intervention to the financial ledger codes may impact ledger data. The inclusion of this control will strengthen the control environment.</p> <p>Update for 2020/21</p>	<p>Implemented. This is now being completed on a monthly basis and has been conducted since the recommendation was made as part of the 2020 audit. A full year of evidenced data will be available for testing as part of the 2021/22 audit.</p> <p>Responsible officer</p> <p>HR Shared Services Manager</p> <p>Agreed date</p> <p>30/04/2021</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>financial year. This would be an effective control over the pensions paid figure on a month-by-month basis.</p> <p>Risk</p> <p>The figures in the financial ledger could be under or overstated.</p>	<p>Reconciliations were provided for periods 6-12 for the 2020/21 period. As this had not been actioned for the full period, a complete reconciliation was not available for audit purposes.</p>	
<p>6. Key reconciliations are not being performed</p> <p>On selecting a sample of debtors and creditors for further testing, we found that several balance sheet codes (e.g. pension suspense accounts) are not being reviewed or reconciled.</p> <p>Risk</p> <p>There is a risk of uncorrected errors not being identified on a timely basis.</p>	<p>Management should perform monthly reconciliations across payroll to ensure all balances are investigated and adjusted when necessary.</p>	<p>Complete</p> <p>We were provided with reconciliations for numerous balance sheet codes to substantiate the figures included within debtors and creditors.</p>
<p>7. Financial & HR Capacity</p> <p>We found that staff capacity is still showing signs of pressure. There is dependency on key staff in Finance and in Human Resources Shared Services (HRSS).</p> <p>Strain on staff resources in HRSS has meant key reconciliations and working papers were not available or prepared to a level suitable for audit from HRSS.</p>	<p>Resource requirement of the Pension Fund should be assessed within both departments and addressed to ensure administration of the Fund is efficient and effective.</p>	<p>Complete</p> <p>Management continues to review the resource requirement within both departments. Working papers provided for audit were of a good standard from both departments. Although we consider this issue closed, continued monitoring of resources is required to address the continually shifting environment.</p>

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement caused by management override of controls</p> <p>Although we have not identified any specific risks of management override of controls relating to the Fund, Auditing Standards require that audits are planned to consider the risk of material misstatement due to fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that result in fraudulent financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Results: We undertook detailed testing of journal entries, accruals, and prepayments. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
<p>2. Estimations, Judgements and Classifications</p> <p>There is a significant degree of subjectivity in the measurement and valuation of investments and the actuarial valuation. Investments include level 3 investments such as unquoted equities, where valuations involve the application of considerable</p>	<p>Completion of 'review of the work of an expert' in accordance with ISA 500, for the actuary.</p> <p>Review of investment manager valuation reports.</p> <p>Review of user entity controls in relation to the use of service organisations.</p>	<p>Results: From our 'review of the work of an expert', our review of investment manager valuation reports and our review of the user entity controls in relation to the use of a service organisation, we did not identify any significant issues in relation to this risk.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>judgement in determining appropriate amounts.</p> <p>The actuarial valuation depends on a number of assumptions about the future. These include investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions.</p> <p>This subjectivity gives rise to a risk of misstatement in the financial statements.</p>		<p>Conclusion: We did not identify any issues in relation to this risk.</p>

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250k and request they be corrected.

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

Account areas	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
1. Change in Market Value		(326)		
2. Investment Assets			326	
Net impact		(326)	326	

Appendix 4

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Scottish Borders Council Pension Fund

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FINAL ANNUAL REPORT AND ACCOUNTS 2020/21

Report by Director Finance & Corporate Governance

AUDIT AND SCRUTINY COMMITTEE

21 October 2021

1 PURPOSE AND SUMMARY

- 1.1 This report provided the Audit and Scrutiny Committee with an opportunity to scrutinize the final Annual Report and Accounts for the Pension Fund for 2019/20 prior to their submission to Scottish Borders Council for signature.**
- 1.2 The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specify the elements which must be contained in the Annual Report and Accounts, the list of these are contained in para 4.1. The final Annual Report and Accounts contained in Appendix 1 fully meets these requirements.
- 1.3 Audit Scotland has completed their audit and have provided an unqualified independent audit opinion.
- 1.4 The Scottish Borders Council's Pension Fund Annual Audit Report highlighted two new recommendations and five recommendations from previous audits. Actions plans have been agreed for each of the recommendations.
- 1.5 This report has been presented to members of both the Pension Fund Committee and the Pension Fund Board for them to recommend the final Annual Report and Accounts for 2020/21 (the Annual Report) for approval prior to submission to Scottish Borders Council for signature.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Scrutiny Committee note the Annual Report and Accounts for 2020/21 for Officer signature and Council approval.**

3 BACKGROUND

3.1 The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specifies that the Annual report must contain:

- a) report on the management and financial performance during the year,
- b) statement on the investment policy for the Fund,
- c) pensions administration arrangements during the year,
- d) actuarial valuation statement,
- e) governance compliance statement,
- f) fund account and net asset statement,
- g) annual report on pension administration strategy, and
- h) details of where to access current Funding Strategy Statement and Statement of Investment Principles.

4 ANNUAL REPORT AND ACCOUNTS 2020/21

4.1 The final Annual Report and Accounts for 2020/21 (the Annual Report) is attached at Appendix 1. The Annual Report has also been presented to Pension Fund Committee and Pension Fund Board on the 20 October 2021.

4.2 The draft Annual Report was made available for public inspection for a 3-week period commencing 29 June 2021 and has been subject to a full external audit by Audit Scotland.

4.3 Audit Scotland has completed their audit and have provided an unqualified independent audit opinion.

4.4 The Scottish Borders Council's Pension Fund Annual Audit Report highlighted two new recommendations and five recommendations from previous audits. The areas in question are shown in Appendix 1 "Action Plan 2020/21" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:

2020/21 Recommendations

- Pension recalculation for a lump sum pension calculation.
- Review administrative procedures following move to home working.

Previous audit Recommendations

- Management should perform monthly pensioner validation using ATMOS reports and any matches investigated in a timely manner.
- Management should perform regular validation of overseas pensioners to ensure existence of overseas pensioners.
- The pensions paid figure should be reconciled month on month and variances to the ledger investigated. Management should perform monthly reconciliations between the pensions paid figure and the ledger.
- Management should perform monthly reconciliations are being performed across payroll to ensure all balance across payroll are investigated and adjusted when necessary.
- Resource requirement of the Pension Fund should be assessed within both departments and addressed to ensure administration of the Fund is efficient and effective.

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

5 IMPLICATIONS

5.1 Financial

There are no financial implications relating to this proposal.

5.2 Risk and Mitigations

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

5.3 Integrated Impact Assessment

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

5.4 Sustainable Development Goals

There are no direct economic, social or environmental issues with this reports 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 to the Scheme of Administration or Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Director (Finance & Corporate Governance), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and any comments have been incorporated into the final report.

Approved by

Name David Robertson

Title Director Finance and Corporate Governance

Author(s)

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

Background Papers: [insert list of background papers used in compiling report]

Previous Minute Reference: [insert last Minute reference (if any)]

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

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Scottish Borders Council
Pension Fund

annual report and accounts

for the year to 31 March 2021



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SECTION 1

INTRODUCTION

CHAIRMAN'S REPORT

Introduction

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



year ended 31 March 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-19 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.

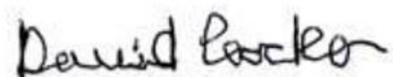
Pensions Administration

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.



Chairman, Pension Fund Committee
Scottish Borders Council

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

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.

Due to resource pressure due to Covid-19 3 actions were rephrased to be completed in June 2021. The 3 actions carried forward to the 2021/22 Business plan were Stewardship Code review, employer covenant review and admission agreement review.

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.
- Review of employer admission agreements
- 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 for likelihood and impact with no controls in place and after controls are applied. Further controls are identified and progress monitored and reported to the Joint Pension Fund Committee and Pension Fund Board on a quarterly basis as part of 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 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. Further information on risk management and risks can be found on page 16.

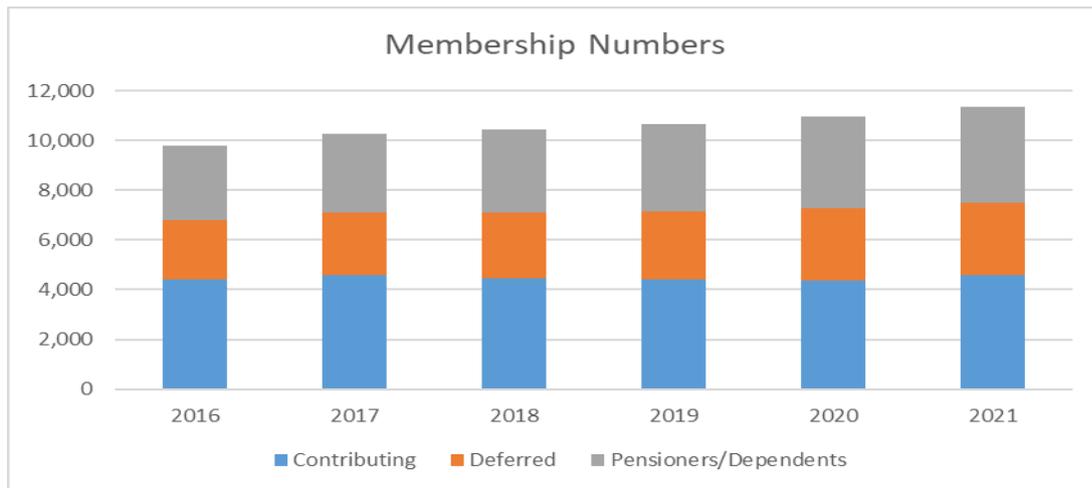
ADMINISTRATION AND MEMBERSHIP

The Pension Administration Strategy sets out the performance standards required by both Scottish Borders Council, as the administering 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. Further information on the performance of Pension Administration and it's the Pension Administration Strategy can be found in section 4.

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 investments to provide income to ensure cash is available to pay the pensions as they are due.

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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.

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 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 the funding position will continue to be undertaken on a quarterly basis and reported to the Pension Fund Committee.

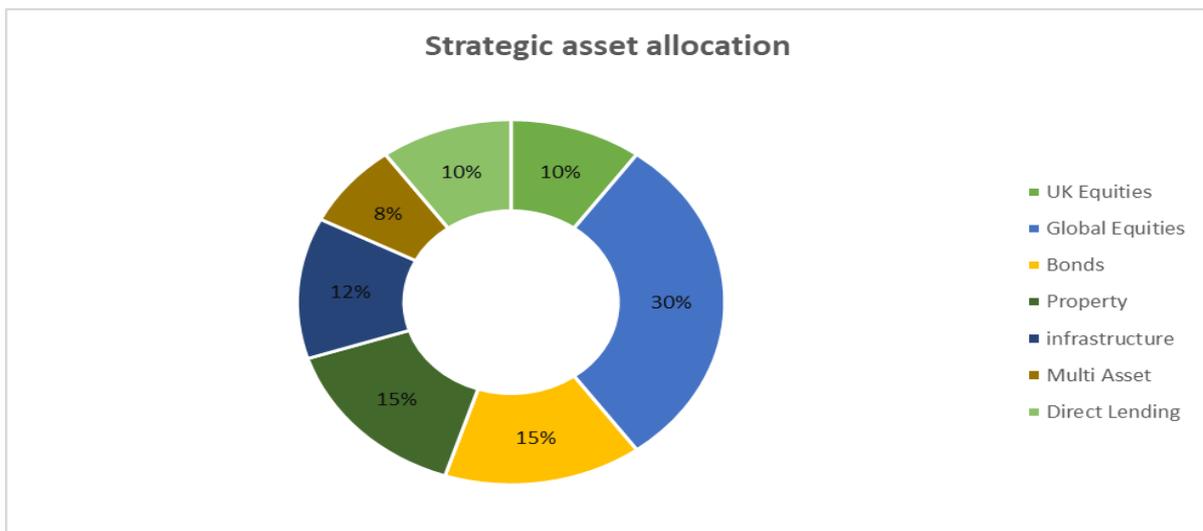
Uncertainties caused by GMP reconciliation, the scheme cost cap mechanism and legal challenges on the grounds of age discrimination, arising from the McCloud judgement may have an impact on the funding position. The 2020 valuation has included allowance for McCloud but not cost cap. The impact of any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

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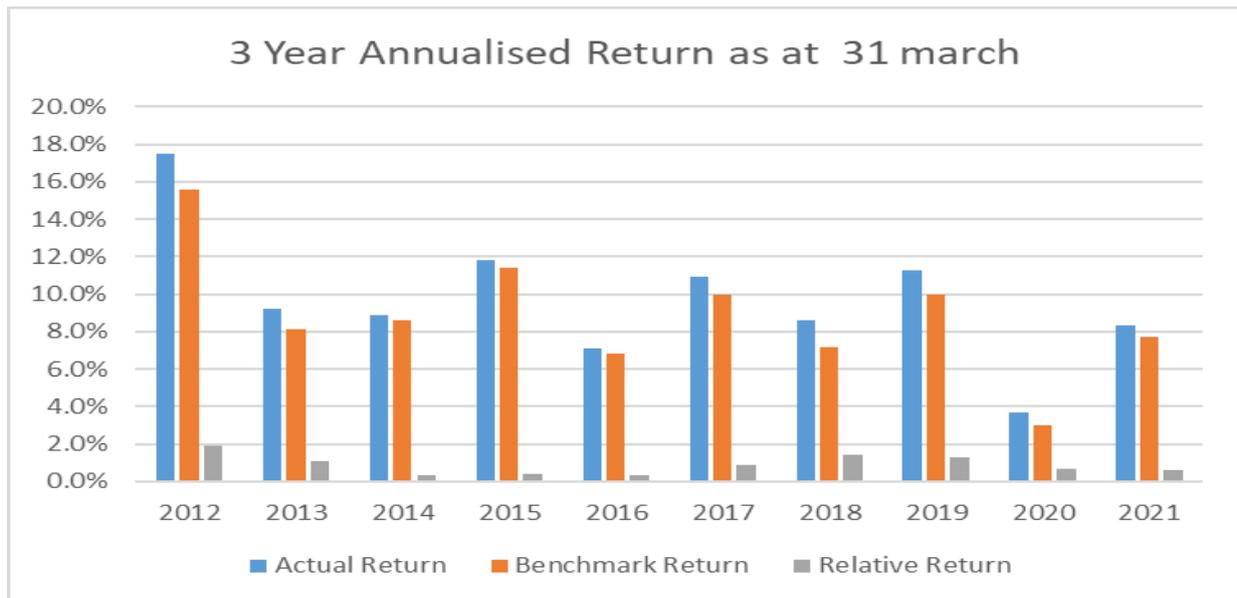
The Funding Strategy Statement approved on 4 March 2021 sets out the approach to funding. Further detail can be found in section 5 of the report and the full version of the Funding Strategy Statement is available via the Scottish Borders Council Pension Fund website.

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, thus further spreading the risk and increasing the diversification of the Fund. A further review of the asset allocation is planned in 2021/22 following the 2020 Triennial Valuation.



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 31 March 2020. 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 the 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.

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 Fund’s managers. 15 out of the 17 managers are signatories of UNPRI with the two remaining managers 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 key criterion 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:-

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- 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.

Further information on the Funds' investments can be found in section 6 of this report.

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.

David Parker
Chair

Pension Fund Committee

Netta Meadows
Chief Executive

Scottish Borders Council

David Robertson CPFA
Director - Finance &
Corporate Governance
Scottish Borders Council

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	21,727
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

SCHEME ADMINISTRATION

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

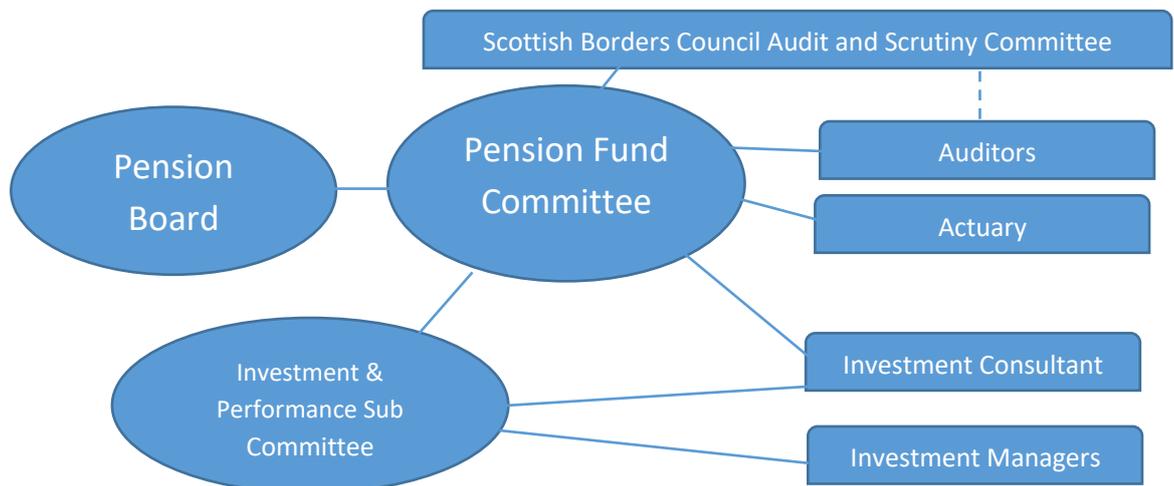
The Fund is administered in accordance with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance)(Scotland) Regulations 2014. The Fund adheres to Scottish Borders Council policies for managing conflicts of interests, codes of conducts and register of interests.

David Robertson, Director - Finance & Corporate Governance, 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.

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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.

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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
Total Number of Risks	14	37	0	1	21	29

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.

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 Director - Finance & Corporate Governance (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 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.

- 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 23 -27).

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

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 areas 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.

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 meetings 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 were held to ensure risks were 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 23- 27).

**Councillor David Parker
Chairman
Pension Fund Committee**

**Netta Meadows
Chief Executive
Scottish Borders Council**

ANNUAL GOVERNANCE COMPLIANCE STATEMENT

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

Principle		Full Compliance	Comments
Structure			
A	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council.	Yes	<p>Scottish Borders Council acts as administering authority for the Pension Fund and delegates its responsibilities as Scheme Manager to the Pension Fund Committee (the Committee).</p> <p>The Committee comprises seven 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 Pensions Board (the Board) formalises the involvement of the employers and trade unions representing the membership.</p> <p>The Fund's Board has eight members (four employer representatives and four trade union representatives) covering all pension fund members.</p> <p>The Board constitution is in line with the regulations, a copy of which is included in the Fund's Governance Policy and Compliance Statement.</p> <p>The Board meets jointly with the Committee and the Board's Constitution and the Scheme of Administration set out how disputes between the two bodies should be resolved.</p> <p>The Investment and Performance Sub-Committee (the Sub-Committee) established under the Committee. Its remit is set out in the Scheme of Administration. Membership of the Sub-Committee is seven elected Members from the Pension Fund 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	Minutes of the Sub-Committee and any other Sub-Groups are submitted to the Pension Fund Committee for approval. Two members from the Pension Board and all Members of the Committee are part of the Sub-Committee which has a remit to monitor investment performance.
D	Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	The Scheme of Administration states that any Sub-Group established will have member(s) of the Committee as part of its membership.
Committee Membership and Representation			
A	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) where appropriate, independent professional observers, and (iv) expert advisors (on an ad-hoc basis)	Yes	The Pension Board and Pension Fund Committee meet jointly ensuring employer and member (trade union) representation at meetings. The Investment Sub-Committee has two non-voting members from the Pension Board. The Independent Investment Consultant, Finance and HR Officers also attend in an advisory capacity.
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	All members of the Committee and Board are covered equally by the Training Policy (as amended annually in June). The Board was established by Council on 2 April 2015. The Scheme of Administration for the Pension Fund Committee, and the Pension Board Constitution, provide for joint meetings, with equal rights to receive

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Principle		Full Compliance	Comments
	the decision making process, with or without voting rights.		papers and access meetings.
Selection and role of lay members			
A	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	For 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.
Voting			
A	The policy of individual administrating authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	This is set out in the Council's Scheme of Administration and the Pension Board's Constitution.
Training/Facility time/Expenses			
A	In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses	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.
Meetings (frequency/quorum)			
A	An administering authority's main committee or committees meet at least quarterly	Yes	The joint meetings of the Pension Fund Committee and Pension Board are quarterly.
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the main committee dates.	Yes	The Investment Sub-Committee meets every four months between the joint Committee/Board meetings.
C	An administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	The Pension Board formally provides for stakeholders' engagement.
Access			
A	Subject to any rules in the Council's Constitution, all members of main and secondary committees or	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		
Scope			
A	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes	The Scheme of Administration sets out the Committee as having a remit which covers all matters relating to the Council's role as Administering Authority for the Scottish Borders Council Pension Fund, within the terms of all relevant Local Government Pension Scheme legislation and the requirements of the Pension Regulator.
Publicity			
A	Administering authorities have published details of their governance arrangements in such a way that stakeholders, with an interest in the way in which the scheme is governed, can express an interest if wanting to be part of those arrangements.	Yes	Scottish Borders Council Pension Fund has a standalone website with all governance documents and Fund information. A link is provided to Minutes and public papers available via the Council's website.

SECTION 3

FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITIES

COUNCIL'S 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 Director - Finance & Corporate Governance.
- 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.

DIRECTOR - FINANCE & CORPORATE GOVERNANCE RESPONSIBILITIES

The Director - Finance & Corporate Governance 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 Director - Finance & Corporate Governance 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 Director - Finance & Corporate Governance 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 Parker
Chairman Pension Fund Committee
Scottish Borders Council

David Robertson
Director - Finance & Corporate Governance
Scottish Borders Council

FUND ACCOUNT for year ending 31 March 2021

2019/20 £'000		2020/21 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme:		
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)	Net Additions/(Withdrawals) from Dealings with Members	(6,569)	
(5,922)	Management expenses	(5,979)	11
	Return on Investments:		
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)	Net Return on Investments	159,384	
(20,041)	Net Increase/(Decrease) in the Fund during the Year	146,836	
732,899	Opening Net Assets of the Scheme	712,858	
712,858	Closing Net Assets of the Scheme	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.

NET ASSETS STATEMENT as at 31 March 2021

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

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

The unaudited accounts were issued on 29 June 2021 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director - Finance & Corporate Governance

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.

C) Benefits

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

The table below gives a summary of the scheme benefits:

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements summarise the Fund's transactions for the 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.

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Benefits Payable

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

Taxation

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

Administration Expenses

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

Investment Management Expenses

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

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

Net Assets Statement

Valuation of Investments

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

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

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

The processes of the fund managers, who are listed in Note 14b, (page 43) 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 58).

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 56. 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 58).	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	The effects on the net pension liability of changes in individual assumptions can be measured. - A 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £104m

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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"> - A 0.5% increase in the Consumer Price Index assumption for inflation would increase the value of the liabilities by £91m - A 0.5% increase in the long-term rate of salary increase would increase value of the liabilities by £11m, and - A 0.25% increase in assumed life expectancy would increase the liability by £5m <p><i>Source – IAS26 report 2021</i></p>
<p>Portfolio of Level 3 assets held</p>	<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. Such valuations are prepared in accordance with the valuation principles of IFRS and GAAP. 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>

The property investments for Blackrock and UBS portfolio valuations for the 2019/20 accounts both included a “material valuation uncertainty clause” to the levels of uncertainty in the markets at the start of the covid pandemic. Markets have now stabilised and there is an adequate quantum of market evidence for the valuations to no longer contain the uncertainty clause.

6 EVENTS AFTER THE REPORTING DATE

There are no known events since 31 March 2021 which directly affect these accounts.

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7 CONTRIBUTIONS RECEIVABLE

2019/20				2020/21		
Employers	Members	Total		Employers	Members	Total
£'000	£'000	£'000		£'000	£'000	£'000
14,889	4,845	19,734	Normal	15,472	5,135	20,607
81	-	81	Special/Pension Fund Strain	28	-	28
-	15	15	Additional Voluntary	-	31	31
14,970	4,860	19,830	Total	15,500	5,166	20,666

2019/20		2020/21
£'000		£'000
15,532	Administering Authority	17,739
856	Scheduled Bodies	917
3,442	Admitted Bodies	2,010
19,830		20,666

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		2020/21
£'000		£'000
18,953	Pension Payments	19,754
3,779	Commutation and lump sum retirement benefits	4,727
903	Lump Sums death benefits	676
23,635		25,157

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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
23,635		25,157

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
2,920		3,139

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	317
5,922	Total	5,979

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11(a) Investment Management Expenses

	Total	Management fees	Transaction cost
2020/21	£'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
Total	5,226	4,005	1,221
Custody fees	84		
Total	5,310		
	Total	Management fees	Transaction cost
2019/20	£'000	£'000	£'000
Equities	807	715	92
Pooled Investments	3,041	2,453	588
Private Equity/Infrastructure	638	322	316
Property	719	329	390
Total	5,205	3,819	1,386
Custody fees	91		
Total	5,296		

12 INVESTMENT INCOME

2019/20		2020/21
£'000		£'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
13,938		12,749

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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
	Investment Assets	
164,635	Equities	217,762
143,846	Pooled Equities	172,971
134,390	Pooled Bonds	179,002
51,230	Pooled Other	110,739
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	Total Investment Assets	860,013
	Investment Liabilities	
(681)	Amounts payable for purchases	(219)
712,319	Net Investment Assets	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

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Diversified Alternatives	50,583	-		(50,583)	-
Derivative Contracts	-	1	(10)	9	-
	700,603	102,319	(104,477)	147,019	845,464
Other Investment Balances					
Cash Deposits	11,021			(212)	13,132
Amount receivable for sales	225				424
Investment Income due	1,151				993
Spot FX Contract	-			(127)	1
Amount Payable on Purchase	(681)				(220)
Net Investments	712,319			146,680	859,794

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	51,592	6.0
29,683	4.2	Baillie Gifford	UK Equities	61,178	7.1
137,839	19.4	Baillie Gifford	Global Equities	164,059	19.1
98,719	13.9	Morgan Stanley	Pooled Fund - Global Equities	118,407	13.8
92,086	12.9	M&G	Pooled Fund - Diversified Income	116,311	13.5
42,304	5.9	M&G	Pooled Fund - Bonds	62,691	7.3

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38,475	5.4	UBS	Pooled Fund -Property	37,221	4.3
59,880	8.4	Blackrock	Pooled Fund – Property	58,181	6.7
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
712,319				859,794	

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

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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

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 79.

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(d) Property Holdings

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

15 ANALYSIS OF DERIVATIVES

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

Settlements	Currency Bought	Local Value £000's	Currency Sold	Local Value £000's	Asset Value £000's	Liability Value £000's
Under 1 month	GBP	0	0	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

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techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

3. Level 3 - are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

16(a) Fair Value Hierarchy

Values as at 31 March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£000's	£000's	£000's
Financial assets at fair value through profit & loss				
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		423		423
Net Investment Assets	580,885	33,195	245,933	860,013
Financial liabilities at fair value through profit & loss				
Payable for investment purchase		(219)		(219)
Total	580,885	32,976	245,933	859,794

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Values as at 31 March 2020	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£000's	£000's	£000's
Financial assets at fair value through profit & loss				
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
Net Investment Assets	454,010	32,631	226,359	713,000
Financial liabilities at fair value through profit & loss				
Payable for investment purchase		(681)		(681)
Total	454,010	31,950	226,359	712,319

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

Transfers to level 3 reflect the investment into 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
			Financial assets			
164,635	-	-	Equities	217,762	-	-
329,466	-	-	Pooled Investments	462,713	-	-
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	-	994	-
-	225	-	Debtors	-	423	-
700,603	12,397	-		845,464	14,549	-
			Financial Liabilities			
-	-	-	Derivative Contract	-	-	-
-	-	-	Other investment balances	-	-	-
-	-	(681)	Creditors	-	-	(219)
-	-	-		-	-	
700,603	12,397	(681)	Total	845,464	14,549	(219)
	712,319				859,794	

17 (a) Net Gains and Losses on Financial Instruments

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

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 16. The Market Risk and Credit Risk aspects below come under the risk category of Assets and Investment in the Risk Register, whilst Liquidity Risk is a separate category of risk. In addition, the Funding Strategy Statement and Statement of Investment Principles address risk management considerations as they apply to the particular objectives of each document.

Market Risk

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

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

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

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

Asset Type	Potential Market Movement %
UK Equities	20.3
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
Total Assets	859,795		989,703	729,884

*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 £'000	At 31 March 2021 £'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
Total	454,903

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
Total Assets	454,903		496,461	413,345

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 2021, including current account cash, was £1.9m (31 March 2020: £2.2m). This was held with the following institutions:

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

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	654	713
Surplus/ (Deficit)	81	63
Funding Level	114%	110%

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

The next detailed Actuarial Valuation will be carried out for the Fund as at 31st March 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	2.00
Pay Increases – Long Term	3.5	2.9	3.55
Pension Increases	2.5	1.9	2.85

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
Short term debtors		
Contributions Due – Employees	15	30
Contributions Due - Employers	43	87
	58	117
Transfer value receivable (joiners)	102	456
Sundry Debtors	9	7
Prepayments	81	82
Total	250	662
Cash Balances	2,237	1,952
Total	2,487	2,614

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	1,939
Benefits payable	252	209
Total	1,948	2,714

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 £1.232m). 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 service 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 by 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 Director- Finance & Corporate Governance. 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.

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.

Goodwin

The Goodwin tribunal relates to a recent employment tribunal that changes the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e. where the female member died) on or after 5 December 2005. It is too early to know what the likely effect may be on LGPS members' benefits at this time.

29 POST BALANCE SHEET EVENTS

The audited Statement of Accounts was issued by the Director - Finance & Corporate Governance on 28 October 2021. Events taking place after this date are not reflected in the financial statements or notes.

SECTION 4

ADMINISTRATION

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 administering authority and the employers with the Fund. The procedures and performance standards are agreed to ensure the efficient and effective administration of the pension scheme. The strategy aims to ensure that

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

PERFORMANCE

The Pension Administration Strategy sets out the statutory responsibilities of Scottish Borders Council as the administering authority. Service standards and key performance measures are agreed. The performance against these agreed standards and measures are reported annually to the Scottish Borders Council Pension Fund Committee and Pension Fund Board. The performance for the year to 31 March 2021 is set out below.

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 19th of the month, for each of the Scheduled and Active Admitted Bodies.

Employer Body	By Target Date	Late	% On Time
Scottish Borders Council	12		100%
Visit Scotland	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 1st 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 years. 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 pensions@scotborders.gov.uk mailbox	3,614		Not Measured
Total	3,972		

Other Measures

Area	Measure	Completed
Employer Liaison Meetings	1 per annum	2 nd March 2021
Benefit Statements	by end of August	24th August 2020

The sixth liaison meeting, held virtually, with all Admitted and Scheduled Bodies was held during 2020/21. It covered 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
Scheduled Bodies:				
Scottish Borders Council	4,138	3,605	2,542	10,285
Borders College	195	92	77	364
	4,333	3,697	2,619	10,649
Admitted Bodies				
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
	314	182	154	650
Admitted Bodies no contributing members				
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
	0	161	204	365
Total	4,647	4,040	2,977	11,664

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

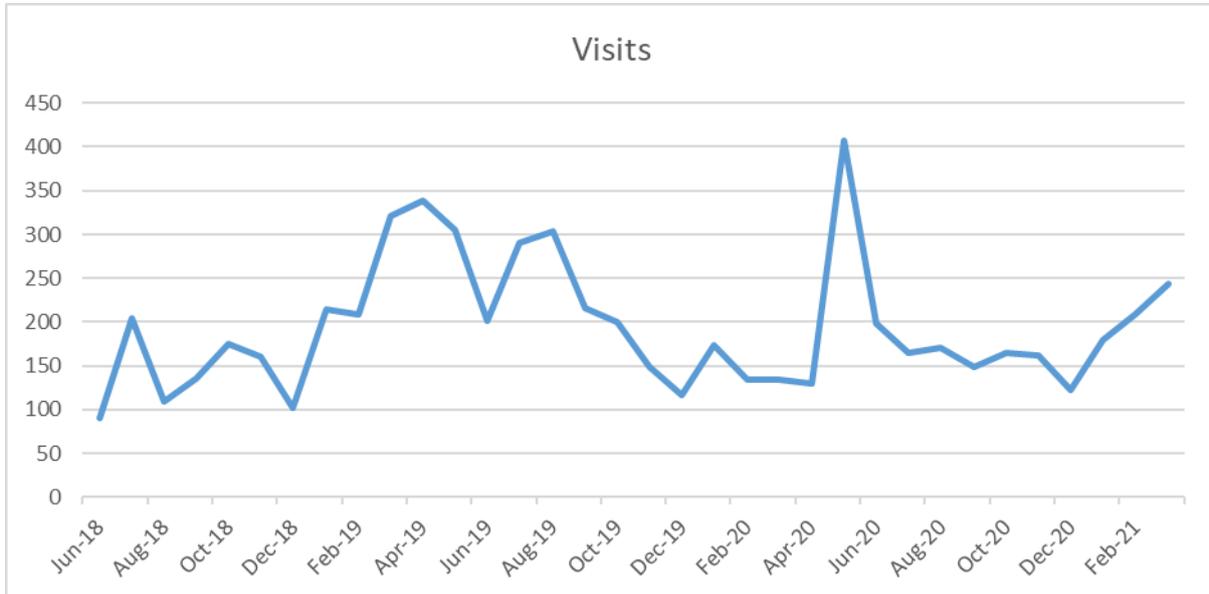
The communication methods utilized are:-

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 The Fund uses both surface and e-mail to send and receive general correspondence. Roadshows and presentations are available to employer workplaces and attend roadshows, seminars, induction and pre-retirement presentations on request, a minimum period of four weeks' notice will be required to allow for appropriate preparations. Scheme members can arrange to visit our offices to speak to a member of our Pensions Administration Team, they can arrange to pre-book appointments by e-mail or telephone.

The introduction of the Pension Fund website in June 2018 has allowed members to access information and documents. The table below details the number of visits to the site since it was launched to end of March 2021. The scheme website can be found at 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 administering 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;

- 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.

Valuation Date as at 31 March	Past Service Funding Position – Scottish Borders Council Pension Fund		
	2014 £m	2017 £m	2020 £m
Value of the Scheme Liabilities	487	(573)	(650)
Smoothed Asset Value	490	654	713
Surplus/ (Deficit)	3	81	63
Funding Level	101%	114%	110%

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Note 19 to the Statement of Accounts on page 56, 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 2021

Note 20 to the Statement of Accounts on page 58, 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 its 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, this will be reviewed in June 2021 following the triennial review. The diagram below shows the current approved strategic asset allocation.



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

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



BLACKROCK



Morgan Stanley



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



Brookfield



DALMORE CAPITAL



KKR



OAKTREE

The implementation of the Investment Strategy commenced in December 2018 with the appointment of Macquarie for infrastructure debt and a reduction of equity managers. Due to the nature of the new investments, progress has been gradual as investment opportunities arise and appointed Fund Managers draw down funds. The table 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
Total	100.0	100.0	100.0

Investment Manager Allocation

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

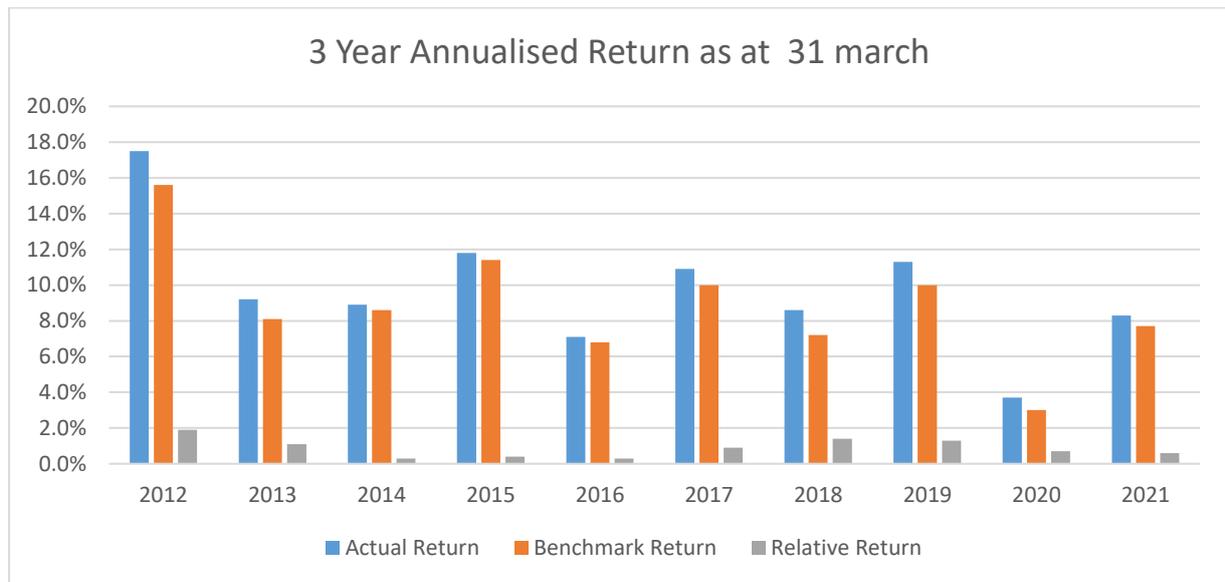
Credit markets, as with other markets, saw significant recovery in Q2 2020 due to the fiscal policies and again in Q4 2020 with announcements of vaccines. More recently, rising inflation expectations has put upward pressure on interest rates. This has led to interest rate sensitive assets, such as inflation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

FUND PERFORMANCE

Following the large drop in investment values as 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 classes have performed 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.

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Rolling 3 year annualised returns



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 ¹ %	Fund %	Bench ¹ %
Total Fund	20.1%	18.3%	8.3%	7.7%
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 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.

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- 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 sets 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.

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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 a number of key successes 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

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Scottish Borders Council Pension Fund (the fund) for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the financial transactions of the fund during the year ended 31 March 2021 and of the amount of disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Director - Finance & Corporate Governance and Scottish Borders Council Pension Fund Committee for the financial statements

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

In preparing the financial statements, the Director - Finance & Corporate Governance is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the fund is complying with that framework;
- identifying which laws and regulations are significant in the context of the fund;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The Director - Finance & Corporate Governance is responsible for the statutory other information in the annual report. The statutory other information comprises the information other than the financial statements and my auditor's report thereon.

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

CONTACT DETAILS

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

Pensions Team	Telephone 01835 – 825052/3
	E-mail pensions@scotborders.gov.uk

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

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

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

Kirsty Robb	Telephone 01835 – 825249
Pension & Investment Manager	E-mail krobb@scotborders.gov.uk

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk



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Audit and Scrutiny Committee

21 October 2021

Scottish Borders Council

Audit of 2020/21 annual report and accounts

Independent auditor's report

1. Our audit work on the 2020/21 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review and satisfactory conclusion of the matter mentioned in paragraph 10 below, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 28 October 2021 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Scrutiny Committee's consideration our draft annual report on the 2020/21 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual report and accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

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

Unadjusted misstatements

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

6. We identified three unadjusted errors during the audit, above our 'reporting threshold' of £0.1 million. Total gross monetary misstatements (errors) identified in excess of the 'reporting threshold' were £0.7 million. If these errors had been adjusted, the net impact on the overall financial position would have been nil.

Fraud, subsequent events and compliance with laws and regulations

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

Representations from Director – Finance & Corporate Governance

8. As part of the completion of our audit, we are seeking written representations from the Director- Finance and Corporate Governance (Section 95 Officer) on aspects of the annual accounts, including the judgements and estimates made.

9. A letter of representation template is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified. Due to Covid-19 restrictions, electronic signatures will be arranged this year.

Outstanding matters

10. We have not received the completed questionnaire from the auditors of Bridge Homes.

Yours faithfully,

Gillian Woolman MA FCA CPFA

Audit Director

APPENDIX A: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Income Account, Trust Funds, Common Good Funds and notes to the core financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on the 10 April 2017. The period of total uninterrupted appointment is 5 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Director – Finance & Corporate Governance and Audit and Scrutiny Committee for the financial statements

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

In preparing the financial statements, the Director – Finance & Corporate Governance is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Statutory other information

The Director – Finance & Corporate Governance is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Gillian Woolman MA FCA CPFA

Audit Director

Audit Scotland

4th Floor

102 West Port

Edinburgh

EH3 9DN

APPENDIX B Letter of Representation (ISA 580)

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

Date

Dear Gillian

Scottish Borders Council and Group Annual report and accounts 2020/21

1. This representation letter is provided about your audit of the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Scottish Borders Council's annual accounts for the year ended 31 March 2021.

General

3. Scottish Borders Council and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Scottish Borders Council have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Scottish Borders Council and its group at 31 March 2021 and the transactions for 2020/21.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Scottish Borders Council's circumstances and have been consistently applied.

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

Going Concern Basis of Accounting

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

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2021 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

11. I carried out an assessment at 31 March 2021 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2021.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements. Following the judicial ruling relating to Angus Council in August 2020, the council are taking a review of the legal and accounting implications for their common good assets and expect to conclude the process in time for the preparation of the 2021/22 accounts.

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

Liabilities

15. All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.

16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2021 of which I am aware where the conditions specified in the 2020/21 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2021. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2021 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

18. The accrual recognised in the financial statements for holiday untaken by 31 March 2021 has been estimated on a reasonable basis.

19. The pension assumptions made by the actuary in the IAS 19 report for Scottish Borders Council have been considered and I confirm that they are consistent with management's own view.

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

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 26 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and IAS 37.

Fraud

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

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

Laws and Regulations

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

Related Party Transactions

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all the Scottish Borders Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

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

Management commentary

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

Corporate Governance

27. I confirm that the Scottish Borders Council has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

Group Accounts

29. I have identified all the other entities in which Scottish Borders Council has a material interest and have classified and accounted for them in accordance with the 2020/21 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Events Subsequent to the Date of the Balance Sheet

30. All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Director – Finance & Corporate Governance

Audit and Scrutiny Committee

Scottish Borders Council

21/10/2021

Dear Trustees

Charitable Trusts administered by Scottish Borders Council

Report to those charged with governance on the Audit of 2020/21 annual accounts

1. In accordance with the Charities Accounts (Scotland) Regulations 2006 an audit is required for all registered charities where the local authority is the sole trustee irrespective of the size of the charity. This is due to the interaction of Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The auditor of Scottish Borders Council, Audit Scotland, has been appointed as the auditor of the relevant charitable trusts for the year ended 31 March 2021.
2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The trustees of the charities are the elected members of Scottish Borders Council. Therefore, members of the Audit and Scrutiny Committee of Scottish Borders Council are identified as those charged with governance.
3. This report sets out for the Audit and Scrutiny Committee's consideration, the matters arising from the audit of the financial statements for 2020/21 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however, this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Scottish Borders Council, as the trustees of the registered charitable trusts listed at Appendices A to F, and no responsibility to any third party is accepted.

Status of the Audit

4. We received the unaudited financial statements on 30 June 2021. The working papers and information provided in support of the financial statements were of a good quality. Finance staff

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

Matters to be reported to those charged with governance

5. We report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We identified one unadjusted misstatement of £0.1m which was above our 'reporting threshold' in the Common Good Fund. If this error had been adjusted the net impact would have been £0.1m increase in the revaluation reserve and a £0.1m increase in net assets of the Common Good Fund Accounts. This matter has also been reported in Scottish Borders Council's annual audit report for 2020-21.

Conduct and scope of the audit

7. As mentioned above we are required to audit the financial statements of the charitable trusts where the sole trustees are elected members of Scottish Borders Council.
8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan of Scottish Borders Council, presented to the Audit and Scrutiny Committee on 08 March 2021 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in 2016.
9. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2020/21 agreed fee for the audit was disclosed in the Scottish Borders Council Annual Audit Plan and as we did not carry out any additional work out with the planned audit activity this fee remains unchanged.

Fraud, subsequent events and compliance with laws and regulations

10. In presenting this report we seek confirmation from those charged with governance of any instances of actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the letter of representation template at **Appendix G**.

Audit Opinion and Representations

11. As part of the completion of our audit, we are seeking written representations from the Director - Finance & Corporate Governance on aspects of the financial statements, including the judgements and estimates made.
12. The letter of representation template at **Appendix G** should be copied on headed paper, signed and returned by the Director - Finance & Corporate Governance with the signed financial statements prior to the independent auditor's reports being certified. Due to Covid-19 restrictions, electronic signatures will be arranged this year.

13. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Significant findings from the audit

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

Independent auditor's reports

15. Our audit work on the 2020/21 annual accounts is now substantially complete. Subject to receipt of revised sets of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's reports on 28 October 2021 (the proposed reports are at **Appendices A-F**).

Acknowledgements

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

Yours faithfully,

Asif A Haseeb OBE

Engagement Lead

APPENDIX A: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Charitable Trusts for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Charitable Trusts as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material

misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

APPENDIX B: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Common Good Funds for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Common Good Funds as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the

financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

APPENDIX C: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Community Enhancement Trust for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Community Enhancement Trust as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the

financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

APPENDIX D: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Education Trust for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Education Trust as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material

misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

APPENDIX E: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Ormiston Trust for Institute for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Ormiston Trust for Institute as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material

misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

APPENDIX F: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Welfare Trust for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Welfare Trust as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material

misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

APPENDIX G: Letter of Representation (ISA 580)

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

Dear Mr Haseeb

Charitable Trusts administered by Scottish Borders Council – Annual Accounts 2020/21

- Scottish Borders Council Charitable Trusts
- Scottish Borders Council Common Good Funds
- Scottish Borders Council Community Enhancement Trust
- Scottish Borders Council Education Trust
- Scottish Borders Council Ormiston Trust for Institute
- Scottish Borders Council Welfare Trust

1. This representation letter is provided about your audit of the Annual Report and Financial Statements of the registered charitable trusts listed above for the year ended 31 March 2021 for the purpose of expressing opinions as to whether the financial statements give a true and fair view and properly present the financial position of each of these registered charitable trusts as at 31 March 2021 and their statements of financial activities for the year then ended.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the trustees of the registered charitable trust where the sole trustees are members of Scottish Borders Council, the following representations given to you in connection with your audit for the year ended 31 March 2021.

General

3. I acknowledge my responsibility and that of Scottish Borders Council (as the administering authority) for the financial statements and have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the Charitable Trusts have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The financial statements have been prepared in accordance FRS 102, the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 9(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.
6. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the registered charitable trusts for the year ended 31 March 2021.

Accounting Policies & Estimates

7. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern Basis of Accounting

8. The Trustees have assessed the ability of the registered charitable trusts to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result. I am not aware of any material uncertainties that may cast significant doubt on the Charitable Trusts' abilities to continue as going concerns.

Assets

9. The investments shown in the balance sheets at 31 March 2021 were owned by the registered charities. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value or classification of the assets within the financial statements.
10. Following the judicial ruling relating to Angus Council in August 2020, the council are taking a review of the legal and accounting implications for their common good assets and expect to conclude the process in time for the preparation of the 2021/22 accounts.
11. I have satisfied myself that the carrying amount of assets included in the financial statements at 31 March 2021 continues to represent the best available information. I carried out an assessment at 31 March 2021 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

Fraud

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

Laws and Regulations

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

Related Party Transactions

14. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure to comply with the requirements of IAS24.

Corporate Governance

15. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

Events Subsequent to the Date of the Balance Sheet

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

Yours sincerely

David Robertson
Director - Finance & Corporate Governance

Scottish Borders Council

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Scottish Borders Council and the Controller of Audit
October 2021

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Key messages

2020/21 annual accounts

- 1 Our audit opinions on the annual accounts of the council, its group and the six section 106 charities administered by the council are unmodified.

Financial management

- 2 The council has appropriate and effective financial management and has a good track record of delivering services within budget. It operated within revised budget having received additional funding of £27.0 million from the Scottish Government, £15.7 million of which has been carried forward as earmarked reserves for 2021/22.

Financial Sustainability

- 3 The Covid-19 pandemic has had a significant impact on the short-term finances of the council and the impact of this on medium/longer term planning is still to be fully evaluated.

Governance and transparency

- 4 The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.

Best Value

- 5 The council has an appropriate and effective best value framework in place.
- 6 Our Best Value Assurance Report on the council was published in October 2019 and found that the council had made steady progress since the previous Best Value report. The council has an action plan in place to address the recommendations from the report. Progress on implementing the action plan has been limited during 2020/21 as the council responded to the Covid-19 pandemic.

Introduction

1. This report summarises the findings arising from the 2020/21 audit of the Scottish Borders Council (the council) and its group.
2. The scope of the audit was set out in our 2020/21 Annual Audit Plan presented to the meeting of the Audit and Scrutiny Committee on 8 March 2021. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.
3. The main elements of our audit work in 2020/21 have been:
 - an audit of the annual accounts of the council and its group including the statement of accounts of the six section 106 charities administered by the council and the issue of independent auditor's reports setting out our opinions
 - a review of the council's key financial systems
 - audit work covering the council's arrangements for securing best value
 - consideration of the four audit dimensions.
4. The global coronavirus pandemic has had a considerable impact on the Scottish Borders Council during 2020/21. This has had significant implications for the services it delivers, sickness absence levels, and the suspension of non-essential projects and activities, such as capital construction. Risks related to the pandemic were included in our Annual Audit Plan and revisited on receipt of the unaudited accounts. No new emerging risks were identified on receipt of the unaudited accounts.

Adding value through the audit

5. We add value to the council through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

6. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

7. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

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

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

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

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

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

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Auditor Independence

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

professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £287,500 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of the council, its group and the six section 106 charities administered by the council are unmodified.

Our audit opinions on the annual accounts are unmodified

15. The accounts for the council and its group for the year ended 31 March 2021 are due to be approved by the council on 28 October 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The Covid-19 pandemic had no impact on audit evidence

16. The working papers provided with the unaudited accounts were of a good standard and finance staff provided support to the audit team. This helped ensure that the audit of the annual accounts process ran smoothly. Due to social distancing requirements, and applying modern technology, the audit was conducted remotely.

17. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by remote working and we were able to obtain the evidence we required.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

18. As a result of the continuing impact of Covid-19, the submission deadlines for Local Government audited annual accounts and annual audit reports have been set at 30 November 2021.

19. The council chose to submit the unaudited accounts in line with the normal timetable. The unaudited annual report and accounts were received in line with our agreed audit timetable, on 29 June 2021.

20. Although later than first planned, the audited annual accounts are due to be signed off a month later than the normal timetable and in line with the revised timetable permitted to reflect the impact of Covid-19.

Our audit opinions on Section 106 charities were unmodified

21. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities' legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Scottish Borders Council are sole trustees, irrespective of the size of the charity.

22. When the unaudited accounts were presented to the Audit and Scrutiny Committee on 29 June 2021, members noted the expenditure in some charities during 2020/21 was not as high as they would have expected, given the purpose of these charities is to generate an income for community use. The council is currently working on ways to increase awareness of these charities and the funding on offer amongst the communities they serve.

23. Our testing of the Common Good Fund identified a historic error of £0.1 million relating to the valuation of common good assets, which has not been adjusted for in the 2020/21 accounts for both the council and Common Good Fund accounts. Whilst this amount is above performance materiality for the Common Good Fund accounts, it is well below overall materiality for both the Common Good and council accounts and is judged to be an isolated error. Therefore, our audit approach was not modified.

24. Due to Covid-19, the council has made limited progress in 2020/21 in reducing the number of section 106 charities.

25. Our audit opinions on the Section 106 charities are unmodified.

There were no objections raised to the annual accounts

26. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations. There were no objections to the 2020/21 accounts.

Whole of Government Accounts

27. HM Treasury have informed local government bodies in Scotland that the data collection tool, to facilitate the Whole of Government Accounts return, will not be available until December 2021 at the earliest. When the data tool is available and the return is available for audit, we intend to complete the required assurance statement and submit it to the National Audit Office.

Overall materiality is £4 million

28. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit. We also apply the concept of materiality to uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

29. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

30. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Planning Amount (based on 2019/20 accounts)	Revised Amount (based on 2020/21 accounts)
Overall materiality	£3.8 million	£4 million
Performance materiality	£2.3 million	£2.4 million
Reporting threshold	£95 thousand	£100 thousand

Source: Audit Scotland

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

31. [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

Significant findings from the audit in accordance with ISA 260

32. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. These are summarised in [Exhibit 2](#) and are included in the action plan at [Appendix 1](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Asset valuations</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £607 million. The council has a five-year rolling valuation programme as detailed in Note 12 of the accounts.</p> <p>In line with the Council's asset policy, assets were revalued at 1 April 2020.</p> <p>As 2020/21 has been an exceptional year with the Covid-19 pandemic, which affected how the council operated, we needed further evidence for the asset values at 31 March 2021. The valuer's certificate also included material uncertainty which was inconsistent with the latest guidance from the Royal Institute of Chartered Surveyors (RICS).</p>	<p>We sought additional information from the valuer that asset values remained unchanged in the 12 months to 31 March 2021. The valuer confirmed values remained unchanged, and also updated their certificate to remove material valuation uncertainty.</p> <p>Note 12 of the accounts was amended to remove material valuation uncertainty which reflects the latest guidance from RICS. Whilst uncertainty remains, there is better information available on labour and material costs, in the 18 months since the Covid-19 pandemic began.</p> <p>We considered the evidence in its wider context and confirmed that the asset values for the council were consistent with RICS guidance.</p> <p>We also sought assurances from the Director Finance and Corporate Governance that there had been no impairment on other asset categories not subject to revaluation this year and that values had not changed significantly in the 12 months since 1 April 2020.</p> <p>Recommendation 1</p> <p>The council should: review their asset policy and consider valuing assets at year ending 31 March, rather than year beginning 1 April, to remove uncertainty in asset values; and consider valuing 20% of each asset category annually rather than each asset category every five years which can lead to large swings in asset values.</p> <p>(refer Appendix 1, action plan 1)</p>

Issue	Resolution
<p>2. Assets on common good land</p> <p>A judicial review, published in August 2020 relating to Angus Council, concluded that all council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. This is a new legal ruling with wide ranging impact on all Common Good funds across Scotland.</p> <p>Scottish Borders Council has a number of operational assets which stand on Common Good land. The full list of affected assets is still to be determined. The council is in the process of reviewing the legal and accounting implications of the judicial ruling and expects to conclude the process in time for the preparation of the 2021/22 accounts.</p>	<p>Operational assets which stand on Common Good land and are used to deliver council services can be considered in substance, if not legal form, to be finance leases, i.e. the council bears all the risks and rewards of asset ownership, even though the Common Good is the legal owner. Assets leased under finance leases are shown on the Balance Sheet of the lessee, so the 2020/21 council accounts, which include these assets in the Balance Sheet and Note 12 Property, Plant and Equipment, are not likely to be materially misstated.</p> <p>Recommendation 2</p> <p>(refer Appendix 1, action plan 2)</p> <p>The council should conclude the process of reviewing the legal and accounting implications of the judicial ruling by March 2022 and make any accounting adjustments in the 2021/22 annual accounts of the council and Common Good Funds.</p>
<p>3. Internal recharges to the capital budget</p> <p>Through our testing of new assets we learned that they included some internal recharges to capital expenditure, for work such as architect fees and road overlays. However, the evidence to support the amounts recharged was not clear or comprehensive.</p>	<p>The council should revisit the rationale and calculations to confirm the basis for recharges remains relevant and accurate so that the amount that has been capitalised is defensible.</p> <p>Recommendation 3</p> <p>(refer Appendix 1, action plan 3)</p>
<p>4. Scottish Water balance</p> <p>The council collects water/sewage rates on behalf of Scottish Water as an agency arrangement as part of Council Tax collection. In the accounts, Note 30 Creditors includes a £1.0 million debtor balance relating to Scottish Water for water/sewage amounts written off as part of council tax write offs. The write offs are mostly historic from 2014/15 onwards.</p>	<p>Management have agreed to liaise with Scottish Water to address this matter.</p> <p>Recommendation 4</p> <p>(refer Appendix 1, action point 4)</p>
<p>5. Non-Domestic Rates (NDR)</p> <p>Councils collect non-domestic rates on behalf of the Scottish Government who then distribute funding to councils based on council mid-year forecasts of collection, and policy decisions in the Scottish Budget. At 31 March, the debtor/creditor from/to the Scottish Government</p>	<p>The council should do further work and analysis to ensure that they are fully consistent with the Code.</p> <p>Recommendation 5</p> <p>(refer Appendix 1, action point 5)</p>

Issue	Resolution
<p>is calculated as the difference between the actual amount collected from non-domestic rate payers and the mid-year estimate forecast to the Scottish Government.</p> <p>Our testing found that the calculation of the debtor is not consistent with the Code. Specifically, the balance in Note 30 Other Receivables, relating to NDR includes taxpayers' debt rather than what the council is due to receive from or pay to the Scottish Government.</p> <p>The council also reports the year end position to the Scottish Government in the form of a return, which we audit separately each year.</p>	

Source: Audit Scotland

Identified misstatements of £0.7 million were not adjusted in the accounts; these were less than our performance materiality and we did not need to revise our audit approach

33. There were a number of presentational adjustments to the unaudited annual report and accounts arising from our audit. These were discussed with senior officials who agreed to make the necessary changes.

34. The aggregate of individual misstatements (errors) identified in excess of our 'reporting threshold' (£0.1 million) were £0.7 million. [Appendix 3](#) provides further details on these items. It is our responsibility to request that all misstatements, other than those below the reporting threshold are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have not adjusted the accounts for these errors as the net impact on the overall financial position is nil.

35. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. The aggregate of individual misstatements of £0.7 million is well below performance materiality of £2.4 million. Therefore, we did not need to revise our audit approach.

Progress was made on prior year recommendations

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

2. Financial management

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

Main judgements

The council has appropriate and effective financial management and has a good track record of delivering services within budget. It operated within revised budget having received additional funding of £27.0 million from the Scottish Government, £15.7 million of which has been carried forward as earmarked reserves for 2021/22.

The council operated within budget in 2020/21

37. The council approved its 2020/21 budget in February 2020. The net expenditure budget was set at £297.8 million, with required savings of £8.1 million.

38. The council has a good track record in delivering services within budget over a number of years. The actual outturn for the year was expenditure of £275.6 million, which was an underspend of £2.5 million against the revised budget of £278.1 million for the year. The budget was revised downwards as a number of balances were earmarked for use in 2021/22 and carried forward to support the council's ongoing response to the pandemic.

39. While the council's spending has remained in line with its overall budget, there are variations in how different services have performed.

40. Examples of (under) and overspends are summarised in [Exhibit 3](#).

Exhibit 3

Summary of under/overspends against budget

Area	£m	Reason for variance
Underspends		
Assets & Infrastructure	(£1.202)	A number of services required less Covid-19 support funding than anticipated
Finance & Corporate Services	(£0.955)	Less borrowing than planned, and reduced interest rates contributed to

Area	£m	Reason for variance
an underspend in loans charges, along with additional staff turnover.		
Overspends		
Health and Social Care	£0.070	Higher than anticipated running costs for provision of care for older people and higher than anticipated running costs for SB Cares and community support services.

Source: Scottish Borders Council 2020-21 Outturn

The Covid-19 pandemic had a significant impact on the 2020/21 budget

41. The impact on public finances of the pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

42. The pandemic had a significant impact on the council's 2020/21 budget. In June 2020 the council reported that financial savings would be key to achieving financial stability. Sources of income for the council were adversely affected, including the ability of SB Contracts to trade during parts of the year. Council tax collection rates reduced by £0.7 million (1.25% reduction) and Non-Domestic Rates collection reduced by £0.9 million (3.66% reduction). Bad debt provisions remained at 1.2% for 2020-21 as the council consider the collection rates to have been affected by timing, with enforcement action paused and more payments delayed into the following year.

43. As part of the response to the pandemic, the council carried out an in-year budget review based on the financial position at the end of June 2020 to re-align resources. Senior officers sought approval from the council for this approach in August 2020. As part of this exercise, budget pressures of £20.4 million were anticipated alongside resources of £19.1 million comprised of in-year savings of £14.8 million and Scottish Government funding of £5.6 million. A residual budget pressure of £1.4 million was identified from this review.

44. By 31 March 2021, the council received £27.0 million in additional funding from the Scottish Government and having spent £11.3 million during 2020/21, the remaining £15.7 million was carried into 2021/22 through the Covid-19 reserve.

45. The council did not use furlough and a June 2020 council report showed that 355 staff members were redeployed.

46. By 31 March 2021, the council paid out £53 million in grant support on behalf of the Scottish Government, with the three largest grant schemes being the Business Grant Scheme, £33 million; Strategic Framework Business Fund, £10.5 million; and the Retail, Leisure and Hospitality top up grant, £6.5 million. This is detailed further in the management commentary and Note 9 of the accounts.

47. This £53 million is excluded from the Comprehensive Income and Expenditure statement (CIES) as these funds were paid out as an agency arrangement on behalf of the Scottish Government. The disclosures in the accounts are considered sufficient.

48. The £53 million includes half a million relating to the £500 thank-you payment to social care workers accrued to 2020-21 and reported as an agency payment in Note 9 on behalf of the Scottish Government. The council received this funding and made the payment in May 2021 (2021/22 financial year). Our view is that, in line with the latest LASAAC guidance, the council should disclose this as a 2021/22 agency transaction and remove it from the 2020/21 accounts. The council felt the earlier decision agreed between local government finance directors reflected the activity in the 2020/21 year and did not want to change their accounts. Refer [Appendix 3](#).

49. In their procurement annual report, the council reported that their procurement team, working alongside Business Gateway, developed a process to make payment of these business grants. Across Scotland, local authorities were under pressure to facilitate payment of these grants within a very short period of time to support the local economy. The process was further developed over the following months with the Customer and Communities team taking over the administration of applications from Business Gateway.

50. The council also reported that a cross functional team was created to consider the sourcing, supply and distribution of Personal Protective Equipment (PPE), and cleaning materials across all services of the council. This involved developing a profile of the anticipated demands using up to date market intelligence from suppliers and product availability. The council worked with the Scottish Government, Scotland Excel and NHS Shared Services.

Reserves

51. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the council increased from £30.1 million in 2019/20 to £48.2 million in 2020/21. This increase is largely due to the underspend of £2.5 million delivered against the financial plan, and the carry forward of £15.7 million additional funding from the Scottish Government for Covid-19, for use in 2021/22.

52. The general fund is the largest reserve and is used to fund the delivery of services. It provides a contingency to meet unexpected expenditure and a working balance to help cushion the impact of such expenditure.

53. The council reviews the level of its uncommitted reserves when setting the budget each year. The review is based on an assessment of corporate risks, with each risk being assigned a likely financial amount as well as a likelihood of

the risk occurring. As part of the budget setting process for 2021/22 the Corporate Financial Risk Register was considered by the council in March 2021. At this time the financial risk was assessed as being £12.8 million. The unallocated general fund balance of £6.3 million is sufficient to cover 49% of these risks at that time, which is similar to the prior year position which covered 52% of the assessed risks at that time.

54. We consider the council's approach to reserves to be good practice and are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level.

Planned efficiency savings were achieved

55. With reduced core funding from government and increasing demands for services, efficiency savings are an important means of bridging the gap between funding received and spending commitments. The Executive Committee receives quarterly updates on savings during the year which provides an effective means of scrutinising the achievement of planned savings.

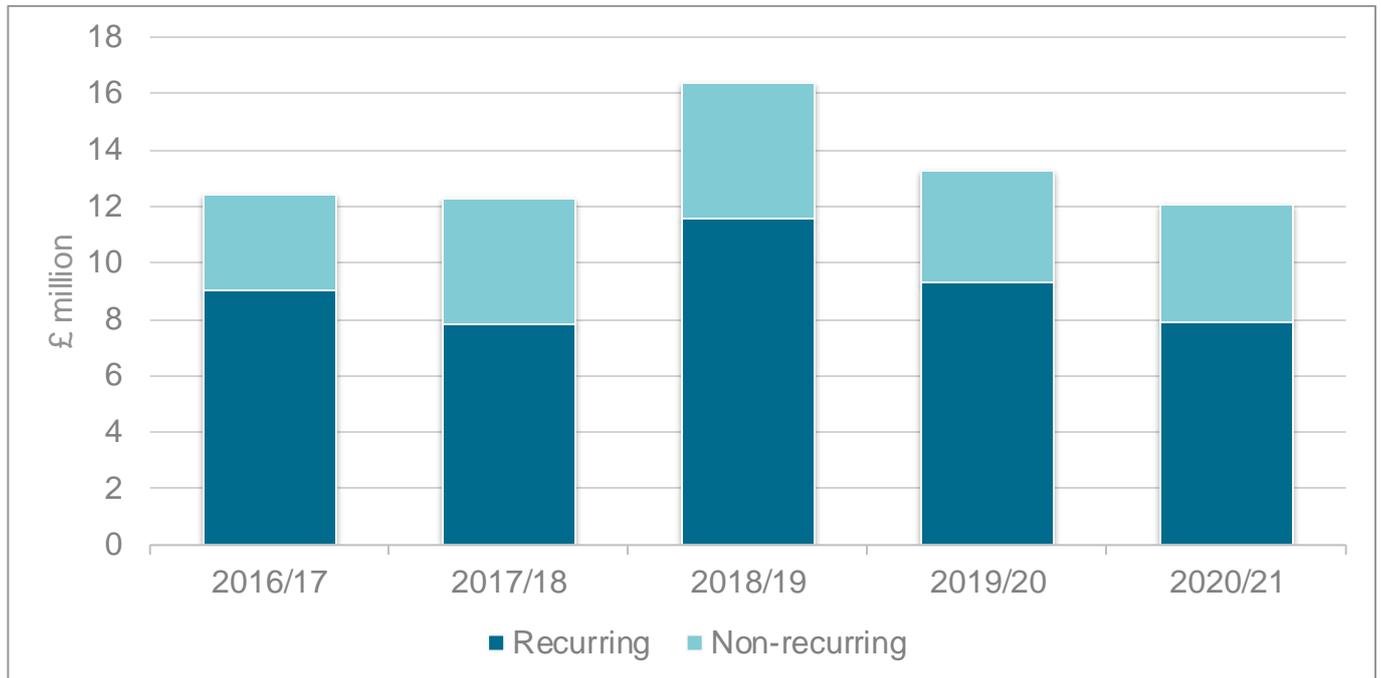
56. The council has responded well to the challenges it has faced and has a good track record of delivering savings each year. Delivering savings during 2020/21 was an important strategy for the council in maintaining financial stability when demands on services and funding levels in response to Covid-19 were uncertain.

57. Savings of £12.1 million were reported as delivered during 2020/21. This is in line with the level of savings achieved by the council in recent years. Of this total, £7.9 million (66%) of savings were on a recurring (permanent) basis. Recurring savings are savings, that once achieved, recur year-on-year from that date.

58. As illustrated in [Exhibit 4](#), the council has continued to achieve a proportion of in-year savings on a non-recurring (temporary) basis, with £4.2 million (34%) achieved on a non-recurring basis in 2020/21, which is similar in percentage terms compared to the prior year (30%). Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

Exhibit 4

Savings – recurring and non-recurring



Source: Scottish Borders annual accounts

Capital expenditure reduced in 2020/21 as the council delayed capital investment projects into future years

59. The Council agrees a ten-year capital plan each year as part of its budget process. Total capital expenditure in 2020/21 was £54.8 million. Despite the pandemic, the council progressed key capital projects such as the Hawick Flood Protection Scheme, the Great Tapestry of Scotland and procurement of ICT software. The total capital spend was £9.5 million below the budget for the year of £64.3 million.

Borrowing levels increased slightly

60. At 31 March 2021, long term borrowing stood at £217 million, an increase of £10 million on the 2020 level of £207 million.

61. Total external debt, which includes the council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy. The current borrowing position complies with the Prudential Code, and the council will continue to consider the affordability of future borrowing.

Financial systems of internal control operated effectively

62. Our management report presented to the Audit and Scrutiny Committee on 29 June 2021 reported our findings from the review of systems of internal

controls. We concluded that the council has satisfactory systems of internal control in place. No significant internal control weaknesses were identified during the audit which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

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

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

64. The risk profile of public bodies during 2020/21 has been significantly affected by the pandemic. This is likely to have increased the risk of fraud and error as control environments and internal controls have had to change to allow for services to operate effectively and respond to issues in a timely manner. Internal audit adapted their audit plan to respond to management concerns around areas of heightened risk, and for example, undertook a review of the business grants processed by the council on behalf of the Scottish Government. Their review found that improvements should be made around the administration and recording of evidence and therefore, limited assurance was provided on three of the four grants reviewed.

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

66. We note the retiral of the Corporate Fraud & Compliance Officer during 2020/21. The council are currently considering options to widen counter fraud responsibilities across management. In the absence of a Corporate Fraud & Compliance Officer, the Integrity Group meet regularly and carried out a Covid-Fraud-Risks Control Assessment in 2020/21, the findings of which were reported to the Audit and Scrutiny Committee in March 2021. The council will also need to revise its counter fraud policy once it has agreed on its revised counter fraud arrangements.

National Fraud Initiative

67. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. The council received matches for investigation in January 2021 and in July 2021 and should have investigated recommended matches by 30 September 2021.

68. By September 2021, the council had not investigated any NFI matches due to ongoing capacity issues in the relevant service areas. Given that NFI included data matching on business grants this year, and that weaknesses were identified by Internal Audit in the control environment for processing these grants, the council should investigate a sample of matches to confirm no fraud or errors have been identified.

Recommendation 6

The council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error.

69. Instances of fraud and corruption can be particularly prevalent in the procurement function. As reported in our 2020/21 management report, we concluded that appropriate procurement procedures, controls and reporting arrangements are in place at the council, supported by a clear strategy and objectives.

Education Maintenance Allowance grant claim

70. As part of our audit, we certify the council's Education Maintenance Allowance (EMA) claim each year. For each of the last four years we have noted the council attendance records for pupils were not being adequately updated by schools and did not always match payment details during the year. Our testing for the 2020/21 grant claim found examples of inconsistencies in records of how absence reasons were applied which led to payment for some weeks and not others. However, we also noted improvements in record keeping compared to the prior year as a result of the work undertaken across the council to address our recommendation in last year's annual audit report. The council are looking at ways to better capture the audit trail for the payment. Management should continue to improve recording keeping for EMA payments.

3. Financial sustainability

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

Main judgements

The Covid-19 pandemic has had a significant impact on the short-term finances of the council and the impact of this in medium/longer term planning is still to be fully evaluated.

The financial impact of the Covid-19 pandemic on the council will be significant

71. The financial impact of the pandemic on the council is likely to extend across several years and could include a reduction in income from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, public transport and parking. Challenges include rising demands for services, increasing costs of services and reductions in local government core funding.

72. The council approved its 2021/22 budget in March 2021. The budget was set at £295.8 million. Like other local authorities, Scottish Borders Council is facing several challenges in maintaining a sustainable financial position, and financial plan savings of £9.3 million are required to be delivered in 2021/22. The monitoring report of the 2021/22 General Fund Revenue Budget, which went to the Executive Committee in June 2021 highlighted reduced management capacity to drive forward savings as a result of responding to Covid-19. However, the council are reporting the first quarter's savings as being on target.

73. The council is facing additional costs of £21 million in 2021/22 because of Covid-19, for example, in personal protective equipment (PPE), cleaning materials and homecare costs, education recovery and service pressures.

74. The Scottish Government provided further funding to support financial pressures in 2020/21 and 2021/22 and together with the funding brought forward through the Covid-19 reserve, the council has £31 million of funds to manage the impact of Covid-19 in 2021/22. The impact of the pandemic on council finances into the medium and longer term is still to be fully evaluated.

Medium and longer term financial plans are in development

75. As part of our 2019/20 audit, we recommended the council should review its medium-term financial plan following the pandemic to reflect its impact on the council's finances going forward, including scenario planning of key financial assumptions.

76. The 2021/22 financial strategy covers five years and includes scenario planning where the council modelled variations in the assumed level of Scottish Government grant, Council Tax increases and estimated inflationary increases in cost pressures over the ten-year period commencing 2021/22. This is shown as an appendix to the financial strategy with three graphs for three different scenarios. The council reported that this analysis highlights a range of potential financial outcomes which, if realised, would require them to identify revenue savings of between £39 million and £72 million over the next ten-year period depending on the assumptions used.

77. The scenario planning developed by the council is a positive step towards best practice and helps ensure decisions are made on a sustainable basis. The council are currently developing a longer-term financial strategy over a ten-year period to 2031/32 and have identified key risks and significant variables which affect the budget. The council intend for this to accompany the budget documents in February 2022. The financial strategy also includes capital planning on a ten-year basis so there is financial planning for capital expenditure into the longer term.

Fit for 2024

78. Fit for 2024 emphasises the importance of a cross-cutting approach and of a transformation programme being driven corporately. Its seven main aspects are:

- a whole-council service review and redesign programme
- enhancing community engagement, participation and empowerment
- making best use of physical assets, assisted by a corporate landlord model
- investing in well-planned and designed digital solutions
- developing the workforce's skills, flexibility and working patterns
- optimising partnership resources
- making process and productivity improvements.

79. The Fit for 2024 corporate transformation programme is considered by the council to be crucial to service change and achieving financial efficiencies. The council found Covid-19 increased the need for transformational change and accelerated some projects within the programme, for instance, the Inspire Learning programme which involved providing over 7,000 iPads to school pupils

and staff. This programme was expanded during 2020/21 to include all P4-P7 staff and pupils.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.

Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively

80. The council has made significant changes to its governance arrangements in response to the pandemic. These have been set out in the Annual Governance Statement in the annual report and accounts and include changes in when and where services were provided, changes to standing orders, systems remote access, virtual meetings, and redeployment of staff to alternative duties.

81. On 26 March 2020 the council held a virtual meeting to agree decision-making arrangements to minimise social contact during the pandemic. It was agreed all formal council and committee meetings would be cancelled unless required for statutory reasons and additional powers delegated to the chief executive in consultation with officers and members. From May 2020, some council committee meetings restarted, and meetings were held on a virtual basis. Copies of reports and decisions made under the delegated responsibilities were made available on the council's committee papers website. The additional powers delegated to the chief executive were transferred back to committees on 10 August 2020.

82. Following the retirement of the chief executive in September 2020, effective arrangements were put in place for the remaining 6 months of the year to ensure business continuity. A new chief executive was appointed at the end of March 2021.

83. We reviewed governance arrangements as part of our audit planning work and concluded the council has appropriate governance arrangements in place which support effective scrutiny, challenge and decision making.

Reporting of financial performance

84. The management commentary that accompanies the financial statements should explain in simple terms and, provide clarity to readers to help them understand how the council has performed against its budget and how this is reconciled to the financial statements.

85. The management commentary describes the council's highlights of 2020/21 as well as setting out political structure, and the council's financial strategy followed by a summary of outturn against budget (for both revenue and capital). The management commentary also includes a summary of the group components financial performance.

86. As part of our audit, we encouraged the council to include further details on Covid-19 support to increase transparency in this area along with other amendments to aid a reader's understanding of the reported financial position.

87. Overall, we concluded that the council's management commentary was balanced, well presented and understandable, and consistent with the financial statements. In the management commentary the council also acknowledged that capital investment decisions taken now have long-term borrowing and revenue implications and the potential to place undue burden on future taxpayers. We found this acknowledgement to be transparent and an example of good practice.

ICT Governance

88. CGI supported the council with their switch to home working during the pandemic. An extension of the council's strategic partnership with CGI has been negotiated which will extend their contract for fully managed ICT services by 10 years, until 2040. This has provided an £11 million reduction in service costs. In return the council has committed to spending £34 million over the next three years on IT transformation with CGI.

89. The council's digital strategy provides a strategic direction, and the intention is for this to sit within a revised Transformation Programme to be fully aligned with a new Council Plan. The next steps of determining key projects, responsibilities and governance should continue through to completion. The Benefits Tracker needs to be fully implemented, along with agreed indicators and measurements for delivery of objectives. The council should continue to further develop and refine their digital strategy.

90. Our annual audit plan highlighted risks for the council in cyber security and disaster recovery.

91. On cyber security the council is continuing work to achieve cyber essentials reaccreditation and have contracted the help of a third-party company in achieving this.

92. On disaster recovery arrangements, a move to the new Waterton data centre back up facility in Wales (which will be managed by CGI) has been postponed for over a year, in part due to the pandemic. Work has largely been

completed and full disaster recovery (DR) test is scheduled to take place by the end of November 2021, in conjunction with CGI.

Good practice points

93. The council's unaudited accounts are presented to the Audit and Scrutiny Committee on an annual basis in line with statutory requirements. Alongside this, the Director Finance and Corporate Governance provides a succinct presentation on the key financial information and the implications of this. We consider this to be good practice in supporting members' scrutiny of the accounts.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

The council has an appropriate and effective best value framework in place .

Our Best Value Assurance Report on the council was published in October 2019 and found that the council had made steady progress since the previous Best Value report. The council has an action plan in place to address the recommendations from the report. Progress on implementing the action plan has been limited during 2020/21 as the council responded to the Covid-19 pandemic.

The council has made limited progress during 2020/21 in addressing Best Value recommendations, given capacity issues in responding the pandemic

94. Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council is considered by the Accounts Commission at least once in this period. The BVAR report for the council was published in October 2019 and found that the council had made steady progress since the previous Best Value report.

95. The recommendations of the BVAR were:

- Embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking
- Seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Scottish Borders Health and Social Care Integration Joint Board
- Improve how the Scottish Borders community planning partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment (Scotland) Act 2015
- Establish a structured programme of ongoing staff consultation and engagement
- Update its people plan for 2017–21 and ensure longer-term workforce plans are reflected in service and financial plans

- Support members' continuing professional development by tailoring training to meet their individual needs, and use technology to make training more accessible
- Ensure performance reports to members and the public are more comprehensive and balanced, and that they cover service performance and delivery of the Fit for 2024 programme.

96. As the council reported in their Annual Governance Statement, progress in implementing the 40 actions that support these points above has been slow during 2020/21 as the officers responsible for the plan's implementation were heavily involved in the council's response to Covid-19.

97. A Best Value Implementation Plan was presented to the Audit & Scrutiny Committee in February 2021. Overall, the council are reporting audit recommendations are either fully complete (30%) or partially complete (approximately 60%) with the remainder less than 20% complete. Management intend to provide a further update before the end of December 2021. We will follow up progress as part of our 2021/22 audit.

Performance management arrangements are satisfactory in the circumstances

98. The council's performance management arrangements were considered in our BVAR, issued in October 2019. We identified that the council has an established performance management framework that managers and councillors clearly understand. Performance was noted as good or improving in the key service areas of education and social work and the council's performance was maintained or improved on 68 per cent of national indicators relevant to its priorities and services between 2013/14 and 2017/18. However, the report found that the council needs to embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.

99. The council participates in the Local Government Benchmarking Framework (LGBF). The framework aims to bring together a wide range of information about how all Scottish councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

100. The council's Executive Committee usually receives quarterly performance reports throughout the year and an annual performance report. The pandemic disrupted this timetable and performance reports were presented in January 2021 for quarter 1 and 2, March 2021 for quarter 3, and June 2021 for the annual report and quarter 4. These reports monitor progress against the council's key priorities as set out in its Corporate Plan. The performance reports are also made available to the public through the performance section of the council's website.

Statutory performance indicators (SPIs) are being met

101. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

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

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

103. We have evaluated the council's arrangements for fulfilling the above requirements and concluded that the arrangements are satisfactory. The council publishes an annual performance report which mostly meets the requirements listed in the paragraph above. We noted that the council does not have arrangements in place to engage with communities regarding the type of information to be reported. Improving community engagement is one of the actions identified in response to the council's 2019 BVAR and this will be followed up as part of our BVAR follow up work.

National performance audit reports

104. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published a number of reports which may be of interest to the council. These are outlined in [Appendix 4](#).

105. The council has good arrangements in place for considering national reports issued during the year, with the reports being considered by the Audit and Scrutiny Committee on a regular basis.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Asset valuations</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £607 million. The council has a five-year rolling valuation programme as detailed in Note 12 of the accounts.</p> <p>In line with the Council's asset policy, assets were revalued at 1 April 2020. Given 2020/21 has been an exceptional year with the Covid-19 pandemic which affected how the council operated, we needed further evidence for the asset values at 31 March 2021. The valuer's certificate also included material uncertainty which was inconsistent with the latest guidance from RICS.</p> <p>Risk - that a value at 1 April is not representative of fair value as at 31 March the following year, as required by the Code.</p>	<p>The council should: review their accounting policy and consider valuing assets at 31 March, rather than at 1 April; and consider valuing 20% of each asset category annually rather than each asset category every five years which can lead to large swings in asset values</p> <p>Exhibit 2, point 1</p>	<p>Agreed. The recommended review will be undertaken.</p> <p>Responsible officer Director, Infrastructure and Environment</p> <p>Agreed date 31 January 2022</p>
<p>2. Assets on Common Good land</p> <p>A judicial review concluded that all council assets built on Common Good land cannot be considered as owned separately from the land they</p>	<p>The council should conclude the process of reviewing the legal and accounting implications of the judicial ruling by March 2022 and make any accounting adjustments in the 2021/22 annual accounts of the</p>	<p>A review group has been established to review the assets built on Common Good Land. This review aims to conclude findings and implement actions including</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>stand on and are therefore Common Good assets.</p> <p>Scottish Borders Council has a number of operational assets which stand on Common Good land. The full list of affected assets is still to be determined. The council is in the process of reviewing the legal and accounting implications of the judicial ruling and expects to conclude the process in time for the preparation of the 2021/22 accounts.</p> <p>Risk – the Common Good Funds omit assets which rightly belong to them.</p>	<p>council and Common Good Funds.</p> <p>Exhibit 2, point 2</p>	<p>any accounting adjustments required by March 2022.</p> <p>Responsible officer Pensions & Investments Manager</p> <p>Agreed date 31 March 2022</p>
<p>3. Internal recharges</p> <p>Through our testing of new assets we learned that they included some internal recharges to capital expenditure, for work such as architect fees and road overlays. However, the evidence to support the amounts recharged was not clear or comprehensive.</p> <p>Risk – items are being incorrectly capitalised and revenue expenditure is understated.</p>	<p>The council should revisit the rationale and calculations to confirm the basis for recharges remains relevant and accurate so that the amount that has been capitalised is defensible.</p> <p>Exhibit 2, point 3</p>	<p>Agreed. Work has commenced to ensure there is a sound, rationale for recharges to capital for 2021/22.</p> <p>Responsible officer Financial Services Manager</p> <p>Agreed date 31 March 2022</p>
<p>4. Scottish Water balance</p> <p>The council collects water/sewage rates on behalf of Scottish Water as an agency arrangement as part of Council Tax collection. In the accounts, Note 30 Creditors includes a £1.0 million debtor balance relating to Scottish Water for water/sewage amounts written off as part of council</p>	<p>The council should liaise with Scottish Water on this historic balance and determine whether it can be removed from the council's ledger.</p> <p>Exhibit 2, point 4</p>	<p>Agreed.</p> <p>Responsible officer Financial Services Manager</p> <p>Agreed date 31 March 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>tax write offs. The write offs are mostly historic from 2014/15 onwards.</p> <p>Risk – this understates Creditors unnecessarily and remains an unresolved balance that sits in the ledger.</p>		
<p>5. Non-Domestic Rates</p> <p>Our testing found that the calculation of the NDR debtor is not consistent with the Code. Specifically, the balance in Note 30 Other Receivables, relating to NDR includes taxpayers' debt rather than what the council is due to receive from or pay to the Scottish Government.</p> <p>Risk – the council's reporting to the Scottish Government on Non-Domestic Rates is inconsistent with the Code.</p>	<p>The council should do further work and analysis to ensure that they are fully consistent with the Code.</p> <p>Exhibit 2, point 5</p>	<p>Agreed.</p> <p>Responsible officer Financial Services Manager</p> <p>Agreed date 31 March 2022</p>
<p>6. NFI match investigation</p> <p>As at September 2021, the council had not investigated any NFI matches due to ongoing capacity issues in the relevant service areas. NFI includes data matching on business support grants where weaknesses in controls were identified by internal audit.</p> <p>Risk – there are fraud and errors undetected without investigating the data matches</p>	<p>The council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error</p> <p>Paragraphs 67. 68.</p>	<p>Integrity Group at its meeting in October 2021 will discuss resourcing to progress review of NFI 2020-2021 data matches with the aim to develop a plan for the next three months on data match review activity.</p> <p>Responsible officer Chief Officer Audit & Risk</p> <p>Agreed date 31 March 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>7. Best Value Action Plan</p> <p>The council agreed an action plan in December 2019 in response to the Best Value Assurance Report (BVAR) published in October 2019. Updates on progress with the action plan were delayed due the council's response to the Covid-19 pandemic.</p> <p>Risk - that required improvement actions are not being addressed.</p>	<p>The council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.</p> <p>Paragraphs 94. 97.</p>	<p>In Progress</p> <p>Responsible officer Senior Manager – Business Strategy & Resources</p> <p>Revised date 31 March 2022</p>

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>Although we have not identified any specific risks of management override relating to the council, International Standard on Auditing (ISA) 240 requires that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates and accounting policies.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of detailed testing of journal entries.</p> <p>No significant transactions outside the normal course of council business were identified.</p>
<p>2. Risk of material misstatement caused by fraud over income and expenditure</p> <p>The council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA 240, there is a risk of fraud. This relates to various fees and charges, service income, council tax and non-domestic rates income.</p>	<p>Analytical procedures on material income and expenditure streams.</p> <p>Detailed substantive testing of income transactions focusing on the areas of greatest risk.</p> <p>Detailed substantive testing of expenditure including housing benefit transactions.</p>	<p>Sample testing of income and expenditure transactions confirmed that these were in the normal course of business.</p> <p>Our conclusion is that the council's systems of internal control minimise the risk of fraud over income and expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Practice Note 10 (Audit of financial statements of public sector bodies in the UK) and the Code of Audit Practice expands the ISA 240 assumption on fraud over income to aspects of expenditure. The council incurs significant expenditure in areas such as welfare benefits, social care payments and grants.</p>	<p>Review of internal audit work on systems of internal control.</p>	
<p>3. Risk of material misstatement due to estimations and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets, pension liabilities and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of 'review of the work of an expert' for the professional valuer and actuary.</p> <p>Focused substantive testing of key areas; such as detailed review of provisions and contingent liabilities, valuation and impairment of non-current assets and triennial valuation from the actuary.</p> <p>Review the appropriateness of the council's accounting policies in these areas.</p>	<p>Our work on the review of the professional valuer confirmed that we could rely on the asset valuation information being provided. As part of the 2020/21 work we also considered whether the impact of Covid-19 on asset values had been appropriately assessed by the valuer.</p> <p>We confirmed that pension valuations provided by the actuary are correctly reflected in the 2020/21 financial statements.</p> <p>Sample testing of contingent liabilities, and provisions confirmed they were appropriate.</p> <p>Our conclusion is that the estimates and judgements used are appropriate.</p>
<p>4. Risk of misstatement due to Covid-19 disclosure requirements</p> <p>During 2020/21 the council has administered significant Covid-19 support grants on behalf of the Scottish Government in excess of £40 million to date. Under IFRS 15, these payments are made on an 'agency basis' and will therefore not be recognised in the council's Comprehensive Income and Expenditure Statement in the annual accounts. Instead, additional</p>	<p>Review further technical guidance when available and discuss with the council's finance team.</p> <p>Review Covid-19 disclosures in the 2020/21 annual accounts for accuracy and completeness.</p>	<p>Reviewed technical guidance from LASAAC and used this to evaluate Covid-19 disclosures in the 2020/21 accounts. One accounting issue identified as set out in paragraph 48.</p> <p>Our conclusion is the disclosures are materially accurate and appropriate.</p>

Audit risk	Assurance procedure	Results and conclusions
disclosures are expected to be required in the 2020/21 annual accounts to report these grant payments accurately, and to promote transparency for users of the accounts. There is a risk of disclosure misstatement for this new area of agency expenditure. This will need to be separated from the Covid-19 funding the council has received to support its own budget.		

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

Audit risk	Assurance procedure	Results and conclusions
<p>5. Financial sustainability</p> <p>The pandemic has had significant impact on the council's revenue and capital financial plans. Budget pressures amounting to £28m have been identified for the 2020/21 financial year. Additional funding from Scottish Government and re-allocated resources have been used to offset these pressures, with the council forecasting a break-even position for 2020/21. The council, like other public sector bodies, will need to continue reviewing the ongoing impact and response to the pandemic. Capital plans are also having to be continually revised. Any further financial implications and uncertainties will require to be carefully managed leading into 2021/22. This may lead to a risk of budget shortfalls and achievement of planned savings, affecting the</p>	<p>Review of budget reports and updated financial plans as and when available.</p> <p>Focused cut-off testing at year-end to confirm expenditure and income has been accounted for in the correct financial period.</p> <p>Review of management commentary in annual report and accounts to ensure financial risks are adequately explained</p>	<p>Our sample of cut off testing confirmed expenditure and income correctly accounted for in the correct period.</p> <p>Management commentary disclosed key financial risks.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>delivery of the 'Fit for 2024' programme. Shortfalls may require to be funded from reserves which is only a short-term solution.</p>		
<p>6. Cyber security and disaster recovery</p> <p>The council, together with its partner CGI, have accelerated its digital plans and improvements to the ICT infrastructure. For example, the roll out of working from home arrangements for staff and 'Inspire Learning' (online learning) for school children and teachers. A number of risks continue to be managed:</p> <p>Cyber security risk: The council is currently undertaking cyber essentials plus (CE+) re-accreditation (last certification was achieved in September 2019).</p> <p>Disaster recovery arrangements: A move to the new Waterton data centre back up facility in Wales (which will be managed by CGI) has been postponed for over a year, in part due to the pandemic. This is now scheduled for March 2021. Full disaster recovery (DR) testing has not recently taken place due to this delay.</p> <p>This places the council at risk of cyber-attack and business continuity failure.</p>	<p>Discuss ongoing ICT arrangements with the council's IT Client Manager.</p> <p>Review the refreshed Digital Strategy and related ICT policies to assess their appropriateness.</p> <p>Review the council's progress with recommendations contained in the recent Audit Scotland report 'Digital Progress in Local Government'(January2021).</p>	<p>Our work found there was progress in this area as outlined at paragraphs 90. 92. but that the risks remain.</p>

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual accounts that are individually greater than our reporting threshold of £0.1 million and request they be corrected.

The table below summarises uncorrected misstatements that were identified during our audit testing and have not been corrected by management. Cumulatively these errors are below our performance materiality level as explained in [paragraph 35](#). We are satisfied that these errors do not have a material impact on the financial statements.

Account areas	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
1. Creditors				(112)
Debtors			112	
2. Creditors			499	
Debtors				(499)
3. Common Good Assets			111	
Revaluation Reserve				(111)
Total			722	(722)
Net impact			0	0

Notes:

Entry 1 relates school trip refunds reported as creditor rather than debtor due to unusual circumstances this year. The ledger code is normally a creditor balance.

Entry 2 relates to accounting for £500 thank-you payment as outlined at [paragraph 48](#).

Entry 3 relates to historical errors in how common good assets have been capitalised as outlined at [paragraph 23](#).

Appendix 4

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Scottish Borders Council

2020/21 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

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SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2020/21

Report by Director, Finance & Corporate Governance
AUDIT & SCRUTINY COMMITTEE

21 OCTOBER 2021

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2020/21.**
- 1.2 The audit appointment of Audit Scotland for Scottish Borders Council accounts includes the requirement to provide an auditor's report for the Council as well as related charities. KPMG has continued to provide the external audit of the Council subsidiary Bridge Homes.
- 1.3 2020/21 represents the fifth year of Audit Scotland undertaking the External Audit of the Council's Annual Accounts with the process now completed. Audit Scotland has prepared the Annual Audit Report as attached on this agenda and has provided an unqualified independent audit opinion.
- 1.4 The Annual Audit Report summarises Audit Scotland's conclusions, including:
- An unqualified audit opinion
 - Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, governance and transparency and best value.
- 1.5 Audit Scotland identified six recommendations for improvement requiring action along with one follow-up to prior year recommendations. These have been accepted by management and will be enacted within the agreed timescales.
- 1.6 As required under the Local Authority Accounts (Scotland) Regulations 2014, the audited Annual Accounts for Scottish Borders Council, SBC Common Good Funds, the SBC Charitable Trusts, Bridge Homes LLP and Lowood Tweedbank Ltd are being presented to the Audit and Scrutiny Committee prior to signature.
- 1.7 KPMG have almost concluded their audit of Bridge Homes LLP, subject to approval of their mandatory going concern consultation which is required on all UK audits as a result of Covid-19. They have raised no issues or matters to report.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit & Scrutiny Committee recommend the following accounts for officer signature and Council approval:**
- (a) the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2021;**
 - (b) the Scottish Borders Council Common Good Funds (Charity SC031538) audited Annual Accounts for the year to 31 March 2021;**
 - (c) the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2021;**
 - (d) the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2021;**
 - (e) the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2021;**
 - (f) the SBC Ormiston Trust for Institute (Charity SC019162) audited Annual Accounts for the year to 31 March 2021;**
 - (g) the Scottish Borders Council Charitable Trusts (Charity SC043896) audited Annual Accounts for the year to 31 March 2021;**
 - (h) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2021; and**
 - (i) Lowood Tweedbank Ltd Annual Accounts for the year to 31 March 2021.**

3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2020/21 were submitted to Audit Scotland and KPMG, the External Auditors, before the statutory deadline of 30 June 2021, following presentation of the draft accounts to the Audit and Scrutiny Committee at the 29th June 2021 meeting. The detailed audit work began in July 2021 and was completed by early October 2021.
- 3.2 As part of the statutory requirements the Council is required to advise the public of their right to inspect and object to the various sets of accounts and their supporting papers and make the documents available for inspection. This process was undertaken following the timetable contained in the 2014 Regulations and the inspection period commenced on 1 July 2021. There were no objections to the accounts.
- 3.3 The Coronavirus (Scotland) Act 2020 set out provisions for the functions of public bodies in light of the impact of COVID-19, including making temporary amendments to legislation. Part 3 of the Act, covering statutory duties that require a public authority (including a local authority) to publish a report in connection with the exercise of its functions by a particular date, allowed Councils to delay publication of the audited accounts to the 30 November. The presentation of this report to the Audit and Scrutiny Committee at this meeting and the subsequent presentation to the full Council meeting on the 28th October 2021 is well within this extension period. The timing of the publication of the audited accounts has been notified on the Council's website.
- 3.4 Following approval, the 2014 Regulations have the following requirements as set out in Part 3 Section 10 (3):
- Immediately **following the approval of the Annual Accounts** for signature, the statements which form part of those accounts are to be signed and dated as follows—*
- (a) the management commentary by the Section 95 Officer, the Chief Executive and the Leader of the Council;*
 - (b) the statement of responsibilities by the Leader of the Council and the Section 95 Officer, who must also certify the matters referred to in paragraphs (5) and (6) respectively;*
 - (c) the annual governance statement by the Chief Executive and the Leader of the Council;*
 - (d) the remuneration report by the Chief Executive and the Leader of the Council; and*
 - (e) the balance sheets by the Section 95 Officer, to authorise publication of the financial statements.*
- 3.5 These requirements apply to the Annual Accounts of the Local Authority and not to the charity or limited liability partnership accounts, although these have similar signatory requirements. The Section 95 Officer for Scottish Borders Council is the Director, Finance & Corporate Governance.
- 3.6 This report presents audited copies of:
- **Scottish Borders Council** Annual Accounts for year ending 31 March 2021;
 - **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2021;
 - **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2021;
 - **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2021;

- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2021;
- **SBC Ormiston Trust for Institute** (Charity SC019162) Annual Accounts for the year to 31 March 2021;
- **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2021;
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2021; and
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2021.

3.7 The Coronavirus (Scotland) Act 2020 allows Councils to delay publication of the audited accounts to the 30 November 2021. The Council website published a notification that the Scottish Borders Council audited accounts will be published by the 31st October 2021 following the Council meeting to approve the accounts. In addition those relating to registered charities are required to be submitted to the Office of the Scottish Charity Regulator (OSCR).

4 EXTERNAL AUDITOR'S ANNUAL REPORT 2020/21

- 4.1 Audit Scotland has completed their audits and have provided an unqualified independent audit opinion.
- 4.2 KPMG have almost concluded their audit of Bridge Homes LLP, subject to approval of their mandatory going concern consultation which is required on all UK audits as a result of Covid-19. They have raised no issues or matters to report.
- 4.3 Audit Scotland's associated Annual Audit Reports of Scottish Borders Council and subsidiary charities are presented on this agenda. As well as being unqualified, the report expresses the following headlines:
- Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, governance and transparency and value for money.
- 4.4 The Scottish Borders Council Annual Audit Report highlighted six specific recommendations for improvement. The areas in question are shown in Appendix 1 "Action Plan 2020/21" of the External Auditor's Annual Audit Report. The areas identified are:
- **Asset valuations** - The council should: review their accounting policy and consider valuing assets at 31 March, rather than at 1 April; and consider valuing 20% of each asset category annually rather than each asset category every five years which can lead to large swings in asset values;
 - **Assets on Common Good land** - The council should conclude the process of reviewing the legal and accounting implications of the judicial ruling by March 2022 and make any accounting adjustments in the 2021/21 annual accounts of the council and Common Good Funds;
 - **Internal recharges** - The council should revisit the rationale and calculations to confirm the basis for recharges remains relevant and accurate so that the amount that has been capitalised is defensible;

- **Scottish Water balance** - The council should liaise with Scottish Water on this historic balance and determine whether it is irrecoverable. The council can then write off this balance, as it has been sitting in the council's general ledger for a number of years;
- **Non-Domestic Rates** - The council should do further work and analysis to ensure that they are fully consistent with the Code;
- **NFI match investigation** - The council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error.

There were also a further one follow-up to prior year recommendations:

- **Best Value Action Plan** - The council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.

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

5 IMPLICATIONS

5.1 Financial

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

5.2 Risk and Mitigations

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

5.3 Integrated Impact Assessment

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

5.4 Sustainable Development Goals

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

5.5 Climate Change

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

5.6 Rural Proofing

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

5.7 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 to the Scheme of Administration or Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Chief Legal Officer (Monitoring officer), the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council are being consulted and any comments will be incorporated into the final report.

Approved by

David Robertson

Signature

Director, Finance & Corporate Governance

Author(s)

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

Background Papers:

Previous Minute Reference: 29 June 2021, Audit and Scrutiny Committee

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

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

sdouglas@scotborders.gov.uk

Scottish Borders Council

annual accounts

for the year to 31 March 2021



Scottish Borders Council

Annual Accounts 2020/21

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Foreword by the Leader of the Council

Welcome to the Annual Accounts for the Scottish Borders Council for the year ended 31 March 2021. These have been produced to provide the public, Elected Members and other stakeholders with information concerning the financial management, administration and performance of the Council in the financial year 2020/21.

During 2020/21 Scottish Borders Council continued to deliver vital Council services during the COVID-19 pandemic in very challenging circumstances. Over £12m savings were delivered to transform frontline services with a range of improvements highlighted in this report.

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

- what we do as a Council;
- what our strategy and priorities are;
- how we are organised to deliver our priorities;
- the risks we face as an organisation;
- our financial position for 2020/21;
- key aspects of our performance during 2020/21; and
- our plans for the future.

Highlights of 2020/21

The COVID-19 pandemic has caused a major impact on delivery of public services during 2020/21, with ongoing impacts on a number of Council Services. Despite this extremely challenging operating environment the Council achieved the following during 2020/21:

- ✓ Delivered a responsive approach to supporting communities, businesses & vulnerable individuals through the COVID-19 pandemic. The Council administered over £52m of grants to local businesses, established 5 community assistance hubs and accelerated roll out of Inspire Learning

to support home learning during lockdown.

- ✓ Extended the CGI contract to 2040;
- ✓ Achieved £12.1m of Financial Plan savings, £7.9m of which were on a permanent basis;
- ✓ Delivered a net underspend of £2.516m from a revenue budget of £278.4m;
- ✓ Delivered new investment in assets for the Borders of £54.8m in schools, flood protection, roads, lighting and other assets.

Our Plans for 2021/22

The next year presents many opportunities and challenges for the Council including:

- the Council's ongoing response and recovery from COVID-19;
- the continued delivery of the Council's transformation programme;
- delivery of IT transformation;
- SOSE and the wider Regional Economic Partnership including Borderlands;
- National review of Social Care.

From 2014/15 to 2020/21 the Council has delivered permanent savings of £63m alongside significant improvements in a range of performance measures set out on pages 19 - 25. My thanks to all staff across the Council for their commitment and outstanding work during the COVID-19 pandemic to support people, businesses and communities.

The former Chief Executive of the Council, Tracey Logan, retired in September 2020 having led the Council since 2011. I'd like to take this opportunity to thank Tracey for her dedication to the Council and to welcome our new Chief Executive, Netta Meadows who joined us in March.

Councillor Shona Haslam
Leader, Scottish Borders Council

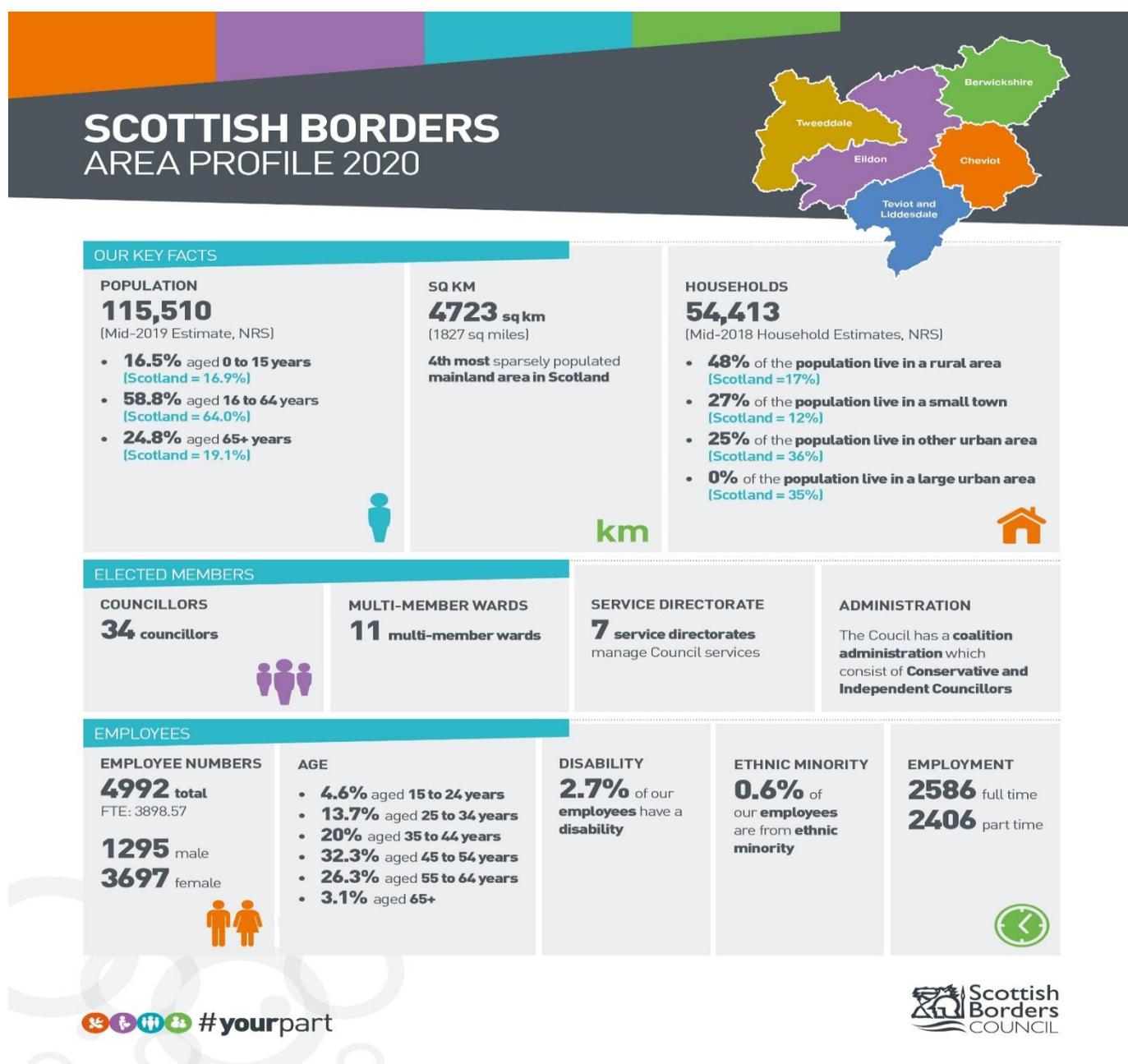
Management Commentary

Introduction

This management commentary and the Foreword by the Leader of the Council provides a summary of Scottish Borders Council's financial performance for the year and how this has supported delivery of the 2018-2023 Corporate Plan. It also outlines the financial strategy and the challenges the Council faces in future years in delivering its priorities for the Scottish Borders.

About Scottish Borders Council

The Council delivers a diverse range of public services to support the communities of the Borders including delivery of roads and parks maintenance, waste services, provision of an education service and support through Health & Social Care services.



Scottish Borders Council key highlights 2020/21

COVID-19

The COVID-19 emergency situation, which has affected the UK throughout 2020/21, has caused unprecedented pressure to society and the economy with significant financial challenges. The pandemic has caused a major impact on delivery of public services. In response the Council made major changes to its service delivery model during the year with the Council playing a key role in supporting Borders communities, businesses and residents during this time. The Council has received significant support from Scottish Government to maintain public services during the pandemic. 2020/21 represents the first full year of SB Cares services being delivered within the Council. There was significant impact from COVID-19 which was mitigated through effective joint working between the Council and NHS Borders.



Inspire Learning

The Inspire Learning programme which won 2 national LGC awards was expanded and accelerated to include all P4-P7 staff and pupils. The Council's approach to enabling digital learning across all our schools provided many home learning benefits during the COVID-19 response.



Support to Communities

The Council administered over £70m (£52m in 2020/21) of business grants to support 5,770 local businesses through the COVID-19 pandemic, established 5 locality based community assistance hubs to support vulnerable individuals. 9 childcare hubs were provided to support key workers and invited children. The Council ensured that key suppliers including Social Care providers and local Transport Operators were able to operate during the pandemic. Hardship payments were also made to those in receipt of Free School Meals alongside funding to address food insecurity.



Climate change response

The Council declared a climate emergency in September 2020 and established a sustainable development Committee to oversee the Council-wide response.



IT transformation

The Council extended its strategic partnership with CGI in September 2020 with the aim of delivering significant IT and financial benefits to the Borders over the next 20 years. In doing so the Council aims to become a Smart Rural Region.



Winter 2020/21

The winter saw sustained low temperatures from Christmas to the end of the financial year with gritting operations undertaken throughout December to March. The Council used 29,206 tonnes of salt during this period and maintained its winter reserve of £1m. Winter damage to the road network has seen over 8,000 pothole road repairs undertaken from mid-February to the end of March.



Hawick Flood Protection works

The Contract for the scheme was let in May 2020. This £91.87m programme of work, now including an active travel network, is progressing at pace providing flood protection from a 1 in 75 year flood event to c. 930 properties.



Borderlands

The Council signed the Borderlands Inclusive Growth Deal drawing £93.3m funding from the UK and Scottish Governments and other partners for investment in a range of projects including Mountain Bike Centre, Destination Tweed and the Borders Railway Feasibility Study.

Destination play parks

The Council opened Peebles Play Park in May 2021 and is planning for the opening of new facilities in Duns and Newtown St Boswells during 2021/22.



Jedburgh Intergenerational Campus

Pupils returned to the new Jedburgh Intergenerational Campus after lockdown benefiting from the new facilities provided.



Peebles and Galashiels Community Campuses

Funding for new secondary school and community facilities in Peebles and Galashiels was confirmed by Scottish Government in December 2020. The Council is on target to open these facilities during 2025.

Extra Care Housing

In partnership with Trust Housing the Council opened the first extra care housing facility in Duns, delivered as part of a strategy for older people's housing with care agreed in 2018. This project was part funded by Second Homes Council Tax which is ring-fenced to provide affordable housing. The second development in Galashiels is now on site being delivered by Eildon Housing Association and a third project to redevelop the old Kelso High School is now also progressing.



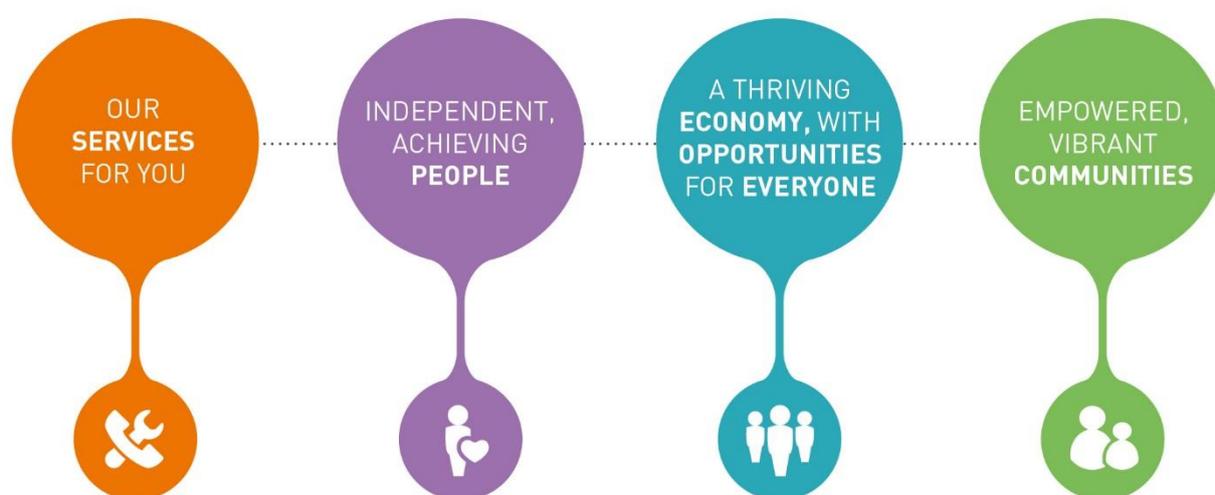
Strategic Direction

Corporate Plan

The Corporate Plan sets a direction for Scottish Borders Council for the current 5 years (2018 to 2023) in order to:

- make the most of the opportunities we now have
- tackle the challenges we face
- take account of what our Councillors want to achieve for the Scottish Borders
- ensure we respond to national policies and other statutory requirements.

The Council is committed to taking action to reshape and improve our services and ensure the Council continues to have a positive effect on quality of life, well-being, on our economy and in communities. This commitment is reflected over 4 themes:



Much has changed since Council agreed the existing Corporate Plan in 2018. Given this new context, the Council has approved the refreshing, recasting and strengthening of the existing Corporate Plan to address challenges and optimise opportunities. As the Council develops this new plan this requires to be set within the strategic landscape of challenges and opportunities faced by the region and the Council. There will be future engagement around a new Corporate Plan for the period 2023-2028 with an annual review of the current Corporate Plan undertaken as an essential element of ensuring that it continues to be relevant and responsive to change.

Fit for 2024

A key pillar of the Council's longer term planning is the Fit for 2024 transformation programme which aims to deliver a Council that is adaptable, efficient and effective, and one ultimately capable of not only meeting the challenges ahead, but of fully optimising outcomes for the citizens and communities for which it is responsible. The programme is designed to deliver savings in a more cross cutting, permanent and sustainable way in the future through a planned series of service reviews. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

Financial Strategy

The Financial Strategy has met its objectives during 2020/21 in supporting the delivery of the Council's Priorities and Corporate Plan. In order to support the delivery of the Council's priorities, including the Fit for 2024 Programme the Financial Strategy has:-

- a) **ensured funding is in place** to meet approved service levels in the most effective manner;
- b) **managed the effective deployment of those funds** in line with the Council's corporate objectives and approved service plans; and
- c) **provided stability** in resource planning and service delivery.

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

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

Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2020/21 and future years. This approach seeks to quantify the risks facing the Council's finances, including over optimistic saving assumptions, unplanned employment and pension costs, the failure by managers to enact effective budgetary control, severe weather events, an economic downturn, potential contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances.

This approach, despite being subject to an element of informed judgement, reflects the risks inherent in setting the revenue budget, the scale and complexity of the organisation and the reasons reserves are held in the first place. It also provides appropriate transparency with regard to the level of balances held. The accumulated financial risk in the 2020/21 Risk Register was assessed to be £12.252m and the projected usable General Fund balance, at £6.315m, was sufficient to cover 52% of risks identified.

The Council's 3 key risks and uncertainties with mitigating actions continue to be ongoing impacts of COVID-19, demand on H&SC services and permanent delivery of financial plan savings and are highlighted below.

	<p style="text-align: center;">COVID-19</p>	<ul style="list-style-type: none"> •Service and financial risks around operating in a new environment •<i>Mitigated through developing plans to re-open services and reporting of costs to SG and COSLA</i>
	<p style="text-align: center;">Health & Social Care Services</p>	<ul style="list-style-type: none"> •Demand and demographic increases are putting significant pressure on Council budgets •<i>Mitigated through budgeting to ensure activity levels can be resourced</i>
	<p style="text-align: center;">Delivery of financial plan savings</p>	<ul style="list-style-type: none"> •Permanent delivery of savings is key to financial sustainability and stability •<i>Mitigated through regular tracking and reporting</i>

Financial Plans

The Revenue and Capital Financial Plan provides a financial representation of the Council's priorities and Corporate Plan covering 5 and 10 years respectively. These Financial Plans can be found on the Council's website: <http://www.scotborders.gov.uk>

2020/21 represented the third year of the new 5 year Revenue Financial Plan, the first plan was published in 2013/14. The plans have been amended and updated each year since 2013/14, and to date, permanent savings of £63m have been delivered in a planned manner. Despite the resource challenges facing the Council and wider public services, the approach to financial planning has so far delivered balanced budgets and small underspends in each year.

The Capital Investment Strategy (CIS), which highlights the capital investment priorities and explains how these priorities will assist with the delivery of the Council's Corporate Plan, was approved with the budget papers in February. The CIS is structured to reflect the themes of this Corporate Plan. The document brings together the Council's 10 year Capital Investment Plan 2020 – 2030 and also the 10 year Treasury Strategy which sets out how the investment plans can be provided.

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

Equalities Mainstreaming

Scottish Borders Council takes a positive approach to equalities and human rights through taking forward the actions in its Mainstreaming Report and Equality Outcomes. A new Mainstreaming Report covering the period 2021 -2025 has just been published.

The report covers the progress made in advancing equalities over the last four years, and contains an action plan to further embed equalities and human rights into the work of the Council.

Key elements of the action plan are:

- Better equality performance indicators in relation to performance data.
- More effective training of Council Employees and Elected Members in relation to equalities.
- Ensuring service business plans and commissioned services are fully embedding equalities in their development and implementation.
- Greater effort to be made to engage with equality groups in the development of plans and policies.

The Council also promotes the Fairer Scotland duty, which places a legal responsibility on the Council to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions. This is supported through:

- ensuring all of the Council's budget proposals are equality impact assessed.

More information can be found on the Council's website:

[Equality and diversity/Fairer Scotland Duty | Scottish Borders Council \(scotborders.gov.uk\)](http://www.scotborders.gov.uk/Equality-and-diversity/Fairer-Scotland-Duty)

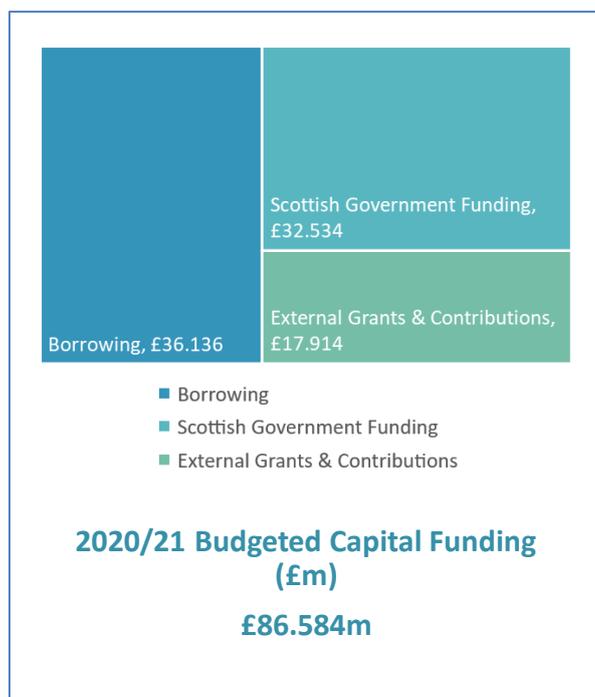
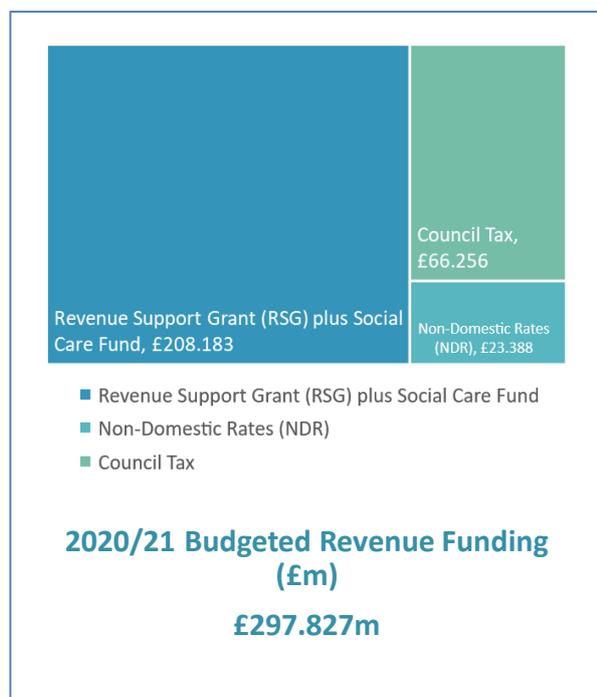
How are we are doing? - Financial Performance

2020/21 Financial Resources Available

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

Revenue funding has increased significantly during 2020/21 as a result of COVID-19 financial support from Scottish Government.

The tables below show base budget funding with the income and expenditure table on page 49 providing further analysis including revised budget figures as at the end of 2020/21.



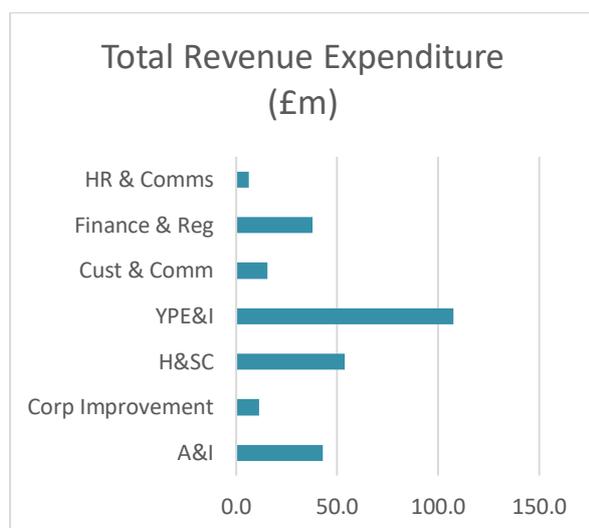
Financial Position at 31 March 2021

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

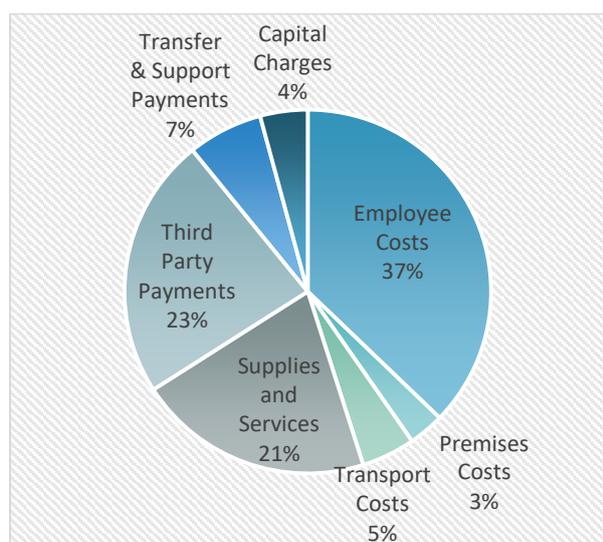
Revenue

The actual outturn for the financial year 2020/21 was a revenue expenditure of £275.6m representing a net underspend of £2.516m (0.9%) against the final approved budget.

The following chart analyses the revenue spend by Council department:

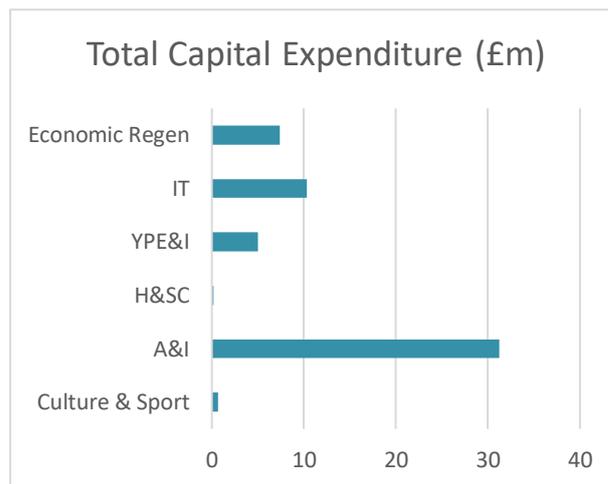


Revenue net expenditure of £275.6m for the year includes income of £197.3m, and gross expenditure of £472.9m as analysed in the chart below:



Capital

The actual outturn for the financial year 2020/21 was capital expenditure of £54.8m with a favourable year end timing movement of £9.5m against revised budget.



The capital programme delivered significant investment in the Scottish Borders during 2020/21 and the following table highlights some of the major projects undertaken:

Asset & Infrastructure

• Flood Protection Works	£14.3m
• Roads & Bridge Maintenance	£8.7m
• Land & Property Infrastructure	£5.3m
• Plant & Vehicle	£2.3m

Children & Young People & H&SC

• Early Learning & Childcare	£2.4m
• School Estate Block	£0.7m
• Jedburgh Intergenerational Campus	£0.6m
• Eyemouth Primary School	£0.5m
• Social Care Infrastructure	£0.2m

IT/Econ Dev/Culture & Sport

• ICT Transformation	£10.3m
• Economic Regeneration	£7.1m
• Culture & Sport	£0.7m
• Private Sector Housing adaptations	£0.2m

COVID – 19 Grants Not Included in CI&ES

During 2020/21 the Council administered a number of grants on behalf of the Scottish Government as well as providing the normal services. These grants are not included within the financial statements due to this being an agency type arrangement. More details in relation to these grants can be found below.

	£ thousands
	Amount of grant paid out by Scottish Borders Council
Winter Hardship Payments	223
Self-isolation grant payments	40
Business Grant Scheme	33,624
Grants for newly self-employed	321
Break Restrictions Fund	289
Break Restrictions Fund - Contingency	165
Strategic Framework	10,539
Retail, Hospitality Top-up Support	6,476
Licenced Bingo Clubs and Casinos Top-up Support	50
Taxi and Private Hire Vehicle Driver Support Fund	278
Self-catering accommodation	156
Contingency Fund Plus	165
ELC Transitional Support Fund	173
Temporary Restrictions Fund for Childcare Providers	97
Coronavirus (COVID-19): £500 payment for health and social care staff	499
TOTAL	53,094

Reconciliation of Out-turn to Financial Statement CI&ES

The table below shows the effect on the Council's reported out-turn position of the statutory accounting adjustments and provides a reconciliation to the Comprehensive Income and Expenditure Statement on page 49. It should be noted that the net impact of these Statutory Adjustments have no impact on the Council Taxpayer.

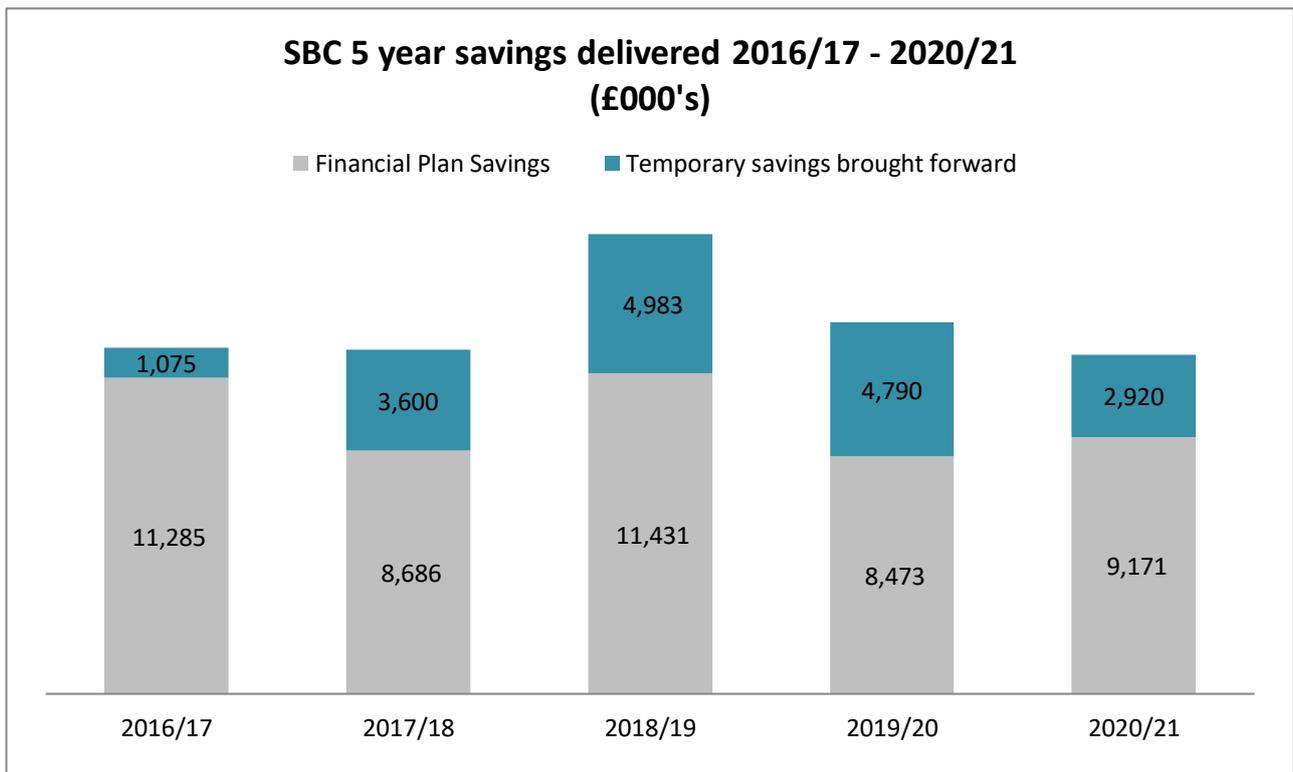
Net Surplus on Revenue Out-turn	(2.516)
Net Statutory Adjustments to Net Cost of Services (inc. Depreciation/Impairment on Revaluation/Loan Charges/PPP/Non Distributed Costs)	3.671
Other Asset (Gains)/Losses	(2.628)
Net Interest Costs	11.693
Net Changes on Pension Assets/Liabilities (IAS19 at 31 st March 2021)	63.218
Capital Grants & Contributions Applied (exc.Reserves used)	(30.896)
SBc Contracts External Operating Surplus	(0.001)
Net Deficit - Total Comprehensive Income & Expenditure	42.541

Delivery of Targeted Savings

Overall, Financial Plan savings of £12.091m were delivered during 2020/21 in order to balance the costs of delivering services and the available resources. The regular Budget Monitoring reports to the Executive Committee tracked the delivery of these savings against the Financial Plan proposals.

The total savings of £12.091m shown below are made up £9.171m savings included in the 2020/21 financial plan plus £2.92m brought forward from previous years. Of these savings delivered during 2020/21 £7.938m (66%) were delivered permanently.

The chart below highlights the level of savings being delivered within the Council on an ongoing basis, demonstrating the scale of change undertaken within the Council over the last 5 years. The savings are categorised into those established as part of the Financial Plan in each year and those brought forward from previous years for permanent delivery.



To date the Council’s approach to longer term financial planning has delivered *permanent* savings of £63m. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required in 2021/22 and beyond and the challenges now posed by COVID-19.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 47 shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management outturn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2020/21 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2021. This results in statutory accounting adjustments of £20.757m being required to revise the net cost of services of £296.4m compared with the reported departmental net cost of services of £275.6m.

(Surplus)/Deficit on the Provision of Services

Further statutory adjustments are then made as summarised below and shown on page 47. These include net gains/losses on disposal and revaluation of assets and interest payable. These accounting adjustments result in an overall Surplus on the Provision of Council Services for the year of £14.194m.

This position and its impact on the General Fund is reflected in the following table showing the cumulative surplus on the General Fund of £36.441m as at 31st March 2021.

			2020/21
	Net Expenditure Chargeable to the General Fund as per outturn £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Net Cost of services	275,643	20,757	296,400
Other Income and Expenditure	(292,905)	(17,689)	(310,593)
(Surplus) or Deficit on Provision of Services	(17,262)	3,068	(14,194)
Opening Balance on General Fund	(19,179)		
(Surplus) or Deficit on Income & Expenditure	(14,194)		
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(3,068)		
Closing Balance on General Fund	(36,441)		

Note 5 – Expenditure and Funding Analysis on pages 65 - 68 explains the movement in further detail.

Other Comprehensive Income and Expenditure

This position needs to be finally adjusted to reflect Actuarial (Gains)/losses on the Pension Fund Net Assets/Liabilities (£59.8m) calculated on an IAS19 basis at the balance sheet date of 31st March 2021. This revises the £14.194m surplus position on the Provision of Council Services to a Net Comprehensive Income deficit of £42.5m (surplus of £65.5m in 2019/20).

Balance Sheet

During 2020/21 the Net Asset position decreased by £42.5m to £84.0m (£126.5m 2019/20). The table below details the movement during the year.

	Balance Sheet as at		
	31-Mar-20	31-Mar-21	Movement
	£m	£m	£m
Long Term Assets	564.7	615.3	50.6
Current Assets	59.0	72.8	13.8
Current Liabilities	(52.9)	(69.1)	(16.2)
Long Term Liabilities	(302.6)	(319.4)	(16.8)
Net Assets excluding Pension Liability	268.1	299.6	31.5
Pension Liability	(141.6)	(215.7)	(74.1)
Net Assets/(Liabilities) including Pension Liabilities	126.5	84.0	(42.5)

More details in relation to the Net Assets Excluding pension liabilities can be found within the Balance Sheet on page 51.

The net position including the pension liabilities is as a result of the underlying assumptions used in the actuarial valuation. The actuarial valuation for the accounts are calculated in accordance with IAS19 and uses a number of high level assumptions including pension increases, salary increase and discount rate.

Treasury and Debt Management

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

Cash Management

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

Debt Management

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

External Debt

The Council's outstanding external debt as at 31 March 2021 was £221m, with no additional long term borrowing undertaken during the year. Short term borrowing for cash flow purposes was undertaken during the 2020/21 year with £15m outstanding at the year end. The average rate of interest paid on outstanding external debt was 4.33%.

Reserves

The Council maintains two types of reserves – usable and unusable – and the movement in these reserves are set out in the Movement in Reserves Statement (page 48).

Unusable Reserves – result from accounting adjustments and cannot be spent

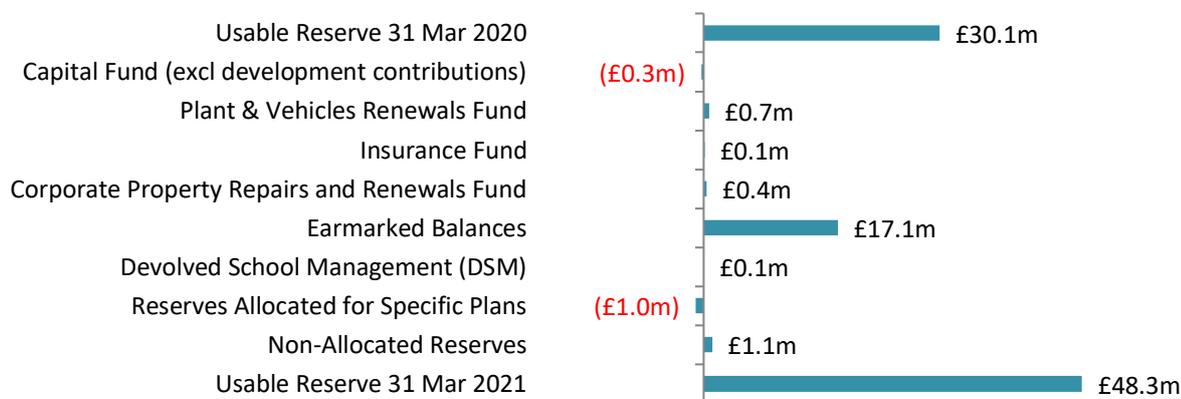
Usable Reserves – result from the Council’s activities and can be spent in the future

Note 31, page 99 provides additional information on the movement of the usable and unusable reserves held by the Council.

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

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

As at 31 March 2021 the total Usable Reserves Balance is £48.3m (£30.1m at 31 March 2020) a net increase of £18.2m during the year. The net increase, as can be seen from the chart below, can mainly be attributed to an increase in Earmarked balances which have increased by £17.1m, specifically £15.7m COVID-19 funding has been earmarked to support the 2021/22 budget. There have been increases of £0.7m in the Plant & Vehicles Renewals Fund and £0.4m in the Corporate Property Repairs and Renewals Fund. The remaining reserves all have smaller off-setting balance movements.



Movements within the Allocated and Non-Allocated Reserves during 2020/21 comprised:

Reserves Allocated for Specific Plans - net effect of:

Increase in Workforce Transformation reserve	£0.442m
Planned drawdown of IT transformation reserve	(£1.108m)
Draw down of Energy Efficiency reserve	(£0.300m)

Non-Allocated Reserves

Draw down of 2019/20 year end outturn	(£1.463m)
2020/21 year end outturn	£2.516m

Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2021 with a comparator year ending 31 March 2020. The Group Accounts for 2020/21 can be found from page 111.

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The surplus on provision of services increases to £18.08m from the Council's single entity position of £14.19m. The deficit of £42.54m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £39.65m. The net asset position of the Council's single entity Balance Sheet of £83.97m becomes £110.26m on group consolidation. Overall, the Group Balance Sheet position has decreased by £39.65m from 2019/20 largely as a result of the increase in pension liability.

The Group comprises of the following:

Subsidiaries

- SBC Common Good Funds (*Registered Charity*)
- SBC Trust Funds:
 - *Registered Charities:*
 - SBC Charitable Trust
 - SBC Community Enhancement Trust
 - SBC Welfare Trust
 - SBC Education Trust
 - Ormiston Trust for Institute *and*
 - 39 Non-Registered Trusts
- Bridge Homes LLP
- Live Borders

Joint Ventures

- Scottish Borders Health and Social Care Partnership

How are we doing?

Our Priorities

Our Corporate Plan presents our commitment to improvement within the Scottish Borders as 4 themes over the five year period 2018 - 2023:



Performance against our corporate priorities

The Council reports and presents its performance information relating to each corporate priority on a monthly basis to the Corporate Management Team, and on a quarterly basis to the Executive Committee of the Council. Below is a summary of the key performance information for 2020/21 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed.

OUR SERVICES FOR YOU

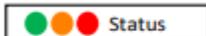
OUR PERFORMANCE DURING THE YEAR APRIL 2020 to MARCH 2021



<p>Planning Permission # Local – Non Householder</p> <p>8.0 weeks – average time to determine LOCAL DEVELOPMENTS – NON HOUSEHOLDER during 2019/20</p> <p>Down from 9.0 in 18/19 (Yr)</p>	<p>Planning Permission # Local – Householder</p> <p>6.2 weeks – average time to determine LOCAL DEVELOPMENTS – HOUSEHOLDER during 2019/20</p> <p>Down from 7.0 in 18/19 (Yr)</p>
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<p>Waste Recycling Household Recycling</p> <p>56.04% of our household waste on average, was recycled over the 12 months ended Dec-20</p> <p>Up from 47.61% in 12 mths ended Dec-2019</p>	<p>Waste Recycling Household ‘Other’ Treatment</p> <p>43.87% of our household waste required ‘other’ treatment, on average over the 12 months ended Dec-20</p> <p>Up from 23.72% in 12 mths ended Dec-19</p>	<p>Energy Use (26 key sites) Electricity</p> <p>6,713,382 kilowatt hours of Electricity used</p> <p>Down from 7,567,839 Kwh in 2019/20</p>
<p>Waste Recycling Household Landfilled</p> <p>0.09% of our household waste on average, was sent to Landfill over the 12 months ended Dec-20</p> <p>Down from 28.67% in 12 mths ended Dec-19</p>	<p>Waste Recycling Community Recycling Centres</p> <p>75.21% of waste was recycled at SBC Community Recycling Centres, on average, over the 12 months ended Dec-20</p> <p>Up from 63.56% in 12 mths ended Dec-19</p>	<p>Energy Use (26 key sites) Gas</p> <p>12,856,277 kilowatt hours of Gas used</p> <p>Up from 12,183,596 Kwh in 2019/20</p>

Note: Current year waste treatment figures not yet verified by SEPA



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 08 June 2021

Context Indicators Update

Indicator	2019/20	2020/21	Change
Planning Applications	1,200	1255	↑
Fatalities on Borders Roads	6 2019	5 2020	↓
Seriously injured on Borders Roads	68 2019	47 2020	↓
Capital Receipts Cumulative **	£0.676m	£0.645m	↓
Properties surplus	39	39	-
Properties marketed	7	5	↓
Properties under offer	15	12	↓

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

2

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*On 1 July 2019 the Council delivered on its commitment to cease landfill operations in the Borders with the opening of a new Waste Transfer Station and the award of a Residual Waste Treatment Contract to Levenseat Ltd, based in Forth near Lanark. This residual waste treatment contract involves the pre-treatment of waste to extract potentially recyclable material, the remaining non-recyclable waste is turned into a refuse derived fuel and treated at an Energy from Waste Plant. As a result we have seen a significant reduction in the amount of waste treated via landfill.

OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2020** to **MARCH 2021**



Welfare Benefits

1,126 people contacted us for **Welfare Benefits** advice receiving over **£4.237m** in **additional benefits**

Down from 1,264 people in 19/20
Down from £4.916m in 19/20

Housing Benefit Reduction – New Claims

16.99 days – average time to process **New Claims**

Up from 13.63 days in 19/20

Housing Benefit Reduction – Change Events

3.73 days – average time to process **Change Events**

Down from 4.90 days in 19/20

Customer Voice Interactions

126.7k voice interactions were logged by our Contact Centres

87,193 in 19/20

Council Tax

95.97% of Council Tax due was collected

Down from 96.62% in 19/20

Complaints – Stage One

7.2 days to process with **73.14%** closed within timescale (5 wrk days)

Up from 5.1 in 19/20

Complaints – Stage Two

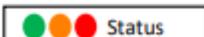
19.95 days to process with **59.55%** closed within timescale (20 wrk days)

Up from 19.65 in 19/20

Complaints – Escalated

18.19 days to process with **81.67%** closed within timescale (20 wrk days)

Down from 20.23 in 19/20



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 08 June 2021

Context Indicators Update

Indicator	2019/20	2020/21	Change
Face to Face Interactions (CRM) by Customer Services	53.9k	1.6k	↓
Email Interactions by Customer Services	8.1k	54k	↑
Web Interactions by Customer Services	4.1k	5.2k	↑
Total logged customer contact with SBC	153.3k	187.5k	↑
Complaints Closed	614	742	↑

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

3

OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2020** to **MARCH 2021**



Context Indicators Update

Indicator	2019/20	2020/21	Change
FOIs requests received	1,254	959	↓
Facebook Engagements	516.7k	560.4k	↑
Twitter Engagements	58.3k	50.4k	↓

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

4

Freedom of Information Requests (FOI) ●
85% of FOI requests were completed on time

Down from **88%** in 19/20

SBC Absence Rate – Staff

Annual absence rate **5.23%** (19/20)
 *2020/21 figures not yet released

Up from **5.03%** in 18/19

SBC Absence Rate – Teaching Staff

Annual absence rate **3.48%** (19/20)
 *2020/21 figures not yet released

Up from **3.34%** in 18/19

Council Tax Valuation List Time to add new properties ●

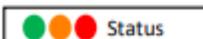
92% of new properties added to list within 3 months of the date of occupation/completion and the issue of the banding notice

Up from **90%** in 19/20

Valuation Roll (Non Domestic) Time to amend valuation roll ●

61% amended on roll within 3 months of the date of completion and the issue of the valuation notice (new, altered or demolished properties)

Down from **63%** in 19/20



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 08 June 2021

INDEPENDENT, ACHIEVING PEOPLE

OUR PERFORMANCE DURING THE YEAR APRIL 2020 to MARCH 2021



School Attendance Primary Schools

97.1% of pupils attended their **primary school** (avg. of mthly attendance)

Up from **94.4%** in 19/20

School Exclusions Primary Schools

3 exclusion incidents in **primary schools**
3 exclusions from **primary school**

Down from **46** in 19/20
Down from **38** in 19/20

Looked After Children Aged 12+

63% of looked after children (aged 12+) in a **community family based placement** (end of Mar-20)

Down from **64%** at end of Mar-20

School Attendance Secondary Schools

97.9% of pupils attended their **secondary school** (avg. of mthly attendance)

Up from **91.0%** in 19/20

School Exclusions Secondary Schools

47 exclusion incidents in **secondary schools**
46 exclusions from **secondary school**

Down from **158** in 19/20
Down from **153** in 19/20

Looked After Children All Ages

81% of looked after children (all ages) in a **community family based placement** (end of Mar-20)

Up from **80%** at end of Mar-20

School Attendance Overall

97.5% of pupils attended **school overall** (avg. of mthly attendance)

Up from **92.7%** in 19/20

School Exclusions Overall

50 exclusion incidents at **primary and secondary schools**
49 exclusions from **primary and secondary schools**

Down from **204** in 19/20
Down from **191** in 19/20

2020 Participation Measure

94.5% of **16-19 year olds** participated in education, training or employment

Up from **91.9%** in 2019

Context Indicators Update

Indicator	2019/20	2020/21	Change
Schools/Nurseries inspections	5	0	↓
Looked After Children	200	180	↓
Inter-agency Referral Discussions - child	475	422	↓
Child Protection Register	30	53	↑
New Modern Apprentices employed this year	39	28	↓
Modern Apprentices securing employment with SBC after MA	14	24	↑
Number of Current Modern Apprentices	50	45	↓

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)



Status

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 08 June 2021

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*School attendance may have been impacted by the default home learning position as a result of the COVID-19 pandemic.

INDEPENDENT, ACHIEVING PEOPLE

OUR PERFORMANCE DURING THE YEAR **APRIL 2020** to **MARCH 2021**



Social Care Care at Home ●

78% of adults (aged 65yrs+) received care at home compared to a care home/residential setting (end Mar-21)

Down from 79% at end of Mar-20



Mediation Service ●

63.6% of cases showing agreement or improvement after mediation

Down from 90.7% at end of 19/20

Social Care Self Directed Support ●

96% of adults are using the Self Directed Support approach (end Mar-21)

Up from 94.4% at end of Mar-20

Bed Days Associated With Emergency Admissions

3,285.38 bed days associated with emergency admissions (aged 75+) (rate per 1000 population) (2019/20)

Down from 3,544.9 18/19

Delayed Discharges From Hospital

676 bed days associated with delayed discharges in residents aged 75+ (rate per 1000 population) (2019/20)

Down from 761 during 18/19

Note: The suite of indicators reported here are under review with a view to representing a fuller assessment of Adult Social Care performance in future reports.



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 08 June 2021

Context Indicators Update

Indicator	2019/20	2020/21	Change
Adult protection - Concerns	356	238	↓
Adult protection - Investigations	205	123	↓
Referrals To Domestic Abuse Services **	693	453	↓
Reported incidents of domestic abuse **	1,129	-	-
High Risk domestic abuse cases discussed at Multi Agency Risk Assessment Conference	102	123	↑
Number of reported ASB Incidents **	5,460	-	-
ASB Early Interventions **	804	898	↑
Monitored for ASB **	1,636	1,645	↑
Referrals to mediation **	152	49	↓
Group 1-5 recorded crimes and offences **	3,577	-	-

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

A THRIVING ECONOMY, WITH OPPORTUNITIES FOR EVERYONE

OUR PERFORMANCE DURING THE YEAR **APRIL 2020 to MARCH 2021**



Business Gateway New Businesses

177 new businesses were created with our help
*Service suspended during 2020/21

Down from **218** in 18/19

Business Gateway Businesses Supported

971 businesses were supported in 3 quarters ended Dec-19
*Service suspended during 2020/21

1,497 in 18/19

Affordable Homes

107 additional homes were provided last year that were affordable to people in the Borders, based on our wages

Down from **141** in 19/20

Invoices Paid

95% of invoices, on average were paid within 30 days

Up from **90%** in 19/20

Occupancy Rates

91% of industrial and commercial properties owned by the council were occupied (end Mar-21)

91% at end of Mar-20

Top Capital Projects

Of the top major projects ongoing across the council **18 are rated Green ***

Up from **12** at Mar-20

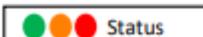
3 are rated Amber *

Down from **6** at Mar-20

0 are rated Red *

In line with **0** at Mar-20

* June 20 RAG's



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 08 June 2021

Context Indicators Update

Indicator	2019/20	2020/21	Change
16 - 64 Employment rate #	74.9% Q4	#79.3% Q3	↑
16 - 64 Claimant Count	2.77% Q4	5.33% Q4	↑
18 - 24 Claimant Count	5.17% Q4	9.9% Q4	↑

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

7

EMPOWERED VIBRANT COMMUNITIES

OUR PERFORMANCE DURING THE YEAR **APRIL 2020** to **MARCH 2021**



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SCOTTISH BORDERS COUNCIL COMMUNITY ACTION TEAM (WITH POLICE SCOTLAND) 2020/21 Figs (19/20)

1,365 (585)
Hours of High Visibility foot patrols

5,854 (1,046)
Hours of mobile patrols

844 (742)
Parking tickets issued

274 (185)
Person Drug searches (44.5% positive)

74 (185)
Premises Drug searches (86.5% positive)

284 (117)
Static road checks

185
ASB Warning Letters Issued (Under 18s)



Asset Transfer Requests

3 asset transfer requests were Received

Down from 4 in 19/20

0 asset transfer requests were Agreed

Down from 3 in 19/20

0 asset transfer requests were Refused

In line with 0 in 19/20

Community Resilience SB Alert Registrations

6,458 people were registered for SB Alert at end of Mar-21

Up from 6,211 at end of Mar-20

Community Participation

0 participation requests were Received

Down from 3 in 19/20

0 participation requests was Agreed

Down from 3 in 19/20

0 participation request was Refused

Down from 1 in 19/20

Community Benefit Clauses 14 contracts awarded with community benefit clauses

Down from 18 in 19/20

Employment and Skills opportunities

39 opportunities delivered as a result of community benefit clauses

Down from 46 in 19/20



Status

Context Indicators Update

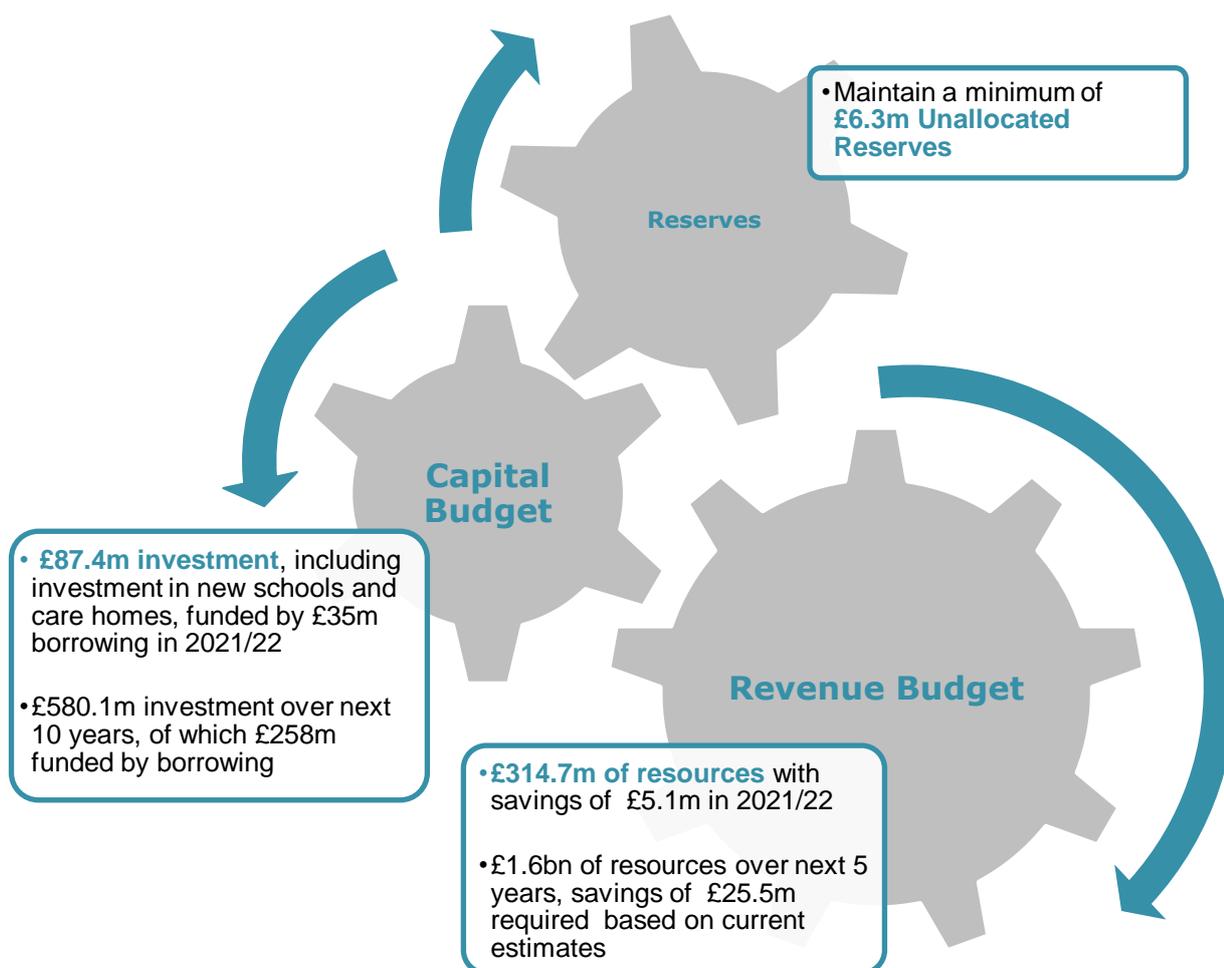
Indicator	2019/20	2020/21	Change
Active community resilience plans	55 Q4	59 Q4	↑
Progressing community resilience plans	0 Q4	0 Q4	↓
Community Funding - Total Scottish Borders	£198.5k	£416.1k	n/a
Community Fund – Berwickshire	£17.1k	£111.7k	n/a
Community Fund – Cheviot	£26.0k	£78.4k	n/a
Community Fund – Eildon	£88.3k	£93.3k	n/a
Community Fund - Teviot & Liddesdale	£22.6k	£45.7k	n/a
Community Fund - Tweeddale	£43.4k	£70.9k	n/a
Community Fund - Borderswide	£1.1k	£16.1k	n/a
Neighbourhood Small Schemes Fund – £ **	£157.7k	£116.7k	↓
Volunteer work with SBC	181 Q4	197 Q4	↑

Key: # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 08 June 2021

Future Financial Plans - 2021/22



The Revenue and Capital Financial Plans from 2021/22 onwards can be found on the Council's webpages at www.scotborders.gov.uk

Conclusion

The operating environment for the Council continues to be very challenging with financial and economic influences such as increasing demands on services including the current COVID-19 challenges. New innovations, business processes, and technology solutions such as the deployment of Teams and the deployment of tech to support staff work from home have been embraced in order for the Council to deliver vital services to the community and protect the safety of customers, communities and SBC Staff. In addition to delivering key core services the Council has had to develop and operate a variety of brand new initiatives to support key workers and also those most at risk in the area. This is part of the national response with some funding provided by Scottish Government. For example, Non Domestic Rates reliefs including the Business Grants Scheme, Hardship Fund, Scottish Welfare Fund, Food Fund, and Supporting Communities Fund.

The logistics of delivering services in a radically different way during 2020/21, in order to keep staff safe, and adhere to social distancing and self-isolation measures at the same time, has meant significant changes in when and where services are provided. There has also been deployment of a large number of staff who do not deliver critical services to undertake alternative duties, rapidly modernised IT support, and significant partnership working across

the community. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation, conference calls, systems remote access, and regular staff briefings.

The Council's work to support communities and deliver services following the pandemic continues, with initial work underway on assessing the ongoing financial impact on the Council and the longer-term disruption and consequences arising from the significant coronavirus (COVID-19) pandemic. There has been invaluable learning from operating in this unprecedented period of change, challenge and uncertainty which has been beneficial during the recovery phase which has also posed challenges. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

The current national operating environment presents many opportunities for the Scottish Borders, including continued ever closer working with the NHS, the advent of the South of Scotland Enterprise (SOSE), the Edinburgh and South East Scotland Regional City Deal and the recently approved Borderlands Inclusive Growth Deal. There will also be opportunities arising from the New UK Community Renewal Fund. These initiatives combined with the Council's planned investment in infrastructure of the Borders and our annual procurement spend provide huge opportunities for economic growth and the creation of high quality employment in the South of Scotland. The Council will continue to work with our all community planning partners and National Government to ensure we maximise this potential for our communities.

The challenges posed by COVID-19, the risk of reducing Scottish Government funding and cost pressures from pay and price inflation all continue to affect the Council's finances. The Council's transformation programme remains the key focus of activity in balancing pressures with available resources. The Council, despite ongoing challenges, has met the aims of its Financial Strategy and again delivered its planned services within budget with significant investment in new and improved facilities. Scottish Borders Council remains financially sound and well placed to serve the people of the Scottish Borders in the future.

Netta Meadows
Chief Executive

Shona Haslam
Council Leader

David Robertson CPFA
Director - Finance & Corporate
Governance

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by the Audit and Scrutiny Committee at its meeting on 29 June 2021.

The Director - Finance & Corporate Governance responsibilities:-

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

In preparing the Annual Accounts, the Director - Finance & Corporate Governance has:

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

The Director - Finance & Corporate Governance has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2021.

Shona Haslam
Council Leader

David Robertson CPFA
Director - Finance & Corporate
Governance

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Income Account, Trust Funds, Common Good Funds and notes to the core financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on the 10 April 2017. The period of total uninterrupted appointment is 5 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Director – Finance & Corporate Governance and Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of the Responsibilities, the Director – Finance & Corporate Governance is responsible for the preparation of financial statements that give a true and fair view in

Independent Auditor's Report

accordance with the financial reporting framework, and for such internal control as the Director – Finance & Corporate Governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director – Finance & Corporate Governance is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Statutory other information

The Director – Finance & Corporate Governance is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report. My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material

Independent Auditor's Report

misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Annual Governance Statement 2020/21

Introduction

The Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31 March 2021, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

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

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

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

Framework for Good Governance

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (Spring 2016) is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The CIPFA/SOLACE Framework defines the seven core principles of good governance, namely:

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

The Council's Local Code of Corporate Governance, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework and the supporting guidance notes for Scottish authorities (November 2016), was approved by Council on 28 June 2018.

The Governance Framework

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance, include:

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

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

Annual Governance Statement

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

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

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

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

B. Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality. When meetings are held remotely they are live-streamed to ensure public access.

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

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

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

The Community Planning Partnership, of which the Council is a partner, has a Community Plan approved in May 2018 (the Local Outcomes Improvement Plan (LOIP)) supplemented by 5 Locality Plans which were developed through Area Partnerships in 2019. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the Corporate Plan 2018-2023 which suggests where individuals, families, businesses, partners and communities can "play their part" to improve outcomes for the Scottish Borders #YourPart.

Asset management planning (which continues to be developed) and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council has put arrangements in place to comply with key elements of the Community Empowerment Act.

Integrated impact assessments as well as environmental, sustainability and rural implications are considered during the decision making process to promote fair access to services.

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

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the implications associated with the proposals covering financial, risks and mitigations, integrated impact assessment, acting sustainably, carbon management, rural proofing, and changes to schemes, by way of the compulsory sections of the Committee report.

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

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan.

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

The corporate management structure consists of the Chief Executive and nine Executive/Service Directors. The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the new appraisal process that was launched during the year.

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

Annual Governance Statement

The Elected Members Induction Programme is periodically supplemented by additional training and an annual programme of learning and development and briefings. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

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

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

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

The Director - Finance & Corporate Governance (the Section 95 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

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

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

A Medium Term Financial Strategy, and associated Risk Register, and plans for revenue (5-year) and capital (10-year) based on corporate priorities are developed, led by the Corporate Management Team, and presented for approval by Council prior to the end of March each year.

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

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

The independent and objective audit opinion of the Chief Officer Audit & Risk (Chief Audit Executive) is stated within the Internal Audit Annual Assurance Report. This is based on work carried out by an in-house team in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit and Scrutiny Committee (Audit function) is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Quarterly Performance Reports are presented to the Executive Committee for monitoring and control of the achievement of strategic priorities and key performance indicators.

The Annual Accounts and Report sets out the financial position in accordance with relevant accounting regulations.

Review of Adequacy and Effectiveness of the Council's Governance Framework

The Covid-19 pandemic clearly had an impact on business as usual in the delivery of services during the response and recovery phases in 2020/21, and this continues. The logistics of delivering services in a radically different way, in order to keep staff, elected members and service users safe, and adhere to social distancing and self-isolation measures at the same time, meant significant changes in when and where services were provided, deployment of a large number of staff to undertake alternative duties for a period of time, rapidly modernised IT support, and significant partnership working across the community. This was achieved using amended governance arrangements, new ways of decision-making (Council-approved additions to Standing Orders), leadership and implementation including virtual meetings, systems remote access, and regular staff briefings.

An annual review of the adequacy and effectiveness of the Council's overall governance framework has been carried out, taking into account the above context. The output is this Annual Governance Statement which is presented to the Audit and Scrutiny Committee.

Annual Governance Statement

The review was informed by assurances from the: Governance Self-Assessment Working Group; Executive/Service Directors; Internal Audit annual opinion and recommendations; comments and recommendations made by External Auditors and other external scrutiny bodies and inspection agencies; and findings and recommendations within the Accounts Commission's Best Value Assurance Report for Scottish Borders Council (published October 2019).

The conclusion from the review activity outlined above is that in 2020/21 the Council continued to demonstrate improvements to its governance arrangements by way of progressing the implementation of actions associated with the 10 improvement areas of governance within the previous year's annual governance statement. It is acknowledged that the impact of the Council's response to the Covid-19 pandemic has provided the opportunity to progress many developments and in some instances accelerate their implementation; however, it has also brought an increased demand on staff and progress on some improvement actions has been delayed.

Progress updates on the implementation of the Best Value Audit Implementation Plan that underpins the seven recommendations (nos. 1-7) have been presented to the Audit and Scrutiny Committee on 28 September 2020 and 15 February 2021. Good progress overall has been made on implementing the 40 specific actions, which make up the Best Value Audit Implementation Plan, with 30% of them completed.

In respect of the other three improvement areas of governance identified by the Council in 2019/20 (nos. 8-10), there have been developments during the year. Specifically, the refresh of the remit and make-up of the Board that governs the implementation of the Fit for 2024 transformation programme, the strategic policy research and planning to influence the review of the Performance Management Framework, and review and updates of some service and corporate policies, procedures and guidelines. These improvement areas of governance are not fully implemented and therefore continue to be noted in the section below, with enhancements added relating to nos. 8-10.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made. It has been noted that some of the specific underpinning actions might need to be reset and ways to achieve the outcomes may need to change.

The implementation of the remainder of the actions in the Best Value Audit Implementation Plan to address the recommendations (1-7 below) in order to demonstrate Best Value:

- (1) Embed a culture of Continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.
- (2) Seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Integration Joint Board.
- (3) Improve how the Community Planning Partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment Act.
- (4) Establish a structured programme of ongoing staff consultation and engagement.
- (5) Update its people plan for 2017-21 and ensure longer-term workforce plans are reflected in service and financial plans.
- (6) Support members' Continuing Professional Development by tailoring training to meet their individual needs and use technology to make training more accessible.
- (7) Ensure performance reports to members and the public are more comprehensive, balanced and that they cover service performance and the delivery of the Fit for 2024 programme.

Progress updates on the implementation of the remainder of the actions in the Best Value Audit Implementation Plan will continue to be presented to the Audit and Scrutiny Committee.

In addition, the implementation of further enhancements to the other improvement actions identified by the Council in 2019/20 (8-10 below) in order to enhance governance and internal controls:

- (8) Focus the Fit for 2024 programme to ensure the Council builds on all transformational benefits that the pandemic has presented including digital advancements.
- (9) Produce detailed Service Plans to complete the links from the Corporate Plan to individuals' appraisals and refresh the Performance Management Framework to include oversight by Directorates to ensure performance monitoring and reporting is accurate, robust and timely.
- (10) Full development of the Policy Register to enable oversight and monitoring of the ongoing review of policies, procedures and guidelines to ensure they are fit for purpose and meet current legislation.

Annual Governance Statement

These actions to enhance the governance arrangements in 2021/22 will be driven and monitored by the Corporate Management Team on a regular basis in order to inform the next annual review. Internal Audit work planned in 2021/22 is designed to test compliance and improvements.

Conclusion and Opinion on Assurance

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects. Systems are in place to regularly review and improve governance and systems of internal control.

Netta Meadows
Chief Executive

Shona Haslam
Council Leader

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. The following information in this Remuneration Report has been audited by Audit Scotland:-

- Senior Councillor Remuneration Page 40
- Senior Officer Remuneration Page 42
- Pay Bandings Information Page 39
- Pension Benefits Information for Senior Councillors Page 45
- Pension Benefits Information for Senior Officers Page 46

The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Please note that the Council underwent a Corporate Restructure which was implemented on 1 April 2020. This reduced the number of service departments from nine to seven and created two Executive Director posts while reducing the number of Service Directors. The integration of Culture and Sport and parts of Regulatory Services into Economic Development and Corporate Services created a new service – Corporate Improvement and Economy. These figures are now amalgamated into one line on the Comprehensive Income & Expenditure Statement. The rest of Regulatory Services was split between Finance and Asset and Infrastructure meaning both Culture and Sport and Regulatory Services now no longer are reported separately in the Comprehensive Income & Expenditure Statement.

Remuneration Policy

Remuneration of Senior Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2020/21 the salary for the Leader of Scottish Borders Council is £35,713. The regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors shall not exceed £312,466. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convener, is £291,364. Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members of the pension scheme.

The Remuneration for Members scheme which encompasses the salaries of all elected members including the Leader and Senior Councillors was agreed at a meeting of the full Council on 24 May 2012 and then amended at the meeting of Council on 30 August 2012 to take account of changes to the Scheme of Administration. At the Scottish Borders Council meeting of 25 May 2017 a new Scheme of Payment for Senior Councillors was agreed with sums payable from 18 May 2017.

Remuneration Report

Remuneration of Senior Employees

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

A senior employee is any employee who:

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

Remuneration Disclosures

General Disclosure by Pay Band

The Local Authority Accounts (Scotland) Regulations 2014 also requires information to be provided on the number of persons whose remuneration was £50,000 or more. This information is to be disclosed in bands of £5,000. The numbers of employees at Scottish Borders Council whose remuneration was £50,000 or more, excluding employer's pension and national insurance contributions, is shown in the following table:

Remuneration Bands	Chief Officer		Teachers		Other Staff		Total	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£50,000 - £54,999	2	-	87	91	13	16	102	107
£55,000 - £59,999	-	-	66	58	19	22	85	80
£60,000 - £64,999	-	1	34	31	2	-	36	32
£65,000 - £69,999	3	3	7	11	6	7	16	21
£70,000 - £74,999	2	-	1	1	-	-	3	1
£75,000 - £79,999	4	2	4	3	-	-	8	5
£80,000 - £84,999	1	3	2	1	-	-	3	4
£85,000 - £89,999	1	3	3	3	-	-	4	6
£90,000 - £94,999	2	2	-	-	-	-	2	2
£95,000 - £99,999	2	-	-	-	-	-	2	-
£100,000 - £104,999	-	-	-	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	-	2	-	-	-	-	-	2
£115,000 - £119,999	-	1	-	-	-	-	-	1
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	-	-	-	-
£140,000 - £144,999	1	-	-	-	-	-	1	-
Total	18	17	204	199	40	45	262	261

Remuneration Report

Remuneration of Senior Councillors

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

Total Remuneration 2019/20 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2020/21 £
34,944	S Haslam	Leader of the Council	35,713	-	35,713
26,208	D Parker	Convener	26,785	-	26,785
61,152		Leader and Convener Remuneration	62,498	-	62,498
22,954	A Aitchison	Executive Member for Neighbourhoods & Locality Services to 26 August 2020; Executive Member for Sustainable Development from 27 August 2020	23,459	-	23,459
19,043	S Bell	Chair of Audit & Scrutiny	19,462	-	19,462
22,954	G Edgar	Executive Member for Roads & Infrastructure to 26 August 2020; Executive Member for Infrastructure, Travel & Transport from 27 August 2020 (also Area Partnership Chair for full year)	23,459	670	24,129
22,954	T Weatherston	Executive Member for Adult Social Care to 26 August 2020; Executive Member for Adult Wellbeing from 27 August 2020; Depute Convener for full year	23,459	-	23,459
22,954	C Hamilton	Executive Member for Children & Young People	23,459	-	23,459
23,180	G Turnbull	Executive Member for Community Safety to 26 August 2020; Executive Member for Public Protection from 27 August 2020	23,459	276	23,735
23,212	M Rowley	Executive Member for Business & Economic Development to 26 August 2020; Executive Member for Economic Regeneration & Finance from 27 August 2020	23,459	258	23,717
15,406	S Mountford	Executive Member for Transformation & HR to 30 November 2019; Executive Member for Enhancing the Built Environment & Natural Heritage from 27 August 2020	14,000 (FYE 23,459)	110	14,110
22,954	E Jardine	Executive Member for Culture & Sport to 26 August 2020; Executive Member for Wellbeing, Sport & Culture from 27 August 2020	23,459	-	23,459
23,128	T Miers	Executive Member for Planning & Environment to 26 August 2020	9,459 (FYE 23,459)	70	9,529
19,043	J Fullarton	Area Partnership Chair	19,462	-	19,462
23,116	R Tatler	Executive Member for Finance to 26 August 2020; Executive Member for Community Development and Localities from 27 August 2020 (also Area Partnership Chair for full year)	23,459	162	23,621
19,043	N Richards	Area Partnership Chair	19,462	-	19,462
19,326	S Hamilton	Area Partnership Chair to 26 August 2020; Executive Member for Transformation & Service Improvement from 27 August 2020 (also continuing as Area Partnership Chair)	21,847 (FYE 19,462) (FYE 23,459)	283	22,130
299,267		Total Other Senior Councillor Remuneration	291,364	1,829	293,193
360,419		Total Senior Councillor Remuneration	353,862	1,829	355,691

The total remuneration figures relate to the salary, fees and allowances for 2020-21 are as included in the Comprehensive Income and Expenditure Statement. They are only in respect of monies paid to Councillors whilst actually holding a Senior Councillor position during that year.

Remuneration Report

Total Remuneration paid to Councillors

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

2019/20 £'000		2020/21 £'000
679	Salaries	676
64	Expenses	10
743	Total	687

The draft annual return of Councillors' salaries and expenses for 2020/21 is available on the Council's website at www.scotborders.gov.uk.

Remuneration Report

Remuneration of Senior Employees

The table below provides details of the remuneration paid to the Council's Senior Employees and reflects the Council corporate management restructure.

2019/20		2020/21					
Total Remuneration £	Name	Post Title	Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Total Remuneration £
Senior Employees in post as at 01/04/20							
	0 N Meadows	Chief Executive (from 22 March 2021)	3,452 (FYE 128,405)	-	-	-	3,452
47,582	JR Dickson	Executive Director, Corporate Improvement and Economy (1)	113,200	-	-	-	113,200
95,865	KD Robertson	Executive Director, Finance & Regulatory	111,265	-	-	-	111,265
87,684	J Craig	Service Director Customer & Communities	90,109	-	-	-	90,109
84,658	C Hepburn	Service Director HR and Communications	88,165	-	-	-	88,165
91,239	SC Easingwood	Service Director Social Work & Public Protection; Interim Service Director Children & Young People (8 October 2018 to 30 June 2020) Service Director Social Work and Public Protection only (from 01/07/2020)	81,698 (FYE 88,165) (FYE 79,541)	-	-	-	81,698
0	LH Munro	Service Director Young People Engagement & Inclusion (from 8 June 2020)	71,435 (FYE 88,165)	-	-	-	71,435
25,741 (FYE 77,224)	JM Holland	Chief Operating Officer SB Cares (from 1 December 2019)	92,273	-	-	-	92,273
Senior Employees departed post before 01/04/21							
143,432	TM Logan	Chief Executive (left 27 September 2020)	117,770 (FYE 134,397)	-	-	-	117,770
92,753	M Joyce	Service Director Assets & Infrastructure (left 23 August 2020)	36,196 (FYE 91,598)	-	-	-	36,196
668,954		Total	805,563	-	-	-	805,563

Notes

(1) JR Dickson seconded to Scottish Government to 31/03/20. The 2019/20 figure represents 40% of time employed by SBC with the remaining 60% (£67,971) met by the Scottish Government. The figure of £47,582 includes £1,468.33 for Depute Returning Officer fee for both the European Parliamentary Election on 23 May 2019 and the General Election on 12 December 2019.

John Curry took up the role of Service Director Assets & Infrastructure on 14 Sept 2020. However, he is paid as a consultant and not as an employee of Scottish Borders Council and is therefore not included in the above report.

The Council contributes £51,600 per annum towards salary and pension contributions of the post of Director of Public Health. Details of the remuneration paid in respect of this post can be found within the annual financial statements of NHS Borders (Borders Health Board).

Remuneration Report

Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2019/20 and 2020/21:

2020/21

Exit Package Cost band (including special payments) 2020/21	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	1	1	2	5,209
£20,001 - £40,000	-	1	1	24,942
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Total	1	2	3	30,151

The total costs of £0.03m in the table above includes exit packages that have been agreed and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

2019/20

Exit Package Cost band (including special payments) 2019/20	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	4	-	4	35,795
£20,001 - £40,000	-	1	1	32,042
£40,001 - £60,000	-	1	1	43,269
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Total	4	2	6	111,107

Council Subsidiary Bodies

Separate disclosure of the remuneration and pension benefits of senior posts held in the Council subsidiary companies are required to be disclosed.

Bridge Homes LLP – Designated Member, David Robertson – details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables

Live Borders – Chief Executive Officer, Ewan Jackson – see table below.

2019/20	Name	Post Title	2020/21					In-year pension contributions		Accrued Pension Benefits	
			Salaries, fees and allowances £	Taxable Expenses £	Benefits other than in cash £	Total Remuneration £	For year to 31 March 2020 £	For year to 31 March 2021 £	Type	As at 31 March 2021 £	Difference from 31 March 2020 £
79,216	Ewan Jackson	Chief Executive Officer	80,991	0	0	80,991	14,259	14,578	Pension	22,994	1,994
									Lump Sum	15,901	348

Remuneration Report

Pension Benefits

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

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

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

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much of their pay falls into each tier. The tiers and members contributions rates for 2020/21 were as follows:

Whole Time Pay	2020/21
On earnings up to and including £21,800 (2018/19 £21,300)	5.50%
On earnings above £21,801 and up to £26,700 (2018/19 £21,300 to £26,100)	7.25%
On earnings above £26,701 and up to £36,600 (2018/19 £26,100 to £35,700)	8.50%
On earnings above £36,601 and up to £48,800 (2018/19 £35,700 to £47,600)	9.50%
On earnings above £48,801 (2018/19 £47,600)	12.00%

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

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

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

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

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

Remuneration Report

Pension Benefits of Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2021 are shown in the following table, together with the contribution made by the Council to each Senior Councillor's pension during the year. It should be noted all Councillor pensions reported below are calculated on career average earnings.

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

Councillor Name	Responsibility	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2020	For year to 31 March 2021	Type	As at 31 March 2021	Difference from 31 March 2020
		£	£		£	£
S Haslam	Leader of the Council	6,290	6,428	Pension	2,849	743
				Lump Sum	-	-
D Parker	Convenor	4,717	4,821	Pension	8,205	540
				Lump Sum	2,606	(15)
A Aitchison	Executive Member for Neighbourhoods & Locality Services	4,132	4,223	Pension	5,840	535
				Lump Sum	1,681	24
S Bell	Chair of Audit & Scrutiny	3,428	3,503	Pension	3,732	405
				Lump Sum	-	-
G Edgar	Executive Member for Roads and Infrastructure (also Area Partnership Chair)	4,132	4,223	Pension	4,133	503
				Lump Sum	-	-
T Weatherston	Executive Member for Adult Social Care/Depute Convenor	4,132	4,223	Pension	10,097	623
				Lump Sum	16,006	245
C Hamilton	Executive Member for Children & Young People	4,132	4,223	Pension	1,876	488
				Lump Sum	-	-
G Turnbull	Executive Member for Community Safety	4,132	4,223	Pension	5,429	542
				Lump Sum	1,604	29
M Rowley	Executive Member for Business & Economic Development	4,132	4,223	Pension	1,876	488
				Lump Sum	-	-
S Mountford	Executive Member for Transformation & HR to 30 November 2019 (also Area Partnership Chair to 24 October 2018)	3,803	3,816	Pension	3,546	444
				Lump Sum	-	-
E Jardine	Executive Member for Culture & Sport	4,132	4,223	Pension	1,876	488
				Lump Sum	-	-
T Miers	Executive Member for Planning & Environment	4,132	3,621	Pension	1,807	419
				Lump Sum	-	-
J Fullarton	Area Partnership Chair	3,428	3,503	Pension	5,085	423
				Lump Sum	1,588	8
R Tatler	Area Partnership Chair to 30 August 2018; Executive Member for Finance from 31 August 2018 (also continuing as Area Partnership Chair)	4,132	4,223	Pension	1,770	488
				Lump Sum	-	-
N Richards	Area Partnership Chair from 31 August 2018	3,428	3,503	Pension	1,516	405
				Lump Sum	-	-
S Hamilton	Area Partnership Chair from 25 October 2018	3,548	3,933	Pension	1,560	454
				Lump Sum	-	-
Total		65,830	66,912			

Notes

- (1) Some Senior Councillors have transferred in previous rights to the Local Government Pension Scheme which has purchased pension in addition to their statutory benefits.

Remuneration Report

Pension Benefits of Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2021 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the full year to 31 March 2021.

Name	Post Title	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2020	For year to 31 March 2021	Type	As at 31 March 2021	Difference from 31 March 2020
		£	£		£	£
Senior Employees in post as at 01/04/20						
N Meadows	Chief Executive	0	621	Pension	71	71
				Lump Sum	-	-
JR Dickson	Executive Director (1)	7,913	20,376	Pension	21,083	2,591
				Lump Sum	-	-
KD Robertson	Executive Director	17,173	20,028	Pension	46,034	7,199
				Lump Sum	69,080	9,848
J Craig	Service Director Customer & Communities	15,747	16,220	Pension	41,590	2,787
				Lump Sum	64,934	1,892
C Hepburn	Service Director HR and Communications	14,539	15,870	Pension	19,606	2,670
				Lump Sum	2,935	246
CS Easingwood	Service Director Social Work & Public Protection; Interim Service Director Children & Young People (8th October 2018 to 30 June 2020)	15,450	14,705	Pension	26,594	793
				Lump Sum	29,805	1,509
LH Munro	Service Director Young People Engagement & Inclusion (from 8 June 2020)	0	12,858	Pension	1,465	1,465
				Lump Sum	-	-
JM Holland	Chief Operating Officer SB Cares (from 1 December 2019)	13,900	16,609	Pension	2,520	827
				Lump Sum	-	-
Senior Employees departed post before 01/04/21						
TM Logan	Chief Executive (left 27 September 2020)	24,463	11,371	Pension	52,783	898
				Lump Sum	80,155	-212
M Joyce	Service Director Assets & Infrastructure (left 23 August 2020)	16,015	6,515	Pension	11,111	764
				Lump Sum	-	-
Total		125,200	135,173			

Notes

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

- (1) JR Dickson seconded to Scottish Government to 31/03/2020. The 2019/20 above figure for in year contributions represents 40% of time employed by SBC.

Remuneration Report

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is now required to publish details of Trade Union facility time incurred during the year, both in the financial statements and also on the Council website. The regulations apply from 1 April 2017 and require relevant public sector employers to collect and publish, on an annual basis, a range of information in relation to their usage and spend on trade union (TU) facility time in respect of their employees who are TU representatives. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities as a TU representative.

The regulations require Local Authorities to collate and publish the following information:-

Scottish Borders council has 25 employees who are TU representatives.

The percentage of working time spent on TU activities by the 25 TU representatives can be broken down as follows:-

Percentage of Time	Number of TU Representatives
1% - 50%	20
51% - 99%	2
100%	3
Total	25

The percentage of the total pay bill spent on facility time is 0.096%

100% of paid facility time hours is spent on trade union activities.

Netta Meadows
Chief Executive

Shona Haslam
Council Leader

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Balances of the General Fund line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked Balances of the General Fund undertaken by the Council. Further detail on the movement in reserves can be found at Note 31 on page 99.

Movement in reserves during 2019/20

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2019	(17,555)	(8,803)	(447)	(1,197)	(28,002)	(32,982)	(60,984)	

Movement in reserves during 2019/20

Total Comprehensive Income & Expenditure	9,932	-	-	-	9,932	(75,455)	(65,523)	C I & E
Adjustments between accounting basis & Funding basis under regulations	(11,557)	(741)	446	(200)	(12,052)	12,052	-	31
(Increase) or Decrease In 2019/20	(1,624)	(741)	446	(200)	(2,119)	(63,404)	(65,523)	
Balance at 31/03/2020 carried forward	(19,179)	(9,544)	(1)	(1,397)	(30,121)	(96,386)	(126,507)	

Movement in reserves during 2020/21

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2020	(19,179)	(9,544)	(1)	(1,397)	(30,121)	(96,386)	(126,507)	

Movement in reserves during 2020/21

Total Comprehensive Income & Expenditure	(14,194)	-	-	-	(14,194)	56,736	42,541	C I & E
Adjustments between accounting basis & Funding basis under regulations	(3,068)	(385)	(361)	(136)	(3,949)	3,950	1	31
(Increase) or Decrease In 2020/21	(17,262)	(385)	(361)	(136)	(18,144)	60,686	42,542	
Balance at 31/03/2021 carried forward	(36,441)	(9,929)	(362)	(1,532)	(48,264)	(35,700)	(83,965)	

Comprehensive Income and Expenditure Statement

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

Restated 2019/20			2020/21			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000	£'000	£'000	£'000	
72,713	(11,442)	61,271	81,477	(14,341)	67,136	
24,162	(8,828)	15,334	22,721	(8,669)	14,052	
136,118	(78,507)	57,611	140,803	(84,092)	56,711	
117,832	(9,413)	108,419	126,253	(20,380)	105,873	
43,610	(26,806)	16,804	41,517	(24,118)	17,398	
24,153	(4,492)	19,661	30,572	(3,868)	26,704	
7,291	(681)	6,610	6,762	(60)	6,702	
3,322	-	3,322	1,824	-	1,824	
429,201	(140,169)	289,032	451,929	(155,529)	296,400	
5,140	(5,200)	(60)	2,099	(2,100)	(1)	8
2,627	(2,556)	71	2,316	(1,915)	401	
12,756	-	12,756	11,943	-	11,943	29
-	(407)	(407)	-	(250)	(250)	
20,249	(15,274)	4,975	17,902	(14,524)	3,378	20
-	(171,088)	(171,088)	-	(211,566)	(211,566)	
-	(36,624)	(36,624)	-	(23,388)	(23,388)	
-	(57,763)	(57,763)	-	(60,215)	(60,215)	
-	(30,961)	(30,961)	-	(30,896)	(30,896)	28
469,973	(460,042)	9,932	486,189	(500,384)	(14,194)	

Comprehensive Income and Expenditure Statement

2019/20				2020/21			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
469,973	(460,042)	9,932	(Surplus)/Deficit on Provision of Services	486,189	(500,384)	(14,194)	
		(762)	(Surplus)/Deficit on revaluation of Non Current Assets			(3,030)	
		80	Any Other (Gains) Or Losses			(75)	
		(74,773)	Actuarial (gains)/losses on pension assets/liabilities			59,840	
		(75,455)	Other Comprehensive Income and Expenditure			56,736	
		(65,523)	Total Comprehensive (Income)/Expenditure			42,541	

Balance Sheet

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

2019/20 £'000		2020/21 £'000	Notes
374,119	Property Plant and Equipment		
21,754	Other Land and Buildings	397,328	12
129,942	Vehicle, Plant, Furniture & Equipment	27,517	
4,790	Infrastructure	133,554	
26,326	Surplus Assets	5,425	
1,036	Assets Under Construction	42,600	
40	Heritage Assets	1,014	13
6,647	Intangible Assets	1,182	14
	Long Term Debtors	6,711	29
564,654	Long Term Assets	615,331	
-	Intangible Assets - Current	-	14
951	Inventories	1,645	24
59,056	Short Term Debtors	55,646	30
(11,472)	less Impairment of Receivables	(11,948)	
10,488	Cash and Cash Equivalents	27,417	34
59,024	Current Assets	72,759	
(367)	Bank Overdrafts	-	29
(4,054)	Short Term Borrowing	(28,513)	29
(48,171)	Short Term Creditors	(50,718)	30
(389)	Provisions	(134)	25
(52,982)	Current Liabilities	(79,365)	
(202,574)	Long Term Borrowing	(192,280)	29
(64,182)	Other Long Term Liabilities	(89,115)	17
(879)	Due to Trust Funds and Common Good	(913)	
(3,607)	Provisions	(3,438)	25
(31,343)	Capital Grants Receipts in Advance	(23,348)	
(302,584)	Long Term Liabilities	(309,094)	
268,111	Net Assets excluding pension liability	299,631	
(141,604)	Pension Liability	(215,666)	20
126,507	Net Assets/(Liabilities) including pension liability	83,965	

Balance Sheet

2019/20 £'000	Financed By:	2020/21 £'000	Notes
	Useable Reserves		
(9,544)	Capital Fund	(9,929)	} 31
(19,179)	General Fund Balance	(36,441)	
(1)	Property Maintenance Fund	(362)	
(1,397)	Insurance Fund	(1,532)	
	Unusable Reserves		
(137,271)	Capital Adjustment Account	(152,904)	} 31
6,441	Financial Instruments Adjustment Account	6,122	
(113,445)	Revaluation Reserve	(111,272)	
141,604	Pension Reserve	215,666	
6,285	Employee Statutory Adjustment Account	6,687	
(126,507)	Total Reserves	(83,965)	

The unaudited accounts were issued on 29 June 2021 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director - Finance & Corporate
Governance

Cash Flow Statement

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

2019/20 £'000		2020/21		Notes
		£'000	£'000	
9,932	Net (Surplus) or deficit on the provision of services		(14,194)	
(43,517)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(51,192)		32
29,696	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	31,064		32
(3,889)	Net Cash Flows From Operating Activities		(20,128)	
	Investing Activities			
42,496	Purchase of PP&E, investment property and intangible assets	51,527		
(2,556)	Proceeds from PP&E, investment property and intangible assets	(1,915)		
-	Purchase/(Disposal) of short & long term investments	-		
(38,355)	Other Items which are Investing Activities	(23,771)		
1,585	Net Cash Flows from Investing Activities		25,841	
	Financing Activities			
(7,500)	Cash received from loans & other borrowing	(15,000)		
2,942	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,591		
-	Repayments of short and long term borrowing	762		
1,266	Other items which are financing activities	(168)		
(3,292)	Net Cash Flows from Financing Activities		(8,815)	
(5,596)	Net (Increase) or Decrease in Cash and Cash Equivalents		(17,296)	
4,525	Cash and Cash Equivalents at the beginning of the reporting period		10,121	
10,121	Cash and Cash Equivalents at the end of the reporting period		27,417	34
(5,596)	Movement		(17,296)	

Notes to the Core Financial Statements

Accounting Policies

General Principles

The Annual Accounts summarises the Council's transactions for the 2020/21 financial year and its position 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 practices. 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).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Annual Accounts have been prepared on a going concern basis.

Accruals of Income and Expenditure

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

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

Notes to the Core Financial Statements

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

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

Notes to the Core Financial Statements

The Local Government Pension Scheme

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

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

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

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

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

Service cost comprising:

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

Remeasurements comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and

Notes to the Core Financial Statements

any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

Events after the Reporting Period

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

Two types of events can be identified:

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

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

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

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

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

Financial Instruments

The following policies are the Council's interpretation of IFRS 9 requirements according to the financial instruments that the Council hold.

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

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amounts at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Notes to the Core Financial Statements

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Notes to the Core Financial Statements

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

Government Grants

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

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

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

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

Intangible Assets

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

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

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

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

Inventories

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

Notes to the Core Financial Statements

Leases

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

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

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

The Council as Lessee

Finance Leases

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

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

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

Operating Leases

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

The Authority as Lessor

Operating Leases

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

Private Finance Initiative (PFI)

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

Notes to the Core Financial Statements

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

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

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

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

Property, Plant and Equipment

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

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

The Council has a de minimis limit of £5,000 for single items of expenditure and £20,000 for groups of items costing less than £1,000 each. Items below these amounts are charged to the Comprehensive Income and Expenditure Statement. These limits have been applied in order to exclude individual assets, or works below these amounts, from the asset register.

Measurement: assets are initially measured at cost, comprising:

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

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

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

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

Notes to the Core Financial Statements

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

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

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

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

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

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

Disposals

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

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

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

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

Notes to the Core Financial Statements

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the accounts when:

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

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

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

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

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

Notes to the Core Financial Statements

Note 1 First Time Adoption of Accounting Standards

There has been no first time adoption of Accounting Standards during 2020/21.

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

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

Definition of a Business: Amendments to IFRS 3 Business Combinations

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Note 3 Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the authority's balance sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming year is as follows;

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending in repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.

It is acknowledged that the Covid 19 and Brexit situation has and will continue to have an effect on the property markets. Although there is some uncertainty in the National and Local markets it is considered that this would appear to have not had any significant effect on the valuations or valuation process relating to Financial Year 2020/21.

A material uncertainty paragraph was included under Property, Plant and Equipment in our annual accounts in 2019/20 due to the emerging Coronavirus pandemic. However, this has been removed for 2020/21 as better information is available and as a result of updated RICs guidance for professional valuers.

Notes to the Core Financial Statements

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted process in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Significant changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for both surplus and financial assets.

Information about the valuations techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 12 and 29.

Provisions

The authority has made a provision of £0.008m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the authority or that precedents set by other authorities in the settlement of claims will be applicable. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.0008m to the provision needed.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £89.459m. However, the assumptions interact in complex ways. During 2020/21, the authority's actuaries advised that the net pension liability had increased by £74,062m as a result of estimates being revised and updating assumptions.

Arrears

At 31 March 2021, the authority had Accounts Receivable debtors due of £5.797m, Council Tax debtors of £24.510m and Non Domestic Rate debtors of £4.082m. Provision for bad debts amounted to £0.933m, £11.015m and £3.295m respectively. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, an increase in bad debts of 10% would require an additional £0.093m for Accounts Receivable debtors, £1.101m for Council Tax debtors and £0.329m for Non Domestic Rate debtors.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis

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

		Restated				2020/21	
		2019/20					
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000		£'000	£'000	£'000	
37,283	23,988	61,270	Asset & Infrastructure	42,925	24,211	67,136	
10,657	4,678	15,334	Corporate Improvement & Economy	11,516	2,536	14,052	
54,836	2,775	57,611	Health & Social Care	53,674	3,038	56,711	
106,825	1,595	108,420	Children & Young People	107,663	(1,790)	105,873	
14,433	2,372	16,805	Customer & Communities	15,599	1,799	17,398	
33,086	(13,427)	19,660	Finance & Regulatory Services	37,926	(11,222)	26,704	
6,149	462	6,611	Human Resources	6,341	361	6,702	
-	3,322	3,322	Non Distributed Costs	-	1,824	1,824	
263,268	25,764	289,032	Net Cost of services	275,643	20,757	296,400	
(264,972)	(14,128)	(279,100)	Other Income and Expenditure	(292,905)	(17,689)	(310,593)	
(1,704)	11,636	9,932	(Surplus) or Deficit on Provision of Services	(17,262)	3,068	(14,194)	
(17,555)			Opening General Fund Balance	(19,179)			
(1,704)			Less/Plus (Surplus) or Deficit on General Fund	(17,262)			
80			Transfer (to)/from reserves	-			
(19,179)			Closing General Fund as 31 March	(36,441)			

Notes to the Core Financial Statements

Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Asset & Infrastructure	14,228	2,670	(658)	16,240	7,970	24,211
Corporate Improvement & Economy	3,413	556	(170)	3,800	(1,264)	2,536
Health & Social Care	626	2,738	98	3,461	(425)	3,037
Children & Young People	1,850	2,412	303	4,565	(6,355)	(1,790)
Customer & Communities	268	1,504	29	1,802	(2)	1,800
Finance & Regulatory Services	(11,575)	637	(123)	(11,062)	(160)	(11,222)
Human Resources	-	327	21	348	13	361
Non Distributed Costs	1,824	-	-	1,824	-	1,824
	10,634	10,844	(499)	20,979	(222)	20,757
Other income and expenditure from the Expenditure and Funding Analysis	(20,731)	3,378	(336)	(17,689)	-	(17,689)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(10,097)	14,222	(835)	3,290	-	3,068

Restated Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Asset & Infrastructure	11,547	3,983	495	16,025	7,963	23,988
Corporate Improvement & Economy	3,878	887	(13)	4,751	(74)	4,678
Health & Social Care	400	2,273	371	3,045	(269)	2,775
Children & Young People	5,702	3,173	396	9,271	(7,676)	1,595
Customer & Communities	201	2,143	51	2,395	(23)	2,372
Finance & Regulatory Services	(14,081)	921	(324)	(13,484)	58	(13,427)
Human Resources	-	420	20	440	22	462
Non Distributed Costs	3,322	-	-	3,322	-	3,322
	10,969	13,800	996	25,764	-	25,764
Other income and expenditure from the Expenditure and Funding Analysis	(18,329)	4,976	(775)	(14,128)	-	(14,128)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(7,360)	18,776	221	11,636	-	11,636

Notes to the Core Financial Statements

(Note 1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for those which conditions were satisfied in the year.

(Note 2) Changes for Pension Adjustments

Net change for the removal of pension contributions and addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with the current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

(Note 3) Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** – the other statutory adjustments column recognises adjustment to the General Fund for the timing differences for premiums and discounts.

(Note 4) Other Non-Statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- **For financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for interest income and expenditure and changes in the fair values of investment properties.
- **For taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for non ring-fenced government grants.

It should be noted that the tables on page 67 are analysed as per the Council's management reporting structure.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis (continued)

The Council's Expenditure and Income is analysed as follows:-

Expenditure/Income	Restated 2019/20 £'000	2020/21 £'000
Expenditure		
Employee Benefits Expenses	166,555	179,384
Other Service Expenses	234,623	241,989
Support Services Recharges	469	334
Depreciation, Amortisation, Impairment	32,469	33,601
Interest Payments	12,756	11,943
Loss on Disposal of Assets	71	401
Total Expenditure	446,944	467,651
Income		
Fees, Charges and Other Service Income	(140,169)	(155,529)
Interest and Investment Income	(407)	(250)
Income from Council Tax and Non Domestic Rates	(94,387)	(83,603)
Government Grants and Contributions	(202,049)	(242,462)
Total Income	(437,012)	(481,845)
(Surplus) or Deficit on the Provision of Services	9,932	(14,194)

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations during the year.

Note 7 Prior Year Adjustments

Both the Councils single entity and group Comprehensive Income and Expenditure statement for 2019/20 have been restated to reflect the changes to the management reporting structure implemented in 2020/21.

Note 8 Significant Trading Operation

SBc Contracts is the only 'Significant Trading Operation' at Scottish Borders Council in terms of the Local Government (Scotland) Act 2003. The financial performance for external works is summarised below:

2019/20 £'000		2020/21 £'000	3 Year Cumulative £'000
(5,200)	External Turnover for the Year	(2,100)	(11,800)
(60)	(Surplus) / Deficit	(1)	(187)

Notes to the Core Financial Statements

SBc Contracts undertakes a wide range of activities including:

- Revenue and Capital works for Council Services including
 - Highway and Bridge construction
 - Planned and reactive maintenance
 - Flood Prevention and Repair works
 - Public Realm and Cycleway works
 - Construction and Maintenance works to Council Buildings and Property
- External contracts for other local authorities and the Scottish Government.
- Sub-contractor on a number of public contracts.
- A wide range of external contracts for the private sector.

SBc Contracts employs 138 manual workers and 32 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. The organisation continued to contribute strongly to Council resources both directly and indirectly through:

- Supporting additional high added-value jobs in the Vehicle Maintenance trading operation.
- Maintaining very competitive charge-out rates to offer “Best Value” for Council Revenue and Capital projects.

In 2020/21 SBc Contracts recorded an annual operating surplus of £0.790m against a revised budget target of a £0.699m surplus. After technical adjustments for pension (IAS 19) and Employee benefits accrual the net final position was £0.96m surplus.

In 2020/21 the turnover reduced by £6.4m to £19.2m. Of the total, £2.1m (11%) was generated by external work.

The order book remains strong with major works programmed to continue on the Great Tapestry Streetscape and Social Housing work at Coopersknowe, Galashiels and Sergeants Park, Newtown St Boswells for Hart Builders. A Road Surface Dressing Framework Agreement for South Lanarkshire Council continues this year. There are potential opportunities for additional Sustrans funded cycleway works at Peebles and Hawick and negotiations are ongoing with various Clients for major works at Reston Station and additional Social Housing Works.

SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £6.6 million during 2020/21.

Significant trading operations are required to at least achieve break-even over rolling three-year periods. For the 3 year period ending in financial year 2020/21 SBc Contracts generated a cumulative total surplus of £0.935 million.

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2020/21 Scottish Borders Council received £0.354m in commission from Scottish Water as part of the agency agreement. This amount is set in legislation by the new Water Order which came into force in April 2014 covering the period April 2014 to March 2021.

During 2020/21, the Council received a range of funding from Scottish Government in response to the COVID-19 pandemic. For a number of these grants the Council has acted as an intermediary of the Scottish Government by administering the receipt and payment process to the ultimate recipient of the funding ie targeted business support. The Council provided these grants to the recipient to the level and criteria set by the Scottish Government and had no discretion around the payments. The amount of these agency grants and payments in 2020/21 is £53.094m including £52m in Business Grants.

Notes to the Core Financial Statements

Note 10 Related Parties

The Council is required to disclose material transactions with related parties, that is bodies and individuals that have the potential to control or influence the Council or be controlled and influenced by the Council.

Central Government has effective control over the general operations of the Council by providing the statutory framework in which the Council operates, the majority of the Council's funding by providing grants and prescribes the nature of many of the transactions the Council has with third parties, e.g. Housing Benefit.

Members of the Council have direct control over the financial and operating policies of the Council. A review of the interests declared in the Members' Register of Interests confirmed that the Council had no material transactions with any company in which any member had an interest. The total value of transactions between the Council and companies in which members have an interest in 2020/21 was £0m (2019/20: £0m). The Remuneration Report shows the total allowances paid to senior members in 2020/21. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

A review by departments of their registers of interests confirmed that there were no material transactions between the Council and any company in which any officer had an interest. The total value of transactions between the Council and companies in which Officers have an interest is £0.020m.

During 2020/21, the Scottish Borders Council Pension Fund had an average balance of £1.43m (2019/20: £1.50m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.005m (2019/20: £0.005m). In addition the Council charged the Pension Fund £0.281m in respect of expenses incurred in administering the Fund. There are no additional related party transactions that require to be disclosed. The Pension Fund balance due from Scottish Borders Council to the Pension Fund at the balance sheet date and disclosed in the net assets statement is as follows:

	2019/20	2020/21
Due to/ (from) the Scottish Borders Council Pension Fund	(£0.142m)	(0.244m)

The Council provided routine material financial assistance to other bodies in 2020/21 as follows:

- Jedburgh Leisure Facilities Trust £0.115m

The Council works closely with NHS Borders in order to provide a range of services across health and social care pathways. In terms of social care specifically, NHS Borders contributes towards the cost of the services provided in four main ways.

Resource Transfer – a total of £2.555m was transferred from NHS Borders and utilised as follows:

Children's Services	£0.107m
Older People	£1.220m
Adults with Learning Difficulties	£0.945m
People with Mental Health Needs	£0.075m
Support Services	£0.208m

Other funding from NHS Borders in 2020/21 to support services is:

Older people	£10.987m
Adults with Learning Difficulties	£1.492m
People with Mental Health Needs	£0.551m
People with Physical Difficulties	£0.328m
Other Support Services	£1.068m

This includes the additional Scottish Government allocation of Social Care Funding directed by the Health and Social Care Partnership Integration Joint Board during the financial year.

Notes to the Core Financial Statements

Borders Ability Equipment Store

The Store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure totalled £1.222m in 2020/21 with a contribution from the NHS Borders of £0.529m. The contribution from NHS Borders is now a 50% contribution of spend.

Galashiels Resource Centre

This is a day centre run jointly with the NHS Borders for adults with mental health needs. The full time manager of this service is employed by NHS Borders with a recharge of £0.026m to the Council. All other expenditure is incurred by the Council.

Scottish Borders Council is a corporate member of Bridge Homes LLP, which has been established to assist in the delivery of affordable housing, in accordance with the Scottish Government's National Housing Trust (NHT) initiative. The Council has consent to borrow (from the Scottish Government) to finance loans to Bridge Homes LLP in respect of housing units.

Tweedside NHT 2011 LLP which was also established to help with the delivery of affordable housing and to which Scottish Borders Council was a corporate member, dissolved on 22nd September 2020.

The Council made no further advances to Bridge Homes LLP during 2020/21. The Council received interest on the advance from Bridge Homes LLP during the year. The Council's net advances to Bridge Homes LLP are shown within long term debtors on the Council's balance sheet. Bridge Homes LLP has been consolidated into the Council's Group Accounts as a Subsidiary.

The Scottish Borders Health and Social Care Integration Board was established on 6th February 2016. This is a partnership between Scottish Borders Council and NHS Borders which has been established to bring about change in the way health and social care services are planned, commissioned and delivered. In 2020/21 the Council made a payment of £51.713m to the Board with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31st March 2021 a debtor of £2.725m and creditor figure of £12.592m between the Board and Scottish Borders Council was outstanding.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. Payments of £6.096m (including management fee of £5.193m) were made to the trust in 2020/21.

Lowood Tweedbank Limited was established on 30 November 2018 to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements. Rental income for 2020/21 due to Lowood Tweedbank Limited amounted to £40k.

Common Good and Trusts

Interest payable to Common Good and Trust Funds in relation to investments in SBC Loans Fund was £1k for 2020/21.

Note 11 Audit Remuneration

In 2020/21 the agreed audit fee for the year was £0.288m in respect of services provided by Audit Scotland (2019/20 £0.280m). Within this fee £6k is in respect of services provided by Audit Scotland in relation to the audit of Scottish Borders Council Common Good and Trust Funds Annual Accounts. (£6k in 2019/20)

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2020/21

	Property Plant & Equipment						Total Assets £'000
	Other Land & Buildings	VPFE *	Infrastructure	Assets under Construction	Surplus Assets	Heritage Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	
Gross book value (GBV) at 31 March 2020	425,074	71,006	247,787	27,343	4,835	1,036	777,081
Acquisitions & Recognition in the year	5,277	15,339	9,839	53,825	125	-	84,405
Revaluation Increase/(Decrease) To Revaluation Reserve	236	-	(164)	-	(165)	(22)	(115)
Revaluation Increase/(Decrease) To CIES	(3,912)	-	(540)	-	(56)	-	(4,508)
Transfers	32,812	721	2,718	(37,509)	1,258	-	-
Disposals	(746)	(2,357)	-	(285)	(512)	-	(3,900)
Gross book value (GBV) at 31 March 2021	458,741	84,709	259,640	43,374	5,485	1,014	852,963
Cumulative depreciation at 31 March 2020	(50,955)	(49,252)	(117,845)	(1,017)	(45)	-	(219,114)
Depreciation for the year	(13,884)	(8,965)	(8,521)	-	(60)	-	(31,430)
Revaluation Written Out To Revaluation Reserve	2,657	-	70	-	517	-	3,244
Revaluation Written Out To CIES	882	-	528	-	116	-	1,526
Impairment Losses Recognised In Revaluation Reserve	(101)	-	-	-	-	-	(101)
Impairment Losses Recognised In CIES	(493)	(256)	(318)	(42)	(124)	-	(1,233)
Transfers	481	-	-	-	(481)	-	-
Disposals	-	1,281	-	285	17	-	1,583
Cumulative depreciation at 31 March 2021	(61,413)	(57,192)	(126,086)	(774)	(60)	0	(245,525)
Net book value at 31 March 2021	397,328	27,517	133,554	42,600	5,425	1,014	607,438
Net book value at 31 March 2020	374,119	21,754	129,942	26,326	4,790	1,036	557,967

* VPFE – Vehicles, Plant, Furniture and Equipment

Notes to the Core Financial Statements

Comparative Movements in 2019/20

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2019	414,512	62,106	237,218	21,524	3,601	1,036	739,997
Acquisitions & Recognition in the year	5,905	12,132	10,569	13,473	19	-	42,098
Revaluation Increase/(Decrease) To Revaluation Reserve	581	-	-	-	135	-	716
Revaluation Increase/(Decrease) To CIES	15	-	-	-	(1,541)	-	(1,526)
Transfers	4,478	-	-	(7,618)	3,128	-	(12)
Disposals	(417)	(3,232)	-	(36)	(507)	-	(4,192)
Gross book value (GBV) at 31 March 2020	425,074	71,006	247,787	27,343	4,835	1,036	777,081
Cumulative depreciation at 31 March 2019	(35,234)	(43,489)	(109,040)	(36)	(40)	-	(187,839)
Depreciation for the year	(12,444)	(6,838)	(8,250)	-	(51)	-	(27,583)
Revaluation Written Out To Revaluation Reserve	85	-	-	-	227	-	312
Revaluation Written Out To CIES	-	-	-	-	24	-	24
Impairment Losses Recognised In Revaluation Reserve	(266)	-	-	-	-	-	(266)
Impairment Losses Recognised In CIES	(3,369)	(397)	(555)	(1,017)	-	-	(5,338)
Transfers	243	-	-	-	(231)	-	12
Disposals	30	1,472	-	36	26	-	1,564
Cumulative depreciation at 31 March 2020	(50,955)	(49,252)	(117,845)	(1,017)	(45)	-	(219,114)
Net book value at 31 March 2020	374,119	21,754	129,942	26,326	4,790	1,036	557,967
Net book value at 31 March 2019	379,278	18,617	128,178	21,488	3,561	1,036	552,158

The Council had no investment properties in 2020/21

Community assets are valued on a historical cost basis at nil value as per the Code and include assets such as parks, playing fields, cemeteries, etc. Such assets are all included in Other Land & Buildings.

In accordance with IFRS13 Fair Value Measurement, all Surplus Assets are now valued at highest and best use from market participants perspective. All revaluations fall under Level 1 of the fair value hierarchy.

Notes to the Core Financial Statements

Capital Commitments

As at 31 March 2021 the Council has entered into a number of commitments for the construction or enhancement of Property, Plant and Equipment in future years, this is budgeted to cost £84.205m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2021 £'000
Asset & Infrastructure	48,499
Corporate Improvement & Economy	3,152
Children & Young People	505
Finance & Regulatory Services	32,049
Total	84,205

Valuation and Depreciation

Land and Buildings

- The Council has adopted a 5-year rolling programme of revaluations whereby each individual asset will be examined during that term in line with events and planned capital expenditure. During 2020/21 the fixed assets relating to Technical Services and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. In accordance with IFRS13 Fair Value measurement, Surplus assets are now valued at highest and best use. Properties were valued by the Council's Estates Manager, N.Hastie MRICS.

Vehicles, Plant, Furniture and Equipment

- All Vehicles and Plant were valued at depreciated historic cost.

Infrastructure

- Infrastructure was valued at depreciated historic cost.

Depreciation

- Land has not been depreciated.
- Buildings and Surplus Properties have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the valuer.
- Vehicles, Plant, etc. have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the Transport Manager.
- Furniture & Fittings are depreciated over 5 years.
- IT equipment is depreciated between 3 and 5 years.
- Roads infrastructure has been depreciated, using the straight-line method, over 25 years.
- IT infrastructure has been depreciated over 5 years.

Depreciation has been directly charged to services.

Notes to the Core Financial Statements

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluation Cycle

The groups of land and buildings revalued in each of the last five years were:

- 1 April 2020 – Technical Services and Surplus Properties
- 1 April 2019 – Common Good, Trust and Surplus Properties
- 1 April 2018 – Planning, Economic Development, and Surplus Properties
- 1 April 2017 – Education & Lifelong Learning and Surplus Properties
- 1 April 2016 – Social Work, Resources and Surplus Properties

Social Work and Resources Properties will be revalued as at 1 April 2021 with the resulting adjustments incorporated into the 2021/22 accounts of the Council.

	Property Plant & Equipment					Heritage Assets £'000	Total Assets £'000
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000		
Carried at Historical Cost	414,412	84,709	259,746	43,374	9,760	1,036	813,037
New Certified Valuation							
1st April 2020	(137)	-	(106)	-	412	(22)	147
1st April 2019	681	-	-	-	(1,155)	-	(474)
1st April 2018	1,194	-	-	-	218	-	1,412
1st April 2017	36,465	-	-	-	(4,178)	-	32,286
1st April 2016	6,126	-	-	-	428	-	6,554
Gross book value (GBV) at 31 March 2021	458,741	84,709	259,640	43,374	5,485	1,014	852,963

Notes to the Core Financial Statements

Note 13 Heritage Assets

	Museum Collection £'000	Fine Arts Collection £'000	Monuments, Memorials & Statues £'000	Totals Tangible Fixed Assets £'000	Total Heritage Assets £'000
Cost or Valuation at 31 March 2019	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	-	-	-
Cost or Valuation at 31 March 2020	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	(22)	(22)	(22)
Cost or Valuation at 31 March 2021	161	771	82	1,014	1,014

During 2020/21 Monuments, Memorials and Statues were revalued as part of the Technical Services portfolio.

The Council accepts the general principle that it is its responsibility to ensure to the best of its ability that all of the Collections in its care are adequately housed, professionally cared for, conserved and documented in line with their cultural and historic importance to the Communities of the Scottish Borders. The Collection Policy approved in September 2010 can be obtained from the Education & Lifelong Learning Department of the Council.

Museum Collection

This collection is held for display in the various Museum Service venues throughout the Scottish Borders. Those items not on display are held in secure store in various locations.

Fine Arts Collection

This collection is on display at a number of Council owned locations in the Scottish Borders and through loan at other locations containing National Collections. It comprises pictures by leading Border Artists including Tom Scott and Anne Redpath and pictures of Border subjects.

Archive Centre Collection

The collecting policy for the papers and recordings in these growing collections is set out on the Heritage Hub website and a full index of papers held is available at the Archive Centre. All of the material is available for public access and relates to Scottish Borders families, locations and institutions.

Monuments, Memorials and Statues Collection

This collection is recorded in the Property & Facilities Service of the Chief Executive's Department and includes the numerous War Memorials throughout the Borders, the monuments on Council land and the statues located in the parks and streets of the villages and towns of the Borders.

Notes to the Core Financial Statements

Note 14 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounts for as part of the hardware item of Property, Plant and Equipment. Intangible assets in the form of purchased software are amortised on a straight line basis over the estimated useful life of the asset, which is estimated at 3 to 5 years.

2019/20 £'000		2020/21 £'000
1,402	Gross book value (GBV) at 31 March	1,415
1,402	Revised Gross book value (GBV) at 31 March	1,415
13	Expenditure in the year	1,176
1,415	Gross book value (GBV) at 31 March	2,591
(1,341)	Cumulative amortisation at 31 March	(1,375)
(1,341)	Revised Cumulative amortisation at 31 March	(1,375)
(29)	Amortisation for the year	(34)
(5)	Impairment Losses Recognised in CIES	-
(1,375)	Cumulative amortisation at 31 March	(1,409)
40	Net book value at 31 March	1,182

There were no revaluations of intangible assets in 2019/20 or 2020/21

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2019/20 or 2020/21.

Note 16 Private Finance Initiatives and Similar Contracts

During 2006/07 the Council entered into a Public Private Partnership (PPP) for the provision of new secondary schools in Earlston, Duns and Eyemouth. These assets are recognised on the Council's Balance Sheet. During 2017/18 the Council entered into an agreement for the provision of a new secondary school in Kelso, this has also been recognised as an asset on the Council's Balance Sheet.

The new Jedburgh Intergenerational Community Campus, which was also subject to provision from a PPP agreement, became operational in 2020/21 and has been recognised as a net asset during the year.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2021 are as follows:

	Payments for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2021/22	5,722	5,021	3,202	13,944
Payable within two to five years	26,176	18,523	13,714	58,413
Payable within six to ten years	40,468	21,873	17,119	79,459
Payable within eleven to fifteen years	50,165	23,863	13,468	87,495
Payable within sixteen to twenty years	35,399	18,059	9,507	62,965
Payable within twenty one to twenty five years	3,715	6,798	5,782	16,295
Total	161,644	94,136	62,791	318,571

Notes to the Core Financial Statements

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure they incurred and interest payable.

Further details of the arrangements under Private Finance Initiatives can be found in our Accounting Policies on pages 60 and 61.

Note 17 Leases

Council as Lessee

Finance Leases

The net book value of assets held under finance leases at the Balance Sheet date is as follows:

2019/20 £'000		2020/21 £'000
	Net Asset Value	
80,070	Land and buildings	111,289
80,070		111,289

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The balances shown under Land and Buildings relate to the Council's PPP arrangement for the provision of five secondary schools, as detailed in Note 16. The minimum lease payments are made up of the following amounts:

Land & Buildings 2019/20 £'000		Land & Buildings 2020/21 £'000
	Finance Lease Liabilities	
3,226	Not later than 1 year	5,021
11,761	Later than 1 year and not later than 5 years	18,523
52,422	Later than 5 years	70,592
	Finance Costs Payable in Future Years	
2,830	Not later than 1 year	3,202
11,083	Later than 1 year and not later than 5 years	13,714
28,358	Later than 5 years	45,875
109,679	Minimum Lease Payments	156,926

The contingent rental figure, recognised as an expense in 2020/21 in respect of the Council's PPP arrangements, was £2.069m (2019/20 £1.581m).

Notes to the Core Financial Statements

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

2019/20 £'000		2020/21 £'000
308	Not later than 1 year	308
1,233	Later than 1 year and not later than 5 years	1,233
1,413	Later than 5 Years	1,105
2,953	Total	2,646

Council as Lessor

Finance Leases

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2019/20 £'000		2020/21 £'000
1,722	Not later than one year	1,696
1,423	Later than one year and not later than five years	1,174
6,098	Later than five years	2,690
9,242	Total	5,560

Notes to the Core Financial Statements

Note 18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

The Capital Investment figure includes the PPP arrangement for Jedburgh Intergenerational Campus for which revenue payments are made of £32.5m. The balance of £54.8m is funded by the Capital Financial Plan for 2020/21 as detailed in the Management Commentary section of this report.

2019/20		2020/21	
£'000		£'000	
315,352	Opening capital financing requirement		313,402
	Capital Investment		
-	Consent to Borrow	-	
304	Subordinated Debt	-	
43,859	Property, plant and equipment	86,115	
13	Intangible assets	1,176	87,291
	Sources of Finance		
(2,638)	Capital Receipts	(2,030)	
(32,945)	Government grants and other contributions	(35,452)	
-	NHT Repayment of Principal	-	
(4)	Subordinated Debt Repayment	(1)	
(10,539)	Loans fund repayments	(12,654)	(50,137)
313,402	Closing Capital Financing Requirement		350,556

2019/20		2020/21	
£'000		£'000	
	Explanation of Movements in Year		
-	Increase in underlying need to borrow (supported by government financial assistance)		-
(1,950)	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)		37,154
(1,950)	Increase/(Decrease) in capital financing requirement		37,154

Note 19 Termination Benefits

During 2020/21 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 3 employees, incurring expenditure of £0.03m - see the Remuneration Report for further detail on the exit packages granted and total cost per band. These packages are attributable to various areas throughout the Council.

Note 20 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Notes to the Core Financial Statements

The Council participates in two formal pension schemes:

The Local Government Pension Scheme is a funded defined benefit career average salary pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018, as amended. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

The Teachers' Pension Scheme is a defined benefit scheme. However it is accounted for as a defined contribution scheme. Further details can be found at Note 21.

Transactions relating to retirement benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2019/20 £'000	Comprehensive Income and Expenditure Statement	2020/21 £'000
	<i>Cost of Services</i>	
26,850	Current Service Costs	25,513
0	Past Service Costs, including curtailments	-
	<i>Financing and Investment Income and Expenditure</i>	
4,975	Net Interest Expense	3,378
31,825	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	28,891
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
21,700	Return on plan assets (excluding the amount included in the net interest expense)	(103,083)
(72,466)	Actuarial (gains) and losses arising on changes in financial assumptions	183,195
(28,995)	Actuarial (gains) and losses arising on changes in demographic assumptions	(23,777)
4,988	Other	3,505
(74,773)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	59,840
	<i>Movement in Reserves Statement</i>	
27,393	Reversal of net charges made for retirement benefits in accordance with the Code	14,222
	Actual amount charged against the General Fund Balance for pensions in the year	
11,670	Employers' contributions payable to the scheme	13,311
1,380	Retirement benefits payable to pensioners	1,358
(8,618)	Effect Of Business Combinations & Disposals	0

Notes to the Core Financial Statements

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:-

2019/20 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2020/21 £'000
776,923	Present value of the defined benefit obligation	961,716
(635,319)	Fair value of plan assets	(746,050)
141,604	Sub total	215,666
141,604	Net liability arising from defined benefit obligation	215,666

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. Finance will only be required to cover discretionary benefits when the pensions are actually paid.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2019/20 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2020/21 £'000
635,933	Opening Fair Value of Scheme Assets	635,319
15,274	Interest Income	14,524
	Remeasurement (gains) and losses:-	
(21,700)	Return on plan assets, excluding the amount included in the net interest expense	103,083
	Other	
11,670	Employer Contributions including unfunded pensions	13,311
3,861	Contributions by Scheme Participants	4,426
(24,019)	Estimated Benefits Paid	(24,613)
14,300	Effect Of Business Combinations & Disposals	-
635,319	Closing Fair Value of Scheme Assets	746,050

Notes to the Core Financial Statements

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2019/20 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2020/21 £'000
833,535	Opening Defined Benefit Obligation	776,923
26,850	Current Service Cost	25,513
20,249	Interest Cost	17,902
3,861	Contributions by Scheme Participants	4,426
22,918	Effect Of Business Combinations & Disposals	-
	Remeasurement (gains) and losses:-	
(101,461)	Actuarial (gains)/losses arising from changes in financial assumptions	159,418
(3,630)	Other	3,505
-	Past Service Cost	-
(24,019)	Benefits Paid	(24,613)
(1,380)	Unfunded Pension Payments	(1,358)
776,923	Closing Defined Benefit Obligation	961,716

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2021.

Local Government Pension Scheme assets comprised:-

All scheme assets have quoted prices in active markets other than the managed fund - Multi Assets, which is unquoted.

2019/20 £'000	Local Government Pension Scheme assets comprised:	2020/21 £'000
9,955	Cash and cash equivalents	13,613
	Equity Instruments	
	<i>By industry type</i>	
30,033	Consumer	38,362
26,742	Manufacturing	37,667
19,025	Energy and utilities	44,931
32,022	Financial Institutions	37,265
20,781	Health and Care	13,112
17,599	Information Technology	17,471
1,908	Other	2,582
148,110		191,390
	Investment Funds - Quoted in Active Market	
127,114	Managed Fund - UK Equities Passive	147,679
88,939	Managed Fund - Property	82,460
119,193	Managed Fund - Bonds	155,499
335,246		385,638
	Investment Funds - Not Quoted	
142,008		155,409
635,319	Total Assets	746,050

Notes to the Core Financial Statements

The risks relating to direct equity instruments in the scheme are also analysed by company size below:

2019/20	Fair Value of Scheme Assets	2020/21
£'000		£'000
148,110	Equity instruments: <i>By company size</i> Large capitalisation	191,390

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2020.

The principal assumptions used by the actuary are shown below:

2019/20	Basis for Estimating Assets and Liabilities	2020/21
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
22.40	Men	20.90
24.00	Women	23.50
	- longevity at 65 for future pensioners (years)	
23.80	Men	21.80
25.50	Women	25.40
3.2%	Rate of inflation - RPI	3.3%
2.3%	Rate of inflation - CPI	2.4%
2.9%	Rate of increase in salaries	3.6%
1.9%	Rate of increase in pensions	2.9%
2.3%	Rate for discounting scheme liabilities	2.0%

The Scheme assets consist of the following categories by proportion and the value of assets held:

2019/20		Category Analysis of the Scheme Assets as at 31 March 2021	2020/21	
%	£'000		%	£'000
43	275,224	Equities	45	339,069
-	-	- Gilts	-	-
19	119,193	Other Bonds	21	155,499
14	88,939	Property	11	82,460
2	9,955	Cash	2	13,613
14	90,302	Multi-Asset Fund	13	95,746
-	-	- Private Credit	-	-
8	51,706	Infrastructure	8	59,663
100	635,319	Total	100	746,050

Notes to the Core Financial Statements

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employers Liability £'000
Adjustment to real discount rate - 0.5% decrease	9%
Adjustment to long term salary increase - 0.5% increase	1%
Adjustment to pension increase rate - 0.5% increase	8%
Adjustment to mortality rating assumption - 1 year increase	3-5%

Note 21 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2020/21 the Council paid £11.4m to teachers' pensions in respect of teachers' retirement benefits, representing 23% of pensionable pay for the period 1st April 2020 to 31st March 2021 (£10.132m and 17.2% 1st April to 31 Aug 2019, 23% 1st September 2019 to 31st March 2020 in 2019/20). The employer's contribution increased as a result of a revaluation of the Scottish Teacher's pension scheme under the Public Service Pensions Act 2013. There were no contributions remaining payable at the year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers' pensions use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside of the terms of the teachers' Scheme. In 2020/21 these amounted to £0.719m representing 1.45% of pensionable pay (£0.721m and 1.46% in 2019/20).

Notes to the Core Financial Statements

Note 22 Scottish Borders Council Pension Fund

Scottish Borders Council manages and administers this Fund which provides pensions and other benefits to its employees and a further 16 employers in the Scottish Borders. As at 31 March 2021 there were 11,664 members.

The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 (SSI 2010/234) require an administering authority to publish a separate pension fund annual report. This report will include a Fund Account, Net Asset Statement with supporting notes and disclosures prepared in accordance with proper practices.

A copy of this report is available by contacting Scottish Borders Council, Chief Executive's Department, Council Headquarters, Newtown St Boswells, TD6 0SA.

Note 23 Events After the Balance Sheet Date

There were no events to report after the balance sheet date.

Note 24 Inventories

2019/20 £'000		2020/21 £'000
820	Balance outstanding at start of year	952
132	Movement during year	693
952	Balance outstanding at year-end	1,645

Notes to the Core Financial Statements

Note 25 Provisions

Provisions are recognised in the accounts when:

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

Where it is estimated that a provision will be utilised within 12 months of the Balance Sheet date it is included within current liabilities.

	Contractual Claims £'000	Equal Pay £'000	Voluntary Severance / Early Retirement £'000	Asset Decommissioning £'000	Total £'000
Balance at 1 April 2020	(80)	(268)	-	(3,648)	(3,996)
Additional charges to provisions	-	-	-	(128)	(128)
Payments made or released	19	260	-	273	552
Balance at 31 March 2021	(61)	(8)	-	(3,503)	(3,572)
Within 12 Months	(61)	(8)	-	(65)	(134)
Over 12 months	-	-	-	(3,438)	(3,438)
Total	(61)	(8)	-	(3,503)	(3,572)

Provision for contractual claims is the anticipated cost for remedial works relating to SBc Contracts.

Equal Pay Provision - Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay.

Provision for asset decommissioning reflect the Council's liability for restoration and ongoing maintenance in respect of the Langlee landfill site. This has been provided for based on the net present value of estimated future costs.

Note 26 Contingent Liabilities

The following contingent liabilities are noted:

- The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £322,797, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £47,509 at the Balance Sheet date.
- There has been a European Court of Justice ruling relating to workers annual leave payment entitlement. The financial implications of this judgement for Scottish Borders Council are unclear at present and therefore this has been included as a contingent liability in this years' annual accounts.
- The Council has a commitment to provide Bridge Homes LLP with a loan facility up to a maximum value of £18.8m in order to allow Bridge Homes LLP to deliver affordable housing in the Scottish Borders in line with the Council's Local Housing Strategy. If Bridge Homes were inclined to borrow up to £18.8m in order to provide affordable homes, the Council would be liable to loan the funds up to this level.

Notes to the Core Financial Statements

- The Council has agreed to act as guarantor for Live Borders with regards to their admission to the Scottish Borders Pension Fund. Should Live Borders be unable to meet their pension obligations, Scottish Borders Council as guarantor would be liable to do so. Our Actuary has provided figures based on the projected bond level that would be needed to be established to reflect these pension fund liabilities, for those employees that transferred over to Live Borders it is £2.937m.
- On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. However due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on Scottish Borders Council at this time.
- There has been a legal case regarding pension obligations relating to Civil Partnerships, it is too early to assess what the financial implications of this will be on Local Government Pension Schemes.

Note 27 Contingent Assets

The following Contingent Assets are noted:

- The European Commission issued a decision which found that European truck manufacturers had engaged in price fixing and other cartel activities over a 14 year period between 1997 and 2011 in relation to trucks over six tonnes. Scottish Borders Council is joining with other Scottish Local Authorities and public bodies to raise legal actions seeking compensation for losses it has suffered as a result of this illegal activity.

Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2020/21. The table below includes £11.3m COVID-19 grant funding credited to services in 2020/21.

Restated 2019/20 £'000		2020/21 £'000
	Credited to Taxation and Non Specific Grant Income	
(16,765)	General Capital Grant	(11,545)
(13,610)	Other Grants	(18,818)
(586)	Developer Contributions	(534)
(30,961)	Total	(30,896)
	Credited to Services	
(13)	Asset & Infrastructure	(101)
(2,231)	Corporate Improvement & Economy	(3,707)
(3,205)	Health & Social Care	(10,680)
(9,209)	Children & Young People	(15,264)
(2,073)	Finance & Regulatory Services	(1,270)
(24,069)	Customer & Communities	(23,122)
(442)	Human Resources	(61)
(41,242)		(54,206)

Notes to the Core Financial Statements

Note 29 Financial Instruments

Scottish Borders Council have taken into consideration the requirements of IFRS9 – Financial Instruments and, based on the financial instruments held, do not consider there to be any impact on these Financial Statements or prior year figures.

A financial instrument is any contract which gives rise to a financial asset within one entity and a financial liability within another. The term 'financial instrument' covers both financial liabilities and financial asset.

Fair Value Hierarchy:

Under IFRS 13 (Fair Value Measurement) the authority is required to maximise the use of relevant observable inputs and minimise the use of unobservable inputs. To achieve this objective, local authorities are required to follow the fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into the three levels as listed below:

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

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

Level 3 – unobservable inputs for the asset or liability.

Fair Value Hierarchy For Financial Assets And Liabilities That Are Not Measured At Fair Value

	31st March 2021			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(305,961)	-	(305,961)
Market Debt	-	(587)	-	(587)
Other debt	-	(84,671)	-	(84,671)
Total	-	(391,219)	-	(391,219)

	31st March 2020			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(348,466)	-	(348,466)
Market Debt	-	(597)	-	(597)
Other debt	-	(83,227)	-	(83,227)
Total	-	(432,290)	-	(432,290)

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

Notes to the Core Financial Statements

The fair value for financial liabilities and financial assets that are not measured at fair value are shown at their carrying value since this is a reasonable approximation of their value. These are short term assets and liabilities such as accounts payables and receivables.

Financial Instruments - Balances

The following categories of financial instrument are carried on the Council's Balance Sheet:

	Long Term		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
Loans and Receivables				
Cash and Cash Equivalents	-	-	10,488	27,417
Debtors	6,647	6,711	47,584	43,698
Total Loans and Receivables	6,647	6,711	58,072	71,115
Borrowings				
Bank Overdraft	-	-	(367)	-
Financial Liabilities (principal amount)	(202,574)	(202,562)	(762)	(15,002)
Accrued interest	-	-	(3,292)	(3,229)
Total Borrowings	(202,574)	(202,562)	(4,421)	(18,231)
Other Liabilities				
PPP and finance lease liabilities	(64,182)	(89,115)	(3,226)	(5,021)
Bonds	-	-	(1,465)	(1,732)
Total other long-term liabilities	(64,182)	(89,115)	(4,691)	(6,753)
Creditors				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(43,481)	(43,965)
Total Creditors	-	-	(43,481)	(43,965)

Borrowing is taken principally from the Public Works Loans Board (PWLB), but is also taken from the money market, to meet the Council's overall capital financing requirements.

The following table shows a breakdown of borrowing:

31 March 2020			31 March 2021	
£'000	%		£'000	%
(36,205)	17	Bonds and Mortgages	(36,193)	16
(166,369)	81	Public Works Loan Board	(156,087)	72
(202,574)	98	Long term borrowing (> 1 year)	(192,280)	88
(4,054)	2	Short Term Borrowing repayable within 12 months	(28,513)	13
(206,628)	100	Total Borrowing	(220,793)	100

Notes to the Core Financial Statements

Analysis of Borrowing by Maturity.

2019/20 £'000		2020/21 £'000
(4,054)	Less than 1 year	(28,513)
(11,299)	Between 1 and 2 years	(1,778)
(27,520)	Between 2 and 7 years	(27,047)
(7,800)	Between 7 and 15 years	(7,500)
(155,955)	More than 15 years	(155,955)
(206,628)	Total	(220,793)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	2020/21		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	11,943	-	11,943
Interest payable and similar charges	11,943	-	11,943
Interest Income	-	(250)	(250)
Interest and investment income	-	(250)	(250)
Net (gain) / loss for the year	11,943	(250)	11,693

	2019/20		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	12,756	-	12,756
Interest payable and similar charges	12,756	-	12,756
Interest Income	-	(407)	(407)
Interest and investment income	-	(407)	(407)
Net (gain) / loss for the year	12,756	(407)	12,350

Notes to the Core Financial Statements

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(166,369)	(348,466)	(166,369)	(305,961)
Other debt	(40,259)	(83,824)	(54,424)	(85,258)
Total debt	(206,628)	(432,290)	(220,793)	(391,219)
Creditors	(48,171)	(48,171)	(50,718)	(50,718)
Total financial liabilities	(254,799)	(480,461)	(271,511)	(441,937)

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	10,488	10,488	27,417	27,417
Debtors	47,584	47,584	43,698	43,698
Total loans and receivables	58,072	58,072	71,115	71,115

All of the financial assets were of less than one year duration and therefore the fair value equates to the amortised cost on the balance sheet.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its day to day obligations to make payments.
- **Re-financing risk** – the possibility that the Council may need to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Notes to the Core Financial Statements

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are determined through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- By approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing
 - its maximum and minimum exposures to fixed and variable rates
 - its maximum and minimum exposures to the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations.

These are required to be reported and approved at or before setting the Council's annual Council Tax budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each financial year, as is a mid-year update.

These policies are implemented by a central treasury team. The Council maintains a strategy for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The annual Treasury Management Strategy for 2020/21 which incorporates the prudential indicators was approved by the Council on 26 February 2020. The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £498.1. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £415.1m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £415.1m and £145.3m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt were as follows:

Period	Minimum	Maximum
Under 12 months	0%	20%
1 to 2 years	0%	20%
2 to 5 years	0%	20%
5 to 10 years	0%	20%
Over 10 years	20%	100%

Notes to the Core Financial Statements

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2020/21 was approved by the Council on 26 February 2020 and is available on the Council's website: <http://www.scotborders.gov.uk/>

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2021 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses for non-performance by any of its counterparties in relation to its deposits.

Liquidity Risk

Liquidity risk is the risk that the Council may not have sufficient cash available to meet its day to day obligation to make payments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Notes to the Core Financial Statements

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt, and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, together with the maximum and minimum limits for fixed interest rates maturing in each period, as approved by the Council in the Treasury Management Strategy on 26 February 2020:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31 March 2020 £'000	Actual 31 March 2021 £'000
Less than one year			68,360	20	4,054	28,513
Between one and two years			68,360	20	11,299	1,778
Between two and seven years			68,360	20	27,520	27,047
Between seven and fifteen years			68,360	20	7,800	7,500
More than fifteen years	68,360	20	314,800	100	155,955	155,955
Total					206,628	220,793

Market Risk

There are three main market risks to which the Council is exposed:

(i) **Interest Rate Risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise, and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Notes to the Core Financial Statements

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investment	237
Decrease in fair value of fixed rate borrowing liabilities (No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	63,580

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. However, given the low interest rates currently available on deposits, it may simply mean then that no interest would be available. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

- (ii) **Price Risk** - The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.
- (iii) **Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies at the Balance Sheet date. It therefore has no exposure to loss arising from movements in exchange rates.

Notes to the Core Financial Statements

Note 30 Debtor and Creditor Analysis

The Councils short term debtor and creditor balances can be categorised as follows:

Debtors

2019/20 £'000		2020/21 £'000
23,085	Trade Receivables	19,859
5,952	Prepayments	3,912
30,020	Other Receivable Amounts	31,874
59,056		55,646

Creditors

2019/20 £'000		2020/21 £'000
(16,094)	Trade Payables	(16,670)
(32,077)	Other Payables	(34,048)
(48,171)		(50,718)

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

2019/20 £'000		2020/21 £'000
1,248	Less Than 2 Months	632
301	2 To 4 Months	791
651	4 To 6 Months	2,689
1,869	6 Months To 1 Year	1,092
21,850	More Than 1 Year	23,388
25,919		28,592

Notes to the Core Financial Statements

Note 31 Movement in Reserves

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

	Balance as at 31 March 2020	Transfers between reserves and funds	Gains or Losses for the Year	Balance as at 31 March 2021
	£'000	£'000	£'000	£'000
Usable Reserves				
General Fund Balances	(19,179)	(3,068)	(14,194)	(36,441)
Capital Fund	(9,544)	(385)	-	(9,929)
Property Maintenance Fund	(1)	(361)	-	(362)
Insurance Fund	(1,397)	(136)	-	(1,532)
Unusable Reserves				
Capital Adjustment Account	(137,271)	(15,558)	(75)	(152,904)
Financial Instruments Adjustment Account	6,441	(319)	-	6,122
Revaluation Reserve	(113,445)	5,202	(3,030)	(111,272)
Pensions Reserve	141,604	14,222	59,840	215,666
Employee Statutory Adjustment Account	6,285	401	-	6,687
Total	(126,507)	1	42,541	(83,965)

Notes to the Core Financial Statements

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

This details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

A summary of all reserves movements are shown below:

Adjustments between accounting basis & funding basis under regulations 2019/20

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(27,613)	-	-	-	(27,613)	27,613	-	12 & 14
Impairment losses (charged to CI&ES)	(5,342)	-	-	-	(5,342)	5,342	-	
Revaluation Losses	(1,502)	-	-	-	(1,502)	1,502	-	
Capital grants and contributions applied	30,961	-	-	-	30,961	(30,961)	-	28
Employee Statutory Adjustments	(952)	-	-	-	(952)	952	-	
Profit/(Loss) on disposal of assets	(71)	(2,556)	-	-	(2,627)	2,627	-	
Revenue Exp Funded From Capital under Statute	(1,761)	-	-	-	(1,761)	1,761	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	319	-	-	-	319	(319)	-	
Net retirement charges per IAS 19	(30,445)	-	-	-	(30,445)	30,445	-	
Loans Fund principal repayments and Statutory premia	10,539	-	-	-	10,539	(10,539)	-	
Capital Expenditure charged to General Fund balance	504	-	-	-	504	(504)	-	
Employers contribution payable to Pension Fund	11,670	-	-	-	11,670	(11,670)	-	
Net Transfers to or (from) other reserves	2,138	1,814	446	(200)	4,199	(4,199)	-	
Total in year adjustments	(11,557)	(741)	446	(200)	(12,052)	12,052	-	

Notes to the Core Financial Statements

Adjustments between accounting basis & funding basis under regulations 2020/21

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(31,464)	-	-	-	(31,464)	31,464	-	12 & 14
Impairment Losses (charged to CI&ES)	(1,233)	-	-	-	(1,233)	1,233	-	
Revaluation Losses	(2,982)	-	-	-	(2,982)	2,982	-	
Capital grants and contributions applied	30,896	-	-	-	30,896	(30,896)	-	28
Employee Statutory Adjustments	(401)	-	-	-	(401)	401	-	
Profit/(Loss) on disposal of assets	(401)	(1,915)	-	-	(2,316)	2,316	-	
Revenue Exp Funded From Capital under Statute	(1,710)	-	-	-	(1,710)	1,710	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	319	-	-	-	319	(319)	-	
Net retirement charges per IAS 19	(27,533)	-	-	-	(27,533)	27,533	-	
Loans Fund principal repayments and Statutory premia	12,654	-	-	-	12,654	(12,654)	-	
Capital Expenditure charged to General Fund balance	2,487	-	-	-	2,487	(2,487)	-	
Employers contribution payable to Pension Fund	13,311	-	-	-	13,311	(13,311)	-	
Net Transfers to or (from) other reserves	2,990	1,530	(361)	(136)	4,024	(4,023)	1	
Total in year adjustments	(3,068)	(385)	(361)	(136)	(3,949)	3,950	1	

Notes to the Core Financial Statements

Usable Reserves

Usable reserves are those that can be applied to fund expenditure or reduce the requirement to raise local taxation.

The General Fund Balances are further analysed as follows:

Restated 2019/20 £'000	Analysis as at 31 March	2020/21 £'000
	Earmarked Balances of the General Fund	
(1,160)	Children & Young People - Devolved School Management	(1,220)
	Specific Departmental Reserves	
(200)	Asset & Infrastructure	(245)
(317)	Corporate Improvement & Economy	(3,545)
(32)	Health & Social Care	(83)
(1,538)	Children & Young People	(2,200)
(919)	Customer & Communities	(1,069)
(3,960)	Finance & Regulatory Services	(17,090)
(286)	Human Resources	(130)
(2,988)	Allocated Reserves - Financial Plan	(2,027)
(11,400)		(27,609)
(7,779)	Non-Earmarked Balances of the General Fund	(8,832)
(19,179)	Total General Fund Reserve	(36,441)

Unusable Reserves

Unusable reserves are those that the Council is not able to use to provide services.

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Revaluation Reserve

The Revaluation Reserve contains the gains made by an Authority arising from increases in the value of its Property Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Employee Statutory Adjustment Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Notes to the Core Financial Statements

Note 32 Cash Flow

2019/20		2020/21
£'000		£'000
	Reconciliation to General Fund Surplus	
9,932	Net (Surplus) or deficit on the provision of services	(14,194)
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(27,584)	Depreciation	(31,429)
(6,845)	Impairment & Revaluation Loss through I & E	(4,216)
(29)	Amortisation of intangible assets	(34)
(18,775)	Movement in pension liability	(14,222)
(71)	Gain/Loss on carrying amounts of assets disposed	(401)
132	Net movement in inventories charged to I & E	693
10,256	Net movement in debtors charged to I & E	(2,736)
(520)	Net movement in creditors charged to I & E	1,003
(81)	Net movement in provisions charged to I & E	150
(43,517)		(51,192)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
30,961	Capital grants received	30,896
(1,265)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	168
29,696		31,064
(3,889)	Net Cash Outflow / (Inflow) from Operating Activities	(34,322)

Note 33

Impairment & Revaluation Losses

During 2020/21 SBC recognised a net impairment and revaluation loss of £4.216m within the Net Cost of Services. This includes a reversal of £0.714m against losses in previous years.

Note 34

Cash and Cash Equivalents

The balance of the cash and cash equivalents is made up of the following elements:

2019/20		2020/21
£'000		£'000
40	Cash held by officers	30
4,198	Bank current accounts	2,387
6,250	Short term deposits	25,000
10,488	Total	27,417

Supplementary Financial Statements

Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

2019/20			2020/21	
£'000	£'000		£'000	£'000
	(71,267)	Gross Charges Levied		(75,122)
5,201		Less: Council Tax Reduction Scheme	5,925	
5,201			5,925	
7,715		Discounts and Exemptions	8,175	
766		Allowance for Impairment	807	
(178)		Miscellaneous	-	
	13,504			14,907
	(57,763)			(60,215)
	(57,763)	Total Income Credited to the Comprehensive Income & Expenditure Statement		(60,215)

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2020

The calculation of the council tax base, ie the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) after providing for non-payment, as an equivalent number of band D dwellings and the level of non-payment provided for.

Band	Number of Properties 2019/20	Number of Properties 2020/21	Proportion	2019/20 £	2020/21 £
A	16,475	16,480	240/360	797.35	835.94
B	12,748	12,748	280/360	930.24	975.26
C	7,106	7,148	320/360	1,063.13	1,114.59
D	6,054	6,084	360/360	1,196.02	1,253.91
E	6,492	6,522	473/360	1,571.44	1,647.50
F	4,892	4,946	585/360	1,943.53	2,037.60
G	4,542	4,578	705/360	2,342.21	2,455.57
H	479	480	882/360	2,930.25	3,072.08
Total	58,788	58,986			

Supplementary Financial Statements

Council Tax Income Account

Note 2 Water and Waste Water Charges

The Council is required to bill and collect water and waste water charges on domestic properties along with Council Tax as part of an agency agreement. These charges were determined by Scottish Water and for 2020/21 the Band D charges were £207.36 for water and £240.75 for waste water.

Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool. A significant increase in reliefs has occurred since the year ended 31 March 2019 as a result of COVID-19 related reliefs afforded by the Scottish Government.

Restated 2019/20			2020/21	
£'000	£'000		£'000	£'000
	(53,016)	Gross Rates Levied & Contribution in Lieu		(52,679)
	2,115	Prior Year Adjustments		3,785
15,870		Less: Reliefs and Other Deductions	27,708	
419		Write-offs of uncollectable debts & allowance for impairment	253	
-		Interest paid on overpaid rates	-	
	16,288			27,960
	(34,612)			(20,934)
	(34,612)	Net Non-Domestic Rate Income		(20,934)
	-	Adjustment to Previous Years National Non-Domestic Rates		-
	(34,612)	Contribution to National Pool		(20,934)
	36,624	Distribution received from National Pool		23,388
	(36,624)	Income Credited to the Comprehensive Income & Expenditure Statement		(23,388)

Supplementary Financial Statements

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 1 April 2020

Classification	Number	Rateable Value £'000
Shops	1,251	20,621
Public Houses	79	1,384
Offices including Banks	970	8,222
Hotels etc	125	3,744
Industrial Factories, Warehouses, Stores	2,047	27,399
Leisure Entertainment, Caravans, Hol. Sites	1,172	6,301
Garages and Petrol Stations	213	2,362
Cultural	48	568
Sporting Subjects	1,111	2,061
Education and Training	101	10,245
Public Service Subjects	430	5,705
Communications (non Formula)	5	16
Quarries, Mines etc	12	675
Petrochemical	5	1,304
Religious	287	1,230
Health Medical	93	4,225
Other	419	1,995
Care Facilities	86	2,005
Advertising	7	12
Undertakings	31	5,317
Total	8,492	105,391

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2020/21 was:
49.8p for properties with a rateable value up to £51,000 with supplements of 1.3p for properties with a rateable value between £51,000 and £95,000, 2.6p for properties with a rateable value in excess of £95,000.

Trust Funds

Scottish Borders Council administers numerous charitable trusts and bequests. Elected members of the Council act as Trustees of these charities. Those registered with the Office of the Scottish Charity Regulator (OSCR) are detailed below:

- **Scottish Borders Council Education Trust**
- **Scottish Borders Council Community Enhancement Trust**
- **Scottish Borders Council Welfare Trust**

These three charities were registered with OSCR on April 1 2014 and each contains funds that are restricted by purpose and geographical area.

- Following the successful transfer of 7 trusts into the SBC Community and Enhancement Trust and 37 into the SBC Welfare Trust in 2018/19, **The Scottish Borders Council Charitable Trust** continues to administer 32 separate trusts and bequests as at the Balance Sheet date.
- **The Ormiston Trust for Institute** remains as a separately registered trust with OSCR.

All OSCR registered charities are subject to audit, in line with OSCR requirements and a full set of financial statements compliant with those requirements are published separately. The Council also administers a further 39 non registered charities.

Trust Funds

A summary Income and Expenditure Statement and Balance Sheet are detailed below, recognising all registered and unregistered charities administered by the Council.

Comprehensive Income & Expenditure Statements

2019/20 Total £'000		Charitable £'000	Other £'000	2020/21 Total £'000
	Income			
(16)	Donations & Legacies	(3)	(2)	(5)
(124)	Investments	(62)	(43)	(105)
(40)	Charitable Activities	-	(18)	(18)
-	Unrealised Gain On Investments	(162)	(151)	(313)
(0)	Recognition Of Fixed Assets & Investments	-	-	-
(632)	Revaluation Of Fixed Assets & Investments	-	-	-
	Expenditure			
145	Raising Funds	55	90	145
72	Charitable Activities	12	21	33
4	Other : Governance Costs	3	1	4
310	Unrealised Loss On Investments	-	-	-
(282)	(Surplus) / Deficit for the Year	(157)	(102)	(259)
(1,081)	(Surplus) brought forward	(677)	(518)	(1,195)
487	Funding (brought forward/carried forward) to Revaluation Reserve	(55)	(90)	(145)
(320)	Transfer to Capital Reserve	162	147	309
(1,195)	(Surplus) carry forward	(727)	(563)	(1,290)

Balance Sheet

2019/20 Total £'000		Charitable £'000	Other £'000	2020/21 Total £'000
	Non-current Assets			
2,082	Tangible Fixed Assets	309	1,627	1,936
1,665	Investments	1,022	1,036	2,058
-	Long term Loan	-	-	-
	Current Assets			
477	Short Term Investments	281	202	483
11	Sundry Debtors	4	10	14
	Current Liabilities			
-	Sundry Creditors	-	-	-
4,234	Net Assets	1,616	2,875	4,491
	Financed by			
(1,195)	Revenue Reserve	(727)	(563)	(1,290)
(1,027)	Capital Reserve	(632)	(703)	(1,335)
(2,011)	Revaluation Reserve	(257)	(1,609)	(1,866)
(4,234)		(1,616)	(2,875)	(4,491)

Common Good Funds

The Council administers the Common Good Funds for twelve towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2021, for each of the funds. The accounting policies applied are those as set out in pages 54 to 63.

All funds are invested in the Aegon Asset Management diversified income fund.

The Common Good Financial Statements are presented in line with previous years. A separate set of financial statements is published compliant with OSCR requirements and subject to full external audit.

Comprehensive Income and Expenditure Statements

2019/20	Total	2020/21												
		Coldstream	Duns	Eyemouth	Galashiels	Hawick	Innerleithen	Jedburgh	Kelso	Lauder	Melrose	Peebles	Selkirk	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Income													
(5)	Donations & Legacies	-	-	-	-	(1)	-	-	-	(1)	-	-	(1)	(3)
(172)	Investments	-	(1)	-	(7)	(20)	-	(39)	(11)	(10)	(1)	(21)	(10)	(120)
(396)	Charitable Activities	-	-	-	(1)	(164)	-	-	-	(10)	-	(48)	(64)	(287)
0	Unrealised Gain On Investments	-	(2)	-	(26)	(73)	-	(147)	(42)	(40)	(2)	(75)	(36)	(443)
(3,481)	Revaluation Of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
(17)	Recognition Of Fixed Assets & Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
(4,071)		-	(3)	-	(34)	(258)	-	(186)	(53)	(61)	(3)	(144)	(111)	(853)
	Expenditure													
684	Raising Funds	10	-	-	58	186	31	12	59	30	3	75	146	610
171	Charitable Activities	-	-	-	-	47	-	3	5	15	-	5	17	92
52	Other: Governance Costs	-	1	-	3	12	-	4	2	11	-	9	12	54
435	Unrealised Loss On Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
1,342		10	1	0	61	245	31	19	66	56	3	89	175	756
(2,729)	(Surplus) / Deficit carry forward	10	(2)	-	27	(13)	31	(167)	13	(5)	-	(55)	64	(97)

Common Good Funds

Balance Sheet

2019/20		2020/21												
Total £'000		Coldstream £'000	Duns £'000	Eyemouth £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Melrose £'000	Peebles £'000	Selkirk £'000	Total £'000
	Non-current Assets													
13,460	Tangible Assets	266	-	2	628	4,365	483	529	878	1,269	25	781	3,793	13,019
2,335	Investments	-	17	-	161	460	-	953	267	251	10	508	230	2,857
55	Long Term Loan to Third Party	-	-	-	-	-	-	14	-	-	-	10	-	24
	Current Assets													
58	Sundry Debtors	-	-	-	1	31	-	3	1	9	-	5	7	57
401	Short Term Investments	-	2	-	12	141	-	70	43	26	8	61	67	430
	Current Liabilities													
(47)	Sundry Creditors	-	-	-	-	(16)	-	-	-	(1)	-	(6)	(5)	(28)
16,262	Net Assets	266	19	2	802	4,981	483	1,569	1,189	1,554	43	1,359	4,092	16,359
	Financed by													
(3,442)	Restricted Income Funds	(122)	(19)	(1)	(327)	(750)	(135)	(1,043)	(311)	(288)	(36)	(628)	(320)	(3,980)
(12,820)	Revaluation Reserve	(144)	-	(1)	(475)	(4,231)	(348)	(526)	(878)	(1,266)	(7)	(731)	(3,772)	(12,379)
(16,262)	Total Reserves	(266)	(19)	(2)	(802)	(4,981)	(483)	(1,569)	(1,189)	(1,554)	(43)	(1,359)	(4,092)	(16,359)

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and relevant accounting standards require local authorities to consider all their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiary and associated entities and joint arrangements. The Local Authority group is defined as the Local Authority and its interests in entities which would be regarded as its subsidiaries or associates or joint arrangements were it subject to the Companies Act. The Code requires that group financial statements include the following statements along with the appropriate notes:

- a Group Movement in Reserves Statement
- a Group Comprehensive Income and Expenditure Statement
- a Group Balance Sheet
- a Group Cash Flow Statement

The Group Accounts and Notes are set out on pages 111 to 119.

The Group Accounts for 2019/20 have been restated to reflect the change in the Council's management reporting structure during 2020/21.

For the purposes of consolidation and incorporation within the Local Authority group, the Council has consolidated the following entities:

Subsidiaries

Subsidiary entities are those over which the Council has been deemed to have control. The following bodies have been recognised as subsidiaries of Scottish Borders Council:

- Common Good Funds
- Charitable Trust Funds
- Bridge Homes LLP
- Live Borders

The Council is the sole trustee of the Common Good Funds and the Charitable Trust Funds and summary financial results for these entities appear on pages 108 to 109. Bridge Homes LLP, a partnership between the Council and Scottish Futures Trust Investments Ltd, created to invest in residential property and in which the Council is entitled to 99.999% of the profits and equally exposed to 99.999% of the losses, is also treated as a subsidiary body.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Arts, Libraries, Archives, Museums, and Galleries, Sport and Leisure facilities.

Live Borders accounts can be obtained from their Headquarters at Melrose Road, Galashiels, TD1 2DU.

Lowood Tweedbank Limited, has been excluded from the Group accounts in 2019/20 and 2020/21. This is in relation to the materiality threshold as agreed with Audit Scotland.

Group Accounts

Associates

Associate entities are those over which the Council has been deemed to exercise significant influence. The following body has been recognised as an associate of Scottish Borders Council:

Jedburgh Leisure Facilities Trust, has been excluded from the Group accounts in 2019/20 and 2020/21. This is in accordance to the materiality threshold as agreed with Audit Scotland.

Joint Arrangements

Joint arrangements can be either joint operations or joint ventures. Joint operations are joint arrangements where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The following body has been recognised as a Joint Venture.

- Scottish Borders Health and Social Care Partnership

The Council commenced a joint arrangement with NHS Borders to establish The Scottish Borders Health and Social Care Partnership on 6th February 2016. This is a partnership set up to bring about change in the way health and social care services are planned, commissioned and delivered from 1st April 2016.

The Board's draft Comprehensive Income & Expenditure Statement show gross expenditure of £203.224m and income of £209.722m for the year of which £75.725m and £79.004m has been recognised in the SBC Accounts. In the Group Accounts, 50% of the net result and net assets has been included on the equity basis method. Both the Balance Sheet and Movement in Reserves Statement show a net position of £10.240m for 2020/21.

The financial statements for the Scottish Borders Health and Social Care Partnership are available from the Council Headquarters.

Group Movement In Reserves Statement

Restated Movement in reserves during 2019/20

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2019	(28,002)	(9,401)	(37,403)	(32,982)	(7,393)	(40,375)	(77,778)

Movement in reserves during 2019/20

Total Comprehensive Income & Expenditure	9,932	(720)	9,212	(75,456)	(5,893)	(81,349)	(72,136)
Adjustments between accounting basis & funding basis under regulations	(12,052)	(641)	(12,693)	12,052	641	12,693	-
Increase or Decrease in 2019/20	(2,119)	(1,361)	(3,480)	(63,404)	(5,252)	(68,656)	(72,136)
Balance at 31/03/2020 carried forward	(30,121)	(10,762)	(40,883)	(96,386)	(12,645)	(109,031)	(149,914)

Movement in reserves during 2020/21

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2020	(30,121)	(10,762)	(40,883)	(96,386)	(12,645)	(109,031)	(149,914)

Movement in reserves during 2020/21

Total Comprehensive Income & Expenditure	(14,194)	(5,080)	(19,274)	56,736	2,189	58,925	39,650
Adjustments between accounting basis & funding basis under regulations	(3,949)	(586)	(4,535)	3,950	586	4,536	1
Increase or Decrease in 2020/21	(18,143)	(5,666)	(23,810)	60,686	2,775	63,461	39,651
Balance at 31/03/2021 carried forward	(48,264)	(16,428)	(64,692)	(35,700)	(9,870)	(45,569)	(110,263)

Group Comprehensive Income and Expenditure Statement

Restated 2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
72,713	(11,442)	61,271	Asset & Infrastructure	81,477	(14,341)	67,136
29,832	(13,716)	16,116	Corporate Improvements & Economy	25,810	(12,707)	13,103
136,118	(78,507)	57,611	Health & Social Care	140,803	(84,092)	56,711
117,832	(9,413)	108,419	Children & Young People	126,253	(20,380)	105,873
43,610	(26,806)	16,804	Customer & Communities	41,517	(24,118)	17,398
24,288	(4,739)	19,549	Finance & Regulatory Services	30,653	(4,143)	26,510
7,291	(681)	6,610	Human Resources	6,762	(60)	6,702
3,322	-	3,322	Non-Distributed Costs	1,824	-	1,824
907	(401)	506	Common Good	756	(290)	466
220	(56)	164	Trust Funds	182	(23)	159
-	(1,871)	(1,871)	Share of Operating Results Of Associates & Joint Ventures	-	(3,249)	(3,249)
436,133	(147,632)	288,501	Services provided by the Council	456,037	(163,404)	292,633
436,133	(147,632)	288,501	Net Cost of Services	456,037	(163,404)	292,633
5,140	(5,200)	(60)	Roads Trading Operation (Surplus)/Deficit (External)	2,099	(2,100)	(1)
			Other Operating Expenditure			
2,627	(2,556)	71	(Gain)/Loss on Disposal of Assets	2,316	(1,915)	401
			Financing & Investment Income and Expenditure			
12,756	-	12,756	Interest Payable & Similar Charges	11,943	-	11,943
-	(596)	(596)	Interest Receivable & Similar Income	-	(365)	(365)
20,249	(15,274)	4,975	Net Interest Expense on the Net Defined Benefit Liability	17,902	(14,524)	3,378
-	-	-	Share Of Associates & Joint Ventures Interest Payable	-	-	-
			Taxation and Non-Specific Grant Income			
-	(171,088)	(171,088)	Revenue Support Grant	-	(211,566)	(211,566)
-	(36,624)	(36,624)	Non-Domestic Rates Pool for Scotland	-	(23,388)	(23,388)
-	(57,763)	(57,763)	Council Tax	-	(60,215)	(60,215)
-	(30,961)	(30,961)	Capital Grants and Contributions	-	(30,896)	(30,896)
		9,212	(Surplus)/Deficit on Provision of Services			(18,076)

Group Comprehensive Income and Expenditure Statement

2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		9,212	(Surplus)/Deficit on Provision of Services			(18,076)
		(5,444)	(Surplus)/Deficit on revaluation of Non Current Assets			(3,170)
		808	Any Other (Gains) Or Losses			(829)
		(76,712)	Actuarial (gains)/losses on pension assets/liabilities			61,725
		(81,348)	Other Comprehensive Income and Expenditure			57,727
		(72,136)	Total Comprehensive (Income)/Expenditure			39,650

Group Balance Sheet

Restated 2019/20 £'000		2020/21 £'000
399,369	Property Plant and Equipment	422,196
21,806	Other Land and Buildings	27,545
129,942	Vehicle, Plant, Furniture & Equipment	133,554
4,790	Infrastructure	5,425
26,326	Surplus Assets	42,600
1,061	Assets Under Construction	1,039
40	Heritage Assets	1,182
4,002	Intangible Assets	4,914
1,871	Long Term Investments	5,120
1,090	Investments In Associates & Joint Ventures	1,123
	Long Term Debtors	
590,297	Long Term Assets	644,698
0	Intangible Assets - Current	-
1,009	Inventories	1,673
59,762	Short Term Debtors	56,207
(11,472)	less Impairment of Receivables	(11,948)
13,154	Cash and Cash Equivalents	30,086
62,454	Current Assets	76,017
(367)	Bank Overdrafts	-
(4,054)	Short Term Borrowing	(18,231)
(51,060)	Short Term Creditors	(51,972)
(389)	Provisions	(134)
(55,871)	Current Liabilities	(70,337)
(202,574)	Long Term Borrowing	(202,562)
(64,182)	Deferred Liabilities	(89,115)
(3,607)	Provisions	(3,438)
(31,343)	Capital Grants Receipts in Advance	(23,348)
(301,705)	Long Term Liabilities	(318,463)
295,175	Net Assets excluding pension liability	331,915
(145,261)	Pension Liability	(221,652)
149,914	Net Assets/(Liabilities) including pension liability	110,263

Group Balance Sheet

2019/20 £'000	Financed By:	2020/21 £'000
	Useable Reserves	
(9,544)	Capital Fund	(9,929)
(19,179)	General Fund Balance	(36,441)
(1)	Property Maintenance Fund	(362)
(1,397)	Insurance Fund	(1,532)
(10,762)	Share of Group Entities Usable Reserves	(16,428)
	Unusable Reserves	
(137,271)	Capital Adjustment Account	(152,904)
6,441	Financial Instruments Adjustment Account	6,122
(113,445)	Revaluation Reserve	(111,272)
141,604	Pension Reserve	215,666
6,285	Employee Statutory Adjustment Account	6,687
(12,645)	Share of Group Entities Unusable Reserves	(9,870)
(149,914)	Total Reserves	(110,263)

The unaudited accounts were issued on 29 June 2021 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director - Finance & Corporate
Governance

Group Cash Flow Statement

Restated 2019/20 £'000		2020/21	
		£'000	£'000
9,212	Net (Surplus) or deficit on the provision of services		(18,076)
1,871	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	3,249	
(46,818)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(51,173)	
29,696	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	31,064	
(6,039)	Net Cash Flows From Operating Activities		(34,936)
	Investing Activities		
42,818	Purchase of PP&E, investment property and intangible assets	51,967	
(2,556)	Proceeds from PP&E, investment property and intangible assets	(1,915)	
336	Purchase/(Disposal) of short & long term investments	195	
(38,230)	Other Items which are Investing Activities	(23,771)	
2,368	Net Cash Flows from Investing Activities		26,476
	Financing Activities		
(7,500)	Cash received from loans & other borrowing	(15,031)	
2,942	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,591	
19	Repayments of short and long term borrowing	769	
1,266	Other items which are financing activities	(168)	
(3,273)	Net Cash Flows from Financing Activities		(8,839)
(6,944)	Net (Increase) or Decrease in Cash and Cash Equivalents		(17,299)
5,843	Cash and Cash Equivalents at the beginning of the reporting period		12,787
12,787	Cash and Cash Equivalents at the end of the reporting period		30,086
(6,944)	Movement		(17,299)

Notes to the Group Accounts

Note 1 Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 54 to 63.

The Council has accounted for its interest in each subsidiary using the acquisition method of accounting. The Council's interests in associates and joint ventures have been accounted for using the equity method of accounting. Where applicable, consolidation adjustments have been made to eliminate inter-group transactions.

Note 2 Group Cash Flow

A reconciliation between the Group Income and Expenditure Statement and the revenue activities in the Group Cash Flow Statement is provided in the table below:

Restated 2019/20 £'000		2020/21 £'000
	Reconciliation to General Fund Surplus	
9,212	Net (Surplus) or deficit on the provision of services	(18,076)
1,871	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	3,249
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(28,668)	Depreciation	(32,418)
(7,029)	Impairment & Revaluation Loss through I & E	(4,216)
(29)	Amortisation of intangible assets	(34)
(19,487)	Movement in pension liability	(14,665)
(71)	Gain/Loss on carrying amounts of assets disposed	(401)
145	Net movement in inventories charged to I & E	663
10,328	Net movement in debtors charged to I & E	(2,710)
(1,926)	Net movement in creditors charged to I & E	2,458
(81)	Net movement in provisions charged to I & E	150
(46,818)		(51,173)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
30,961	Capital grants received	30,896
(1,265)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	168
29,696		31,064
(7,910)	Net Cash Outflow / (Inflow) from Operating Activities	(38,185)

Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The deficit of £42.54m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £39.65m. The net asset position of the Council's single entity Balance Sheet of £83.97m becomes £110.26m on group consolidation. Overall, the Group Balance Sheet position has decreased by £39.65m from 2019/20 largely as a result of the increase in pension liability.

Glossary of Terms

We recognise that financial statements by their nature need to include some technical terms and the purpose of this section is to explain some of the more important ones.

Aggregate External Finance (AEF): this is the term given to the total of funding provided by the Scottish Government. It comprises three parts, which are explained below;

- **Revenue Support Grant (RSG):** this is the largest part of AEF. It is a block grant which helps finance the overall cost of Council services.
- **Non-Domestic Rate Income (NDRI):** local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.
- **Specific Grants:** the final part of AEF. As the name suggests these grants are paid to support specific services/activities and can enable the Scottish Government to more directly influence service provision than with a block grant.

Amortisation: similar to depreciation but applied to intangible assets i.e. the measurement of the value of an asset used during the year.

Budget: the budget sets out what the Council intends to spend and how it will be paid for. Budgets are prepared and approved before the start of a financial year for both revenue and capital expenditure. Each financial year budget is part of a 5 year Revenue or a 10 year Capital Financial Plan.

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Borrowing: this is the element of the Capital Programme not financed by capital and revenue resources (i.e. capital receipts, capital grants and revenue contributions). The capital expenditure will give rise to a borrowing need; however it is important to note that the need may not result in actual external borrowing, and the decision may be taken to finance borrowing from within the Council.

Capital Expenditure: spending on assets of lasting value, whose useful life exceeds the current year. Examples are schools, major road works, improving social work and leisure facilities. Capital expenditure is financed principally from borrowing but can also be funded by capital receipts, grants and revenue contributions (CFCR).

Capital From Current Revenue (CFCR): this is expenditure on capital assets that is financed from the revenue account in the current financial year.

Capital Fund: Established under the Local Government (Scotland) Act 1975. This fund is credited with the receipts of property sales and developer contributions. It can be used to fund capital expenditure or make payments of loan principal.

Capital Grants: grants from bodies such as the European Union and Scottish Government can fund capital projects as can contributions from other organisations.

Capital Receipt: a capital receipt arises when the Council sells a surplus asset, e.g. a piece of land or a building and this can be used to finance further capital expenditure or repay existing debt.

Carrying Amount: the value at which an asset or liability is shown on the Balance Sheet.

Glossary of Terms

Common Good Funds: have been accumulated by former burghs since their foundation from the 12th Century onwards. They are held by the Council as custodian for the benefit of residents of the 12 former burghs, Coldstream, Duns, Eyemouth, Innerleithen, Galashiels, Hawick, Jedburgh, Kelso, Lauder, Melrose, Peebles and Selkirk. They are administered by the Council to have regard to the interest of the inhabitants of the area to which the Common Good formally related. All of the Common Good Funds are presently registered as a single charity with OSCR.

Component Accounting: where fixed assets are valued and depreciated on the basis of individual components i.e. roof, heating system etc, opposed to one overall value.

Contingent Liability: a possible future financial obligation which is reported as a specific note to the annual accounts because it cannot be judged as probable enough to warrant a provision.

Council Tax: the major part of locally raised revenue income, based on a property being classified into one of eight bands. In the interests of consistency all Councils determine their Council Tax at the Band D level and the charges for properties in all other bands are expressed as a proportion of Band D.

Council Tax Reduction Scheme (CTRS): Replaced Council Tax Benefit which stopped on 1 April 2013 as part of the welfare reform programme. CTRS is a reduction on your council tax that you may be entitled to if you are on a low income. Responsibility for assisting those who need help to pay their Council Tax in Scotland now sits with the Scottish Government and Scottish Local Authorities.

Current Assets: assets of a short-term nature, e.g. short term investments, inventories, short term debtors and cash and cash equivalents.

Current Liabilities: liabilities expected to be due within the next year, e.g. short term creditors, short-term borrowing and provisions.

Depreciation: the measure of the value of a fixed asset used during the year.

Fair Value: is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instruments Adjustment Account: an account that enables the effects of accounting for financial instruments to be neutral in terms of Council Tax.

General Fund: the principal usable reserve of the Council that covers most areas of activity, the main exclusions being SBc Contracts and the Pension Fund.

Group Accounts: statements that reflect the Council's interest in any subsidiaries, associates and joint ventures.

Heritage Assets: assets preserved in trust for future generations because of their cultural, environmental or historical association. It applies to assets held and maintained by the authority principally for the contribution to knowledge and culture.

IAS19: the International Accounting Standard (IAS) which lays down the disclosure and reporting requirements for Retirement Benefits paid from our Pension Fund.

IFRS: The Council's accounts are governed by International Financial Reporting Standards.

Impairment: an asset is impaired when its carrying amount exceeds its recoverable amount.

Infrastructure: assets of a general and supporting nature, e.g. the roads and bridges network, car parks, pathways, sea defences and water/drainage systems.

Insurance Fund: a fund that meets the costs of premiums for a range of external insurance cover, meets the cost of claims not covered by external insurance, and receives contributions from Council services.

Glossary of Terms

Interest on Revenue Balances: the Council's loans fund acts as an internal banker and pays interest where it has utilised any internal credit balances, e.g. the General Fund Reserves.

Inventories: materials etc. that have been purchased but not yet consumed in the delivery of Council services.

Loan Charges: sometimes called debt charges, these are the annual repayments of principal, interest and expenses in respect of loans taken to finance capital expenditure.

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds. The Local Government (Scotland) Act 1975 has been replaced by The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

Long-Term Borrowing: are sums borrowed to finance capital expenditure and not yet repaid, nor due to be repaid within one year. The majority of this is borrowed from the Public Works Loan Board and can be for periods of up to 60 years.

Pension Fund: under relevant legislation the Council administers a Pension Fund for its employees (other than teachers, who are members of a national scheme) and employees of certain other 'Admitted Bodies'. It is what is known as a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested.

Provision: a liability of uncertain timing or extent for which an estimate must be included in our annual accounts.

Ratios: financial analysis tools to support the evaluation of the financial health of the organisation.

Rents, Fees and Charges: add in charges for specific service; examples include home care charges, commercial rents, hall lets and library fines.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses/deficits generated by the various funds. They are split between 'usable' and 'unusable' reserves.

Usable Reserves: Capital Fund, General Fund Balance, Property Maintenance Fund and Insurance Fund.

Unusable Reserves: Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and STACA Statutory Mitigation Account.

Revaluation Reserve: the balance represents the difference between the depreciated revalued amount and the depreciated historic cost of fixed assets at 1 April 2007. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure: the day to day recurring costs of providing services. It includes wages and salaries, property costs such as power and light, transport costs and supplies and services. It also includes the annual repayment of loans which have financed capital expenditure. Revenue expenditure is always paid for in full as and when it happens either from Council Tax, rents, fees, charges, grants and Revenue Support Grant (RSG) and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Significant Trading Operations: services provided in a competitive environment and which are charged for on a basis other than a straightforward recharge of costs, e.g. quoted lump sums, fixed rates etc.

Trust Funds: The Council administers 116 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 77 of which have charitable status and have been reorganised into 5 charities registered with the Office of the Scottish Charity Regulator (OSCR).

Glossary of Terms

Virement: because circumstances change, budgets need to remain flexible. Virement is the approved transfer of resources from one area of the budget to another, the creation of new budgets to reflect additional income and related expenditure or the transfer of budget from one financial year to the next.

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Contact us at Suzy Douglas, Financial Services Manager, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk

Scottish Borders Council

Common Good Funds

Charity Registration Number: SC031538

annual report and financial statements

for the year to 31 March 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.

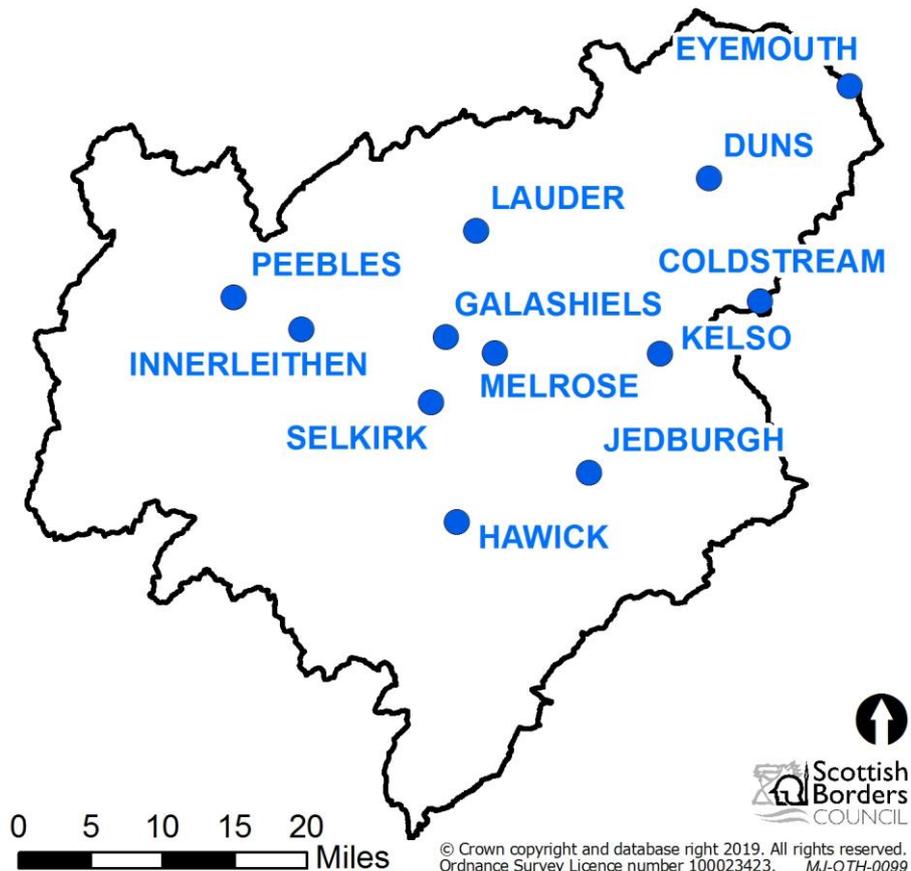
Each Common Good Fund within the charity has financial investments and / or property assets; the operational management of which is overseen by individual Sub-Committees of Elected Members from the relevant ward(s), supported by officers from the Council.

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:



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

Charity Name Scottish Borders Council Common Good Funds

Charity registration number SC031538

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2021 were the duly elected members of Scottish Borders Council (the Council) 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.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Shona Haslam
Trustee
Scottish Borders Council Common Good Funds

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity and within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2021

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

BALANCE SHEET as at 31 March 2021

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

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 13 and 14 and the Notes on pages 15 to 19 form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2021 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director – Finance & Corporate Governance

Shona Haslam
Trustee
Scottish Borders Council Common Good
Funds

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

ACCOUNTING POLICIES

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

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when the activity they relate to takes place, regardless of when applications are approved.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets and Depreciation

Tangible fixed assets, comprising land & buildings and heritage assets, with a value greater than £5,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Where purchased, Heritage assets are held at acquisition cost, and for donations the initial valuation is used as the deemed cost, removing the need for subsequent valuations. These Heritage assets are deemed to have indeterminable lives and accordingly depreciation is not charged.

Land is held at current valuation and is not depreciated. All land and buildings are subject to revaluation every five years, with the last revaluation being undertaken in 2019/20. Depreciation is charged on all tangible fixed assets other than land and heritage assets at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year, the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Donations and Legacies

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
5		3

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
172		120

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
396		287

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
907		92	54	610	756

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
13,460		0	(441)	13,019

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		Land & Buildings at Net Book Value	Heritage Assets	Total Long Term Assets
£'000		£'000	£'000	£'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
13,460		12,994	25	13,019

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		Additional Investments / (Disinvestment)	Aegon Unrealised Gain	Total Investment
£'000		£'000	£'000	£'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
2,335		79	443	2,857

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
55		0	(31)	24

9 Debtors

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

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
47		28

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)
(3,442)		(981)	443	(3,980)

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)
(12,820)		441	(12,379)

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

2019/20 £'000		2020/21 £'000
2,729	Net income/(expenditure) for the year ended 31 March	97
	<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
95	Net cash provided by / (used in) operating activities	(43)

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Common Good Funds for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Common Good Funds as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

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Scottish Borders Council Welfare Trust

Charity Registration Number: SC044765

annual report and financial statements

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
- 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

Charity Name Scottish Borders Council Welfare Trust

Charity registration number SC044765

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

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

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Shona Haslam
Trustee
Scottish Borders Council Welfare Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2021

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

BALANCE SHEET as at 31 March 2021

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

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 14, form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2021 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director – Finance & Corporate Governance

Shona Haslam
Trustee
Scottish Borders Council Welfare Trust

ACCOUNTING POLICIES

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

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

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

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
2,437		2,250

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
0		0

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
660,089			28,572	(1,125)	99,000	786,536

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Welfare Trust for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Welfare Trust as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Kirsty Robb	Telephone: 01835 – 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

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Scottish Borders Council
Education Trust

Charity Registration Number: SC044762

annual report and financial statements

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

Charity Name Scottish Borders Council Education Trust

Charity registration number SC044762

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2021 were the duly elected members of Scottish Borders Council (the Council) 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.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Shona Haslam
Trustee
Scottish Borders Council Education Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2021

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

BALANCE SHEET as at 31 March 2021

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

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2021 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director – Finance & Corporate Governance

Shona Haslam
Trustee
Scottish Borders Council Charitable Trusts

ACCOUNTING POLICIES

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

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when 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	Bank Interest Receivable	3
530	Income from Investment Portfolio	499
540		502

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	Prepayments and accrued income	18
20		18

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	Expendi- ture	Unrealised Gain/(Loss)	2020/21 Balance
£	£	£	£	£	£
1,941	Borders Wide	360	(180)	244	2,365
4,707	Peeblesshire	642	(320)	558	5,587
6,648		1,002	(500)	802	7,952

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Education Trust for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Education Trust as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

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Scottish Borders Council
Community Enhancement Trust
Charity Registration Number: SC044764

annual report and financial statements

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 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 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
- 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

Charity Name	Scottish Borders Council Community Enhancement Trust
Charity registration number	SC044764
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) 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.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Shona Haslam

Trustee

Scottish Borders Council Community Enhancement Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2021

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

BALANCE SHEET as at 31 March 2021

as at 31 March 2020			as at 31 March 2021		Notes
£	£		£	£	
149,703	149,703	Fixed Assets			
		Investments	178,011		4
				178,011	
		Current Assets			
693		Debtors	640		5
21,615		Short term investment in SBC loans fund	28,562		6
	22,308			29,202	
	172,011	Total Net Assets		207,213	
		The Funds of the Charity			
(172,011)		Restricted income funds	(207,213)		7
	(172,011)	Total Charity Funds		(207,213)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2021 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director – Finance & Corporate Governance

Shona Haslam
Trustee
Scottish Borders Council Community
Enhancement Trust

ACCOUNTING POLICIES

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

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

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

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
693		640

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

- 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
172,011			8,139	(1,079)	28,142	207,213

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Community Enhancement Trust for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Community Enhancement Trust as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Community Enhancement Trust, please contact:

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk

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Scottish Borders Council
Ormiston Trust for Institute
Charity Registration Number: SC019162

annual report and financial statements

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:

Financial
Regulations

Code of
Corporate
Governance

Procedural
Standing
Orders

Scheme of
Administration

Scheme of
Delegation

- c) When considering any action in connection with the Charity the Trustees must act in the interest of the Charity Funds.
- b) The financial statements comply with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

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

Financial Review

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

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

Reserves

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

- all approved applications for grants
- all support and governance costs

At 31 March 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

Charity Name Scottish Borders Council Ormiston Trust for Institute

Charity registration number SC019162

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 2021 were the duly elected members of the Leaderdale and Melrose ward of Scottish Borders Council (the Council) 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.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2021

2019/20 £		2020/21 £	Notes
	Income from:		
500	Donations and legacies	500	4
488	Investments	416	1
988	Total Income	916	
	Expenditure on:		
(55,000)	Raising funds	(55,000)	2
(488)	Charitable activities	(416)	3
(500)	Other : Governance costs	(500)	4
(55,988)	Total Expenditure	(55,916)	
	Other Recognised Gains/(Losses)		
184,500	Gains on Revaluation of Fixed Assets	0	
(1,545)	Gain / (loss) on investment assets - unrealised	1,554	
127,955	Net Movement in Funds	(53,446)	
	Reconciliation of Funds		
244,717	Total funds brought forward	372,672	
372,672	Total Funds Carried Forward	319,226	10, 11

BALANCE SHEET as at 31 March 2021

as at 31 March 2020			as at 31 March 2021		Notes
£	£		£	£	
		Fixed Assets			
364,000		Tangible assets	309,000		5
8,269		Investments	9,833		6
	372,269			318,833	
		Current Assets			
38		Debtors	35		7
555		Short term investment in SBC loans fund.	519		8
	593	Total Current Assets		554	
		Current Liabilities			
		Creditors:			
	(190)	Amounts falling due within 1 year		(161)	9
	403	Net Current Assets		393	
	372,672	Total Net Assets		319,226	
		The Funds of the Charity			
(60,270)		Restricted income funds	(61,824)		10
(312,402)		Revaluation reserve	(257,402)		11
	(372,672)	Total Charity Funds		(319,226)	

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 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director – Finance & Corporate Governance

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute

ACCOUNTING POLICIES

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

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets and Depreciation

Tangible fixed assets, with a value greater than £5,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the last revaluation being undertaken in 2019/20. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

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

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:

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

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
38		35

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
190		161

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 movement on investment assets £	2020/21 Balance £
(55,191)	Ormiston Trust Institute	354	(354)	(599)	(55,790)
(5,079)	Greenyards Trust	562	(562)	(955)	(6,034)
(60,270)		916	(916)	(1,554)	(61,824)

11 Revaluation reserve

The Revaluation Reserve contains only revaluation gains made by the Trust arising from increases in the value of its tangible fixed assets. The movement in the value of the revaluation reserve has been driven by the following movements:

	£
Opening Balance at 1 April 2020	(312,402)
Depreciation for year	55,000
Closing Balance at 31 March 2021	(257,402)

12 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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Ormiston Trust for Institute for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Ormiston Trust for Institute as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the

financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk



Scottish Borders Council Charitable Trusts

Charity Registration Number: SC043896

annual report and financial statements

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) 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.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Shona Haslam
Trustee
Scottish Borders Council Charitable Trusts

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements; and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2021

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

BALANCE SHEET as at 31 March 2021

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

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2021 and the audited accounts were authorised for issue on 28 October 2021.

David Robertson CPFA
Director – Finance & Corporate Governance

Shona Haslam
Trustee
Scottish Borders Council Charitable Trusts

ACCOUNTING POLICIES

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

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

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

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
791		730

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
0		0

8 Restricted Funds

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

2019/20 Balance	Fund	Income	Expendi- ture	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
247,785		25,589	(10,401)	32,130	295,103

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Charitable Trusts for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scottish Borders Council Charitable Trusts as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the

financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Kirsty Robb	Telephone: 01835 825249
Pension & Investment Manager	E-mail: krobb@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Kirsty Robb, Pension & Investment Manager,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825249 Fax: 01835 825011 or email: KRobb@scotborders.gov.uk



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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
Gross Profit	0	
Operating Profit	0	

BALANCE SHEET as at 31 March 2021

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

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

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 29th June 2021.

David Robertson CPFA
Designated Member
Scottish Borders Council
28th October 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
	40,086

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)
	(40,086)

3 Debtors

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

4 Creditors: Amounts Falling Due Within One Year

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

5 Members' Capital

	2020/21 £
Initial Capital - Scottish Borders Council	1
	1

CONTACT INFORMATION

For further information on Lowood Tweedbank Limited, please contact

Suzy Douglas

Financial Services Manager

Scottish Borders Council

Telephone: 01835 – 825881

E-mail: sdouglas@scotborders.gov.uk

Council Headquarters

Newtown St Boswells

MELROSE

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Contact us at Suzy Douglas, Financial Services Manager, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk

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annual report and financial statements

Bridge Homes LLP

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

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

Designated Members

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

Scottish Borders Council

Scottish Future Trust Investments Ltd

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

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

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

Professional support

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

Principal Activity

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

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

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

Business Review

Background

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

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

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

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

Governance

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

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

Activity Summary

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
28 October 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
197,200	Gross Profit	204,390	
(12,253)	Administrative Expenses	(14,023)	3
(72,843)	Revaluations	0	
112,104	Operating Profit	190,366	
(111,213)	Interest Payable & Similar Expenses	(110,873)	4
891	Profit For The Financial Year Available For Discretionary Division Among Members	79,493	5
(567,843)	Other Comprehensive Income Revaluation Gain/(Loss) on Property	140,000	
(568,734)	Total Comprehensive Income	219,493	

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	79,493
891	Total Recognised Gains For The Financial Year	79,493

BALANCE SHEET as at 31 March 2021

2019/20		2020/2021		Notes
£		£	£	
7,737,889	Fixed Assets			
	Property, Plant and Equipment		7,877,889	5
	Current Assets			
52,874	Debtors	37,249		6
204,327	Cash at Bank	298,710		
257,201		335,959		
	Creditors			
(26,173)	Amounts falling due within 1 year	(25,438)		7
231,028	Net Current Assets		310,520	
7,968,917	Net Assets attributable to Members		8,188.409	
	Represented By:			
5,611,982	Loans and Other Debts due to Members		5,611,982	8
	Members' Other Interests			9
894,002	Capital Account	894,002		
(8,346)	Profit and Loss Reserve	71,146		
1,471,279	Revaluation Reserve	1,611,279	2,576,427	
7,968,917	Total Members' Interests		8,188.409	

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 28 October 2021 and are signed on their behalf by:

David Robertson CPFA
Designated Member
Scottish Borders Council
28 October 2021

Company Registered Number: SO304775

CASH FLOW STATEMENT for the year ended 31 March 2021

2019/20 £		2020/21 £
	Reconciliation of Profit to Net Cash Flow from Operating Activities	
891	Profit for the Financial Year	79,493
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	(735)
102,091	Net Cash Inflow from Operating Activities	205,256

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

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

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2020	894,002	(8,346)	1,471,279	5,611,982	7,968,917
Profit For The Year Available for Discretionary Division Among Members	0	79,493	0	0	74,493
Loan Funding Provided By Members	0	0	0	0	0
Revaluations	0	0	140,000	0	140,000
Capital Introduced By Members	0	0	0	0	0
Balance at 31 March 2021	894,002	71,146	1,611,279	5,611,982	8,188,409

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

ACCOUNTING POLICIES

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

Basis of Preparation

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

Accruals of Income and Expenditure

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

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

Turnover

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

Tangible Fixed Assets

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

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

Under the Revaluation Policy, Property, Plant and Equipment are subject to revaluation every year. The fixed assets were revalued as at 31 March 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
247,809		275,055

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
50,609		70,666

3 Administrative Expenses

2019/20 £		2020/21 £
1,013	Accountancy and Legal	543
0	Professional Fees	0
11,240	Audit	13,480
0	Estates and Housing	0
0	Provision for Bad Debt	0
12,253		14,023

4 Interest Payable & Similar Charges

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

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
7,737,889	NBV at 31 March 2021	7,877,889

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
52,874		37,249

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	13,000
2,419	Accountancy	2,492
3,140	Legal Fees	3,234
4,135	Miscellaneous	4,259
0	Interest Payable to Local Authority	0
26,173		25,438

8 Loans & Other Debts Due To Members

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

In the event of liquidation of the LLP, Loans & other debts due to Members will be repaid following settlement of other unsecured creditors, including reimbursement of amounts paid out under the Scottish Government Guarantee in respect of any Interest Payment Shortfalls, projected costs of liquidation and payment of accrued interest charges per Paragraph 6 Part 6 of the Members Agreement.

9 Members' Capital

2019/20 £		2020/21 £
1	Initial Capital - Scottish Borders Council	1
1	Initial Capital – Scottish Futures Trust Investments Ltd	1
894,000	Capital Grant - Scottish Borders Council	894,000
894,002		894,002

10 Related Party Transactions

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 £
Loan	5,611,982	(5,611,982)
Capital Grant	2	2
Revenue Grant	9,694	9,985
Service Charge	(9,694)	(9,985)
Loan Interest	(111,128)	0
	5,500,856	(5,611,984)

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

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