

# Public Document Pack



## AUDIT AND SCRUTINY COMMITTEE MONDAY, 27 JUNE 2022

A MEETING of the AUDIT AND SCRUTINY COMMITTEE will be held VIA MICROSOFT TEAMS on MONDAY, 27 JUNE 2022 at 10.15 am.

All attendees, including members of the public, should note that the public business in this meeting will be livestreamed and video recorded and that recording will be available thereafter for public view for 180 days.

J. J. WILKINSON,  
Clerk to the Council,

20 June 2022

<b>BUSINESS</b>		
1.	<b>Apologies for Absence.</b>	
2.	<b>Order of Business.</b>	
3.	<b>Declarations of Interest</b>	
4.	<b>Minute.</b> (Pages 3 - 6) Consider Minute of the Meeting held on 9 June 2022 for approval and signature by the Chairman. (Copy attached.)	2 mins
<b>AUDIT BUSINESS</b>		
5.	<b>Audit Business Action Tracker</b> (Pages 7 - 8) Consider and note progress made on the Action Tracker. (Copy attached.)	2 mins
6.	<b>External Audit Annual Plan 2021-22 for the Council</b> (Pages 9 - 28) Consider report by Audit Scotland. (Copy attached.)	10 mins
7.	<b>Internal Audit Work to May 2022</b> (Pages 29 - 46) Consider report by Chief Officer Audit and Risk. (Copy attached.)	10 mins
8.	<b>Internal Audit Annual Assurance Report 2021-22</b> (Pages 47 - 58) Consider report by Chief Officer Audit and Risk. (Copy attached.)	10 mins
9.	<b>Risk Management Annual Report 2021-22</b> (Pages 59 - 70) Consider report by Chief Officer Audit and Risk. (Copy attached.)	10 mins
10.	<b>Counter Fraud Annual Report 2021-22</b> (Pages 71 - 76) Consider report by Chief Officer Audit and Risk. (Copy attached.)	10 mins

11.	<b>Annual Assurance Statement 2021/22 to the Scottish Housing Regulator</b> (Pages 77 - 88) Consider Report by Director Social Work and Practice. (Copy attached.)	10 mins
12.	<b>Draft Annual Governance Statement 2021-22</b> (Pages 89 - 98) Consider report by Chief Executive. (Copy attached.)	10 mins
13.	<b>Unaudited Accounts 2021-22 - Scottish Borders Council and various others</b> (Pages 99 - 362) Consider Report by Director Finance and Corporate Governance. (Copy attached.)	10 mins
14.	<b>Unaudited Report and Accounts 2021-22 of the Pension Fund</b> Consider report by Director Finance and Corporate Governance. (To follow.)	10 mins
15.	<b>Local Government in Scotland: Overview 2022</b> (Pages 363 - 410) Consider report by Audit Scotland. (Copy attached.)	5 mins
16.	<b>Proposed Briefings/Seminars at Development Sessions 2022-23 for Audit and Scrutiny Committee</b> (Pages 411 - 414) Consider report by Chief Officer Audit and Risk. (Copy attached.)	5 mins
17.	<b>Any Other Audit Items Previously Circulated.</b>	
18.	<b>Any Other Audit Items which the Chairman Decides are Urgent.</b>	

#### NOTES

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

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**Membership of Committee:-** Councillors E. Thornton-Nicol (Chairman), N. Richards (Vice-Chairman), E. Robson, S. Scott, Mr M Middlemiss, Ms H Barnett, J. Anderson, P. Brown, J. Cox, M. Douglas, J. PatonDay and F. Sinclair

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**SCOTTISH BORDERS COUNCIL  
AUDIT AND SCRUTINY COMMITTEE**

MINUTE of Meeting of the AUDIT AND SCRUTINY COMMITTEE held via Microsoft Teams on Thursday, 9 June 2022 at 10.00 a.m.

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Present:- Councillors E. Thornton-Nicol (Chair), J. Anderson, M. Douglas, J. Paton Day, N. Richards, E. Robson, S. Scott, F. Sinclair.  
Also Present:- Councillor J. Greenwell.  
Apologies:- Councillors P. Brown, J. Cox.  
In Attendance:- Infrastructure Manager, Network Team Leader, Clerk to the Council, Democratic Services Officer (W. Mohieddeen).

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**CHAIR**

Councillor Thornton-Nicol welcomed everyone to the meeting and advised that the public business in this meeting was being livestreamed for public view and also recorded. By participating in the meeting, attendees have given consent for this. The recording would be available through the link to the event livestream on the Council website for public viewing for 180 days afterwards. The recording would then be automatically deleted after this time. Everyone was reminded that the Council did not allow any other recording of the meeting than this one.

**1. JEDBURGH TRAFFIC PETITIONS**

**1.1 Petitions Procedure**

Copies of the Audit and Scrutiny Committee Petitions procedure had been circulated. The Chair outlined the procedure to be followed at the meeting and the conclusions which the Committee could reach. The Chair explained that two similar petitions had been received relating to the current traffic management system in operation in Jedburgh, so they would be heard together. The Chair welcomed Mr Graham Hayward and Ms Lindsay Wilson from Jedburgh Community Council, and Mr David Greer to the meeting. There was a round of introductions.

**1.2 Temporary Traffic Flow, Jedburgh**

Copies of a petition entitled "Temporary Traffic Flow, Jedburgh" from Mr John Taylor, on behalf of Jedburgh Community Council, had been circulated. In the statement within the petition, it was explained that due to the dismantle and re-build of the "Corner buildings" on Market Place, a footpath had been closed causing risk to pedestrians on Market Place, Canongate, Abbey Place, lower Castlegate and the top end of the High Street. The Community Council had recommended changes to the flow of traffic in the centre of Jedburgh to alleviate some of the risk at Market Place, which would include the re-opening of two-way traffic in Exchange Street and the lower part of the High Street, but suggestions had been turned down by SBC Roads Department. It was the view of the Community Council that there was less overall risk to the community by the suggestions put forward than the arrangements that had been put in place by SBC.

1.3 The Chair invited Mr Graham Hayward, on behalf of Mr John Taylor (Chair of Jedburgh CC), to present the petition. Mr Hayward firstly passed on Mr Taylor's apologies to the meeting as he had a prior engagement and advised that he was assuming that all members of the Committee would have visited the site. Mr Hayward explained that the Community Council worked for the benefit of the town and its people and in November 2021 had asked Council officers to consult with the Community Council on the Corner Building works. In early February 2022 the pedestrian walkway under the scaffolding around the building had closed with no prior consultation with the Community Council.

The Community Council had then received a number of reports of near misses and Mr Henderson, SBC Road User Engineer, had attended a meeting with the Community Council where it had been agreed at that time on the signage to be erected which included a warning about pedestrians being in the roadway. After receiving further complaints of near misses, the Community Council had written to Ms Gilhooly, SBC Network Team Leader, asking that Exchange Street be re-opened to two-way traffic to reduce the risk. The Community Council had also spoken to the local Co-op manager about the possibility of using the Co-op car park as a turning head to ease traffic and had asked the Council for a draft plan of this for further discussion. A further meeting had taken place with Mr Henderson and Mr Nicholson from the Architects team where Mr Nicholson had advised that the risk assessment for the building meant nothing more could be done and suggested internal discussions continued to establish if anything further could be done. The Community Council had discussed the matter with Cllr Scott Hamilton who had suggested the petition. Mr Hayward expressed disappointment that the Community Council had not been invited to meet with the consultants who had been commissioned by the Council to provide a report on traffic flow in Jedburgh. Mr Hayward then referred to a number of points contained in the briefing paper provided by the Director Infrastructure and Environment and the Road Safety Review which had been provided to the Council by Wyllie:Lodge Road Safety Consultants. These points included:

- A photo of a pedestrian and mobility scooter user on the road out-with the barriers next to the scaffolding
- The identified road safety issues and the community concerns in the Consultants review

#### 1.4 **Restore Access to Exchange Street**

Copies of a petition entitled “Restore Access to Exchange Street from Market Place, Jedburgh” from Mr David Greer, had been circulated. In the statement within the petition it was explained that for the last number of years, Exchange Street, Jedburgh had had a “No Entry” sign, stopping traffic entering from Market Place. This had brought additional traffic onto The Friars, from vehicles needing to access properties on and adjacent to Lanton Road, such as Cairnmount, Exchange Street properties, 5 businesses, the redevelopment of Port House, and residents of Burn Wynd. It had also meant that residents of The Friars had to drive the length of the road to turn at the car park adjacent to Willow Court, and double back on themselves to access their driveways. Drivers had been witnessed ignoring the no entry sign and causing an accident risk by driving up Exchange Street from Market Place. This situation had to be resolved immediately, so that traffic could enter Exchange Street from Market Place safely. This could be achieved by use of traffic lights, a priority ‘Give Way’ system, or another solution to manage the traffic appropriately. This would benefit drivers who needed to use Exchange Street and Lanton Road, reduce traffic on The Friars, and allow residents to access their properties with greater ease than during past years.

1.5 The Chair invited Mr Greer to present his petition. Mr Greer explained that he was bringing the voices of the people of Jedburgh to the meeting. For several years the no entry sign had been in place and while he agreed that safety was of paramount importance, placing the sign was not enough as driver were ignoring the sign and driving the wrong way into Exchange Street. These vehicles, up to 30 in a day, included cars, taxis, tractors/trailers and SBC vehicles, so there was a high potential for accidents. To alleviate this, the proposal was that a priority give-way system was put in place. Mr Greer then gave an explanation of the narrowness of the road and historic use of Exchange Street, which was a busy thoroughfare. Parking had previously been permitted on the north side of the road where the scaffolding now was. The priority give-way system worked in Berwick and in Melrose, so should be possible in Jedburgh.

1.6 The Chair then invited questions from Members to both petitioners. In response to a question around feedback from the police if 30 vehicles were ignoring the no entry sign on a daily basis, Mr Hayward advised that the police no longer attended Community Council meetings. Mr Greer further advised that he had personally taken photographs and

reported drivers to the police but was not aware of any action having been taken. While examples could be given of near misses, there had been no reported accidents in the area. Mr Brian Young, Infrastructure Manager, advised that the scaffolding around the corner building was more or less to the centre line and when cars had been previously parked there they had been quite a bit inside the centre line. The current situation of the scaffolding required a one-way flow of traffic. Ms Gilhooly, Network Team Leader, further advised that the photographs used in the report showing pedestrians walking outside the barriers on the road had been taken at a time when the pedestrian walkway was open, so members of the public had chosen to walk on the road. Ms Gilhooly also confirmed that there was an entrance to the walkway at the junction.

- 1.7 Officers were then invited to respond to the Petition on behalf of the Council. The paper which had been circulated gave a brief history of the scaffolding on site and an explanation of the traffic management plan. Ms Gilhooly advised that safety was of paramount concern and while officers had absolute sympathy with residents, businesses, and visitors to Jedburgh for the disruption they were having to endure, the Council had to adhere to legislation, regulations and codes of practice in relation to traffic management. The scaffolding had had to be reconfigured a number of times due to the dangerous nature of the building. Officers had corresponded with the Community Council since 2020 in trying to find solutions but the rules had to be followed. Ms Gilhooly apologised that the dropped kerbs had not yet been amended and confirmed she would arrange for this to be done as soon as possible. While understanding the inconvenience caused by the current traffic system, opening up Exchange Street would not be safe and could not be signed off. Ms Gilhooly expressed concern that pedestrians were walking round the barriers but that was a personal choice for them. The Architects/Demolition team had confirmed that the demolition was likely to take until February 2023, given the dangerous nature of the building, and the site insurance company would not allow the walkway to re-open at the moment. Ms Gilhooly had emailed the Co-op estates department and was happy to let the Community Council have a copy of that email, but she had yet to receive a response. With regard to the possible use of the Co-op car park as a turning area, this was a private car park, so not under the control of the Roads Authority, it had no walkways and no escape route so it was extremely unlikely it could be used. The independent Road Safety auditors would not sanction its use. Mr Young confirmed that the Council needed to make the area as safe as possible, and unfortunately, none of the suggestions were workable.
- 1.8 Officers then provided responses to questions from Members and the petitioners. All comments from the Community Council regarding road safety matters had been passed on to the police and there had been no recorded reported injuries/accidents on this section of road. The signage had been brought down to the minimum so that Jedburgh did not look “closed” but officers would investigate amending the signage to make it semi-permanent and removal of the barriers. With regard to a give way priority system, the code of practice required a place for a vehicle to sit and with 3 different routes it would not be possible to show the priority order. There needed to be clear visibility in all directions and that was not possible at this site. Traffic lights would have similar issues, with at least a 3-way set needed, and account taken of pedestrians and all this would likely lead to traffic build up. Temporary traffic lights had been considered initially but it was felt the disruption would be unacceptable as it would also require the removal of existing parking. The biggest issue seemed to be individuals choosing to ignore the current signage in place. The petitioners expressed disappointment that their suggestions had not been accepted by officers and referred to the inconvenience caused to a local farmer, the cost to each property of the detour, and that the same risk seemed to be tolerated in Castlegate in Jedburgh. Any traffic management system needed to take account of the stakeholders and the Council needed to be more pro-active in this regard.
- 1.9 Having heard from everyone, Members then discussed what recommendations they would wish to make. While expressing huge sympathy for the disruption and inconvenience caused to the people of Jedburgh, the majority of Members favoured no further action being taken. The main concern was safety and the Council had to adhere

to the legislation and regulations in place regarding traffic management with which it had to comply, and the priority had to be safety over inconvenience. Cllr Robson asked officers to reconsider a traffic light system, especially the timings, to reduce the risk to pedestrians by slowing traffic down. Mr Young confirmed that officers would revisit this. Members also asked that the signage be reviewed, the police be asked to provide better enforcement, and the dropped kerbs be installed as soon as possible and the old zebra crossing markings/zig-zags be removed. Members then unanimously agreed that once these actions had been taken, no further action would be taken on the petitions.

- 1.10 The Chairman thanked Mr Hayward and Mr Greer for their presentation of the Petitions and Ms Gilhooly and Mr Young for their input.

**DECISION  
AGREED that:**

- (a) **officers would revisit the use of traffic lights at the Exchange Street junction and share their findings with Jedburgh Community Council and the appropriate committee if required;**
- (b) **Police Scotland would be asked to ensure better enforcement of the current no entry system to stop vehicles going the wrong way into Exchange Street with the possible use of mobile CCTV to assess the scale of the problem;**
- (c) **officers would review the overall signage to ensure a more visible 'no entry' sign at the bottom of Exchange Street;**
- (d) **officers would ensure drop kerbs were installed as soon as possible, and that old zebra crossing and zig-zag lines would be burnt off; and,**
- (e) **once the above actions had been undertaken, the issues raised required no further action to be taken.**

**2. MINUTE**

- 2.1 The Minute of the meeting held on 14 March 2022 had been circulated.

**DECISION  
AGREED to approve the Minute for signature by the Chair.**

- 2.2 Copies of the Scrutiny Business Action Tracker had been circulated. The Clerk to the Council advised that she would work with the relevant Directors to bring to the Audit & Scrutiny Committee after the summer recess a timeline for the outstanding actions.

**DECISION  
NOTED.**

***The meeting concluded at 11.20 am***

**ACTION SHEET MASTER COPY**

**SCOTTISH BORDERS COUNCIL AUDIT and SCRUTINY COMMITTEE 2021/22 (AUDIT BUSINESS)**

Notes:-

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

TITLE	DECISION REQUIRING ACTION	DIRECTORATE/ SECTION	RESPONSIBLE OFFICER	STATUS
<b>22 November 2021</b>				
Internal Audit Work to October 2021 (Audit of Business Continuity Framework)	<b>AGREED to request the Corporate Management Team to review business continuity arrangements across the Council and that an assurance report be presented to the Audit and Scrutiny Committee at its February 2022 meeting.</b>	Chief Executive / Emergency Planning	Netta Meadows	BC Project underway with Chief Officer Audit & Risk a member of the Project Board to enable continuous Internal Audit follow-up work. Agreed to a further update at June 2022 meeting of A&SC.
<b>14 February 2022</b>				
Best Value Action Plan Update	<b>AGREED to RECOMMEND to the H&amp;SC INTEGRATION JOINT BOARD that it directed attention to the operation of the Localities Model and the participation of partners therein.</b>	Health & Social Care IJB	Chris Myers	Chris Myers attended A&SC 14 March 2022 during which this action was raised. Complete
Best Value Action Plan Update	<b>DECIDED to note with disappointment that, two years on, only 50% of the proposed actions have been completed and that the commitment to produce a new Council Plan which would enable a more robust culture of performance management to be undertaken was welcomed and asked that these recommendations be addressed in this Plan.</b>	People, Performance & Change	Clair Hepburn / Jason McDonald	Council Plan approved by full Council 22 February 2022. A&SC conclusion included in its Annual / End of Term Report 2021/22 presented to Council on 31 March 2022. Complete
<b>14 March 2022</b>				
Progress Update on LDS Financial Management Recommendation	<b>AGREED that the Director Health and Social Care would provide an update on LDS Financial Management actions for the meeting of the Audit and Scrutiny Committee in August 2022.</b>	Health & Social Care IJB	Chris Myers	
Internal Audit Work to February 2022 (Audit of Schools Financial and Business Administration Processes)	<b>AGREED The Review Group would follow-up on mandatory e-learning as part of its first quarter work.</b>	Chief Executive	Netta Meadows	

Audit and Scrutiny Committee Annual Self-Assessments and End Of Term Report 2021-22	<b>AGREED that the Audit and Scrutiny Committee Annual/End of Term Report 2021-22 should be presented to the Council.</b>	Audit & Risk	Jill Stacey / Cllr Stuart Bell	A&SC Annual / end of Term Report 2021/22 presented to Council on 31 March 2022. Complete



# Scottish Borders Council

Annual Audit Plan 2021/22



Prepared for Scottish Borders Council  
March 2022

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# Introduction

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## Summary of planned audit work

1. This document summarises the work plan for our 2021/22 external audit of Scottish Borders Council. The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of, and provision of an Independent Auditor's Report
- audit opinions on other information published in the annual accounts including the Management Commentary, the Governance Statement and the Remuneration and Staff Report
- consideration of arrangements in relation to the audit dimensions: financial management, financial sustainability, governance and transparency and value for money that frame the wider scope of public sector audit
- consideration of Best Value arrangements
- providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and the Whole of Government Accounts (WGA) return
- review Scottish Borders Council's arrangements for preparing and publishing statutory performance information
- review Scottish Borders Council's participation in the National Fraud Initiative.

## Impact of Covid-19

2. The coronavirus disease (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future. The pandemic had significant implications for the Council's finances and its service delivery model in 2021/22.

3. The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required.

## Adding value

4. We aim to add value to Scottish Borders Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we will help Scottish Borders Council promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Audit and Scrutiny Committee and actively participate in discussions.

## Respective responsibilities of the auditor and Scottish Borders Council

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and Scottish Borders Council. Key responsibilities are summarised below.

### Auditor responsibilities

6. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

7. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

### Scottish Borders Council responsibilities

8. Scottish Borders Council is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

9. Also, Scottish Borders Council has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and legality that enable them to deliver their objectives.

## Managing the transition to 2022/23 audits

10. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

# Financial statements audit planning

## Materiality

**11.** Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

### Materiality levels for the 2021/22 audit

**12.** We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for Scottish Borders Council are set out in [Exhibit 1](#).

## Exhibit 1

### 2021/22 Materiality levels for Scottish Borders Council and its Group

Materiality	Council	Group
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 2022 based on the latest audited financial statements for 2020/21.	£6.2 million	£6.2 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 60% of planning materiality.	£3.7 million	£3.7 million
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£250,000	£250,000

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**13.** Our risk assessment draws on our cumulative knowledge of Scottish Borders Council, its major transaction streams, key systems of internal control and risk management processes. Also, it is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

**14.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

### Exhibit 2

#### 2021/22 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> <li>• Assess the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Consider the need to test journal entries and other adjustments during the period.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</li> <li>• We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>• Focussed testing of accounting accruals and prepayments.</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>2. Estimation in the valuation of land and buildings.</b></p> <p>Scottish Borders Council held land and buildings with a NBV of £397 million as at 31 March 2021. Land and building property categories are revalued on a five-year rolling basis on the 1 April by an internal valuer.</p> <p>There can be a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p>	<ul style="list-style-type: none"> <li>• Discussions with internal valuer and management</li> <li>• Valuations carried out every five years as part of a rolling revaluation programme</li> <li>• Detailed working papers to support year-end reconciliation of assets to internal valuations, asset reviews and impairments</li> </ul>	<ul style="list-style-type: none"> <li>• Review the information provided to the valuer to assess for completeness.</li> <li>• Evaluate the competence, capabilities, and objectivity of the professional valuer.</li> <li>• Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>• Critically assess the approach Scottish Borders Council has adopted to assess the risk that assets not subject to valuation are not materially misstated, consider the robustness of that approach and appropriateness of any assumptions made.</li> <li>• Test the reconciliation between the financial ledger and the property asset register.</li> <li>• Critically assess the adequacy of the Scottish Borders Council disclosures regarding the assumptions in relation to the valuation of land and buildings.</li> </ul>

Source: Audit Scotland

**15.** As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for Scottish Borders Council because while the possibility of fraud exists, we do not judge it to be a significant risk due to the nature of Scottish Borders Council's revenue streams and key sources of income, namely government grants.

**16.** In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this risk for Scottish Borders Council because there are limited opportunities to manipulate the way expenditure is incurred.

**17.** We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

## Other areas of audit focus

**18.** As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses. If our assessment of risk changes and we consider these risks to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

**19.** The areas of specific audit focus are:

- The review of Common Good assets to identify those assets held by the Council but which are properly owned by the Common Good.
- The pension liability valuation due to the material value and significant assumptions used in the calculation of the liability.
- The ongoing impact of Covid-19 and how related expenditure and additional funding is being accounted for in the annual accounts.
- The accounting for and disclosure of any provisions or contingencies relating to litigation and claims resulting from historic cases.

## Group Consideration

**20.** As group auditors, we are required under International Standard on Auditing (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

**21.** Scottish Borders Council has a group which comprises component entities, including subsidiaries, associates and joint ventures. The audits of the financial information of some of the components are performed by other auditors. We plan to place reliance on the work of the component auditors. We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.



## Audit of the trusts and common good funds registered as Scottish charities

**22.** Members of Scottish Borders Council are sole trustees for 6 trusts and common good funds registered as Scottish charities. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

**23.** The 2006 Regulations require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the Council are sole trustees, irrespective of the size of the charity.

### Materiality levels for the 2021/22 audit of trusts registered as Scottish charities

**24.** Materiality levels for the various trusts are set out in [Exhibit 3](#).

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#### Exhibit 3 2021/22 Materiality levels for registered charities

Registered Charity	Planning Materiality	Performance Materiality	Reporting Threshold
<b>Charitable Trusts</b>	£5,900 (Based on 2% of audited 2020/21 net asset value)	£4,400 (Based on 75% of planning materiality)	£300
<b>Common Good Funds</b>	£327,000 (Based on 2% of audited 2020/21 net asset value)	£245,000 (Based on 75% of planning materiality)	£16,400
<b>Community Enhancement Trust</b>	£4,100 (Based on 2% of audited 2020/21 net asset value)	£3,100 (Based on 75% of planning materiality)	£200
<b>Education Trust</b>	£160 (Based on 2% of audited 2020/21 net asset value)	£120 (Based on 75% of planning materiality)	£8

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<b>Ormiston Trust for Institute</b>	£6,400 (Based on 2% of audited 2020/21 net asset value)	£4,800 (Based on 75% of planning materiality)	£300
<b>Welfare Trust</b>	£15,700 (Based on 2% of audited 2020/21 net asset value)	£11,800 (Based on 75% of audited 2020/21 net asset value)	£800

Source: Audit Scotland

**25.** A significant financial statement risk in respect of accounting for non-current assets has been noted in respect of the Common Good Fund financial statements relating to the review of Common Goods assets held by the Council but which are properly owned by the Common Good Fund.

**26.** No significant financial statement risks or other areas of audit focus have been identified in respect of the other entities detailed above.

### **Audit risk assessment process**

**27.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

# Audit dimensions and Best Value

## Introduction

28. The [Code of Audit Practice](#) sets out the four dimensions that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the audit dimensions in audited bodies.

## Audit dimensions

29. The four dimensions that frame our audit work are shown in [Exhibit 4](#).

### Exhibit 4

#### Audit dimensions



Source: Code of Audit Practice

30. In summary, the four dimensions cover the following:

- **Financial management** – financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years).
- **Governance and transparency** – governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership, and decision-making and transparent reporting of financial and performance information.
- **Value for money** – value for money refers to using resources effectively and continually improving services.

## Best Value

**31.** 2021/22 is the final year of the extended six-year approach to auditing Best Value in councils. Best Value work is integrated within the annual audit. It is to be assessed comprehensively over the period of the audit appointment, both through ongoing annual audit work and through discrete packages of work focussing on specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council.
- an Annual Assurance and Risks Report that the Controller of Audit will provide to the Accounts Commission that will highlight issues from across all 32 council annual audit reports.
- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once over the period of the audit appointment.

**32.** BVARs will be considered by the Accounts Commission between February and September 2022 on the councils listed in [Exhibit 5](#).

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### Exhibit 5 2022 Best Value Assurance Reports

- Comhairle nan Eilean Siar
- Shetland Island Council
- Angus Council
- Moray follow-up

Source: Audit Scotland

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**33.** The Best Value work planned this year will focus on following-up findings reported in the BVAR in October 2019 to assess progress on the pace and depth of continuous improvement. Our findings will be reported through our Annual Audit Report.

## Audit dimension risks

**34.** We have identified audit risks in the areas set out in [Exhibit 6](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks.

### Exhibit 6

#### 2021/22 Audit dimension risks

Description of risk	Sources of assurance	Planned audit response
<p><b>1. Financial sustainability</b></p> <p>The Council continues to operate in an increasingly complex and challenging environment, where core national funding is reducing relative to rising demand for services and cost pressures.</p> <p>A wide range of financial uncertainties has been further complicated due to the Covid-19 pandemic, the war in Ukraine and overall rising costs of living.</p> <p>The Council faces significant challenges to remain financially resilient and deliver services sustainably.</p> <p>There remains a risk to financial sustainability and the sustainability and quality of services in the future.</p>	<ul style="list-style-type: none"> <li>• Regular budget monitoring and reporting</li> <li>• Monthly financial reporting and regular discussions with Scottish Government</li> <li>• Regular scrutiny of financial plans at governance committees</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the Council's annual budget setting arrangements</li> <li>• Review and assessment of budget monitoring arrangements</li> <li>• Review of the Council's medium to longer-term financial planning</li> <li>• On-going review of the Council's financial position and delivery of planned savings</li> </ul>

Description of risk	Sources of assurance	Planned audit response
<p><b>2. Governance and transparency</b></p> <p>In February 2022, the Council received a critical report on the handling by Scottish Borders Council of school assault allegations. It will be important for the Council to demonstrate appropriate governance and transparency in responding to the report.</p>	<ul style="list-style-type: none"> <li>• Reporting to Council</li> <li>• Preparation of an action plan</li> <li>• Implementation of recommended actions</li> </ul>	<ul style="list-style-type: none"> <li>• Review of reporting arrangements</li> <li>• Review of progress in the implementation of recommendations</li> </ul>

Source: Audit Scotland

**35.** In addition, we plan to follow up on wider dimension risks highlighted in our 2020/21 Annual Audit Report in respect of the implementation of cyber security and disaster recovery arrangements.

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**36.** Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 7](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**37.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

**38.** We will provide an independent auditor's report to the Accounts Commission setting out our opinions on the annual report and accounts. We will provide Scottish Borders Council and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**39.** [Exhibit 7](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 October 2022. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19.

## Exhibit 7 2020/21 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31 March 2022	14 June 2022
Independent Auditor's Report	31 October 2022	TBC
Annual Audit Report	31 October 2022	TBC

Source: Audit Scotland

## Timetable



**40.** To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 8](#) that has been discussed with management.

**41.** Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. To this end, 2021/22 is a transition year with the reporting deadline brought forward by one month relative to the two prior years. We are identifying ways to work more efficiently to expedite the 2021/22 audits whilst at the same time maintaining high standards of quality.

**42.** We will continue to work in close partnership with management with clarity over timescales and the requirement for high quality unaudited accounts and supporting working papers. Progress will be discussed with management and finance officers over the course of the audit.

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### Exhibit 8 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual report and accounts by those charged with governance	June 2022
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	30 June 2022
Latest date for final clearance meeting with the Director of Finance (or equivalent)	Early October 2022 (TBC)
Issue of Letter of Representation and proposed Independent Auditor's Report	October 2022 (TBC)
Agreement of audited and unsigned annual report and accounts	October 2022 (TBC)
Issue of Annual Audit Report to those charged with governance.	October 2022 (TBC)
Signed Independent Auditor's Report	By 31 October 2022
Latest date for WGA assurance	TBC

Source: Audit Scotland

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## Audit fee

**43.** The audit fee for the 2021/22 audit of Scottish Borders Council and its group is £293,310 which includes £6,000 for the audit of the trusts (2020/21: £287,500 including £6,000 for the audit of the trusts). In determining the audit fee, we have taken account of the risk exposure of the Scottish Borders Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

**44.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and accounts, the absence of adequate supporting working papers or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

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# Other matters

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## Internal audit

**45.** International standards on Auditing (UK) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect on external audit procedures;
- obtain an understanding of internal audit activities to inform our planning and develop an effective audit approach that avoids duplication of effort;
- perform a preliminary assessment of the internal audit function when there is scope for relying on internal audit work which is relevant to our financial statements' responsibilities; and
- evaluate and test the work of internal audit, where use is made of that work for our financial statements responsibilities to confirm its adequacy for our purposes.

**46.** From our initial review of the internal audit plans, we do not plan to place formal reliance on internal audit's work for our financial statements' responsibilities. We do plan to consider the findings of the work of Internal Audit during 2021/22 as part of our annual audit work on wider dimensions.

## Independence and objectivity

**47.** Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

**48.** The engagement lead (i.e. appointed auditor) for Scottish Borders Council is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Scottish Borders Council.

## Quality control

**49.** International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**50.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**51.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

# Scottish Borders Council

## Annual Audit Plan 2021/22

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:

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

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**INTERNAL AUDIT WORK TO MAY 2022**


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**Report by Chief Officer Audit and Risk**


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**AUDIT AND SCRUTINY COMMITTEE**
**27 June 2022**


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**1 PURPOSE AND SUMMARY**

- 1.1 **The purpose of this report is to provide members of the Audit and Scrutiny Committee with details of the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements.**
- 1.2 The work Internal Audit has carried out in the period from 1 March to 31 May 2022 associated with the delivery of the approved Internal Audit Annual Plan 2021/22 is detailed in this report. A total of 7 final Internal Audit reports have been issued. There were 16 recommendations made associated with 6 of the reports (13 Medium-rated; 3 Low-rated).
- 1.3 An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1 to this report.
- 1.4 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

**2 RECOMMENDATIONS**

- 2.1 **I recommend that the Audit and Scrutiny Committee:**
  - a) **Notes the Executive Summaries of the final Internal Audit assurance reports issued in the period from 1 March to 31 May 2022 associated with the delivery of the approved Internal Audit Annual Plan 2021/22;**
  - b) **Notes the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter; and**
  - c) **Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

### 3 BACKGROUND

- 3.1 The Internal Audit Annual Plan 2021/22 was approved by the Audit and Scrutiny Committee on 8 March 2021. To facilitate operational delivery an Internal Audit Programme of Work has been developed which provides an indication of when work is scheduled during the year, taking account of discussions with Management and availability of Internal Audit resources.
- 3.2 For each assurance audit: prior to commencement of the fieldwork, an Audit Assignment detailing the scope, objectives and timing is agreed with the relevant Service Management; and, at the conclusion of the fieldwork, a draft Report is issued to relevant Service Management for response on the factual accuracy and acceptance of the findings and recommendations, as appropriate, which is then issued as a final Report.

### 4 PROGRESS UPDATE

- 4.1 Internal Audit has carried out the following work in the period from 1 March to 31 May 2022 associated with the delivery of the Annual Plan 2021/22.
- 4.2 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

#### Completed Internal Audit Assurance Reports

- 4.3 Internal Audit issued final assurance reports on the following subjects:
- Capital Investment
  - IT Asset Management
  - Business World System Key Controls
  - Economic Development Industrial Property
  - Sustainable Environment (b/f from 2020/21)
  - Roads Asset Management (b/f from 2020/21)
  - Information Governance
- 4.4 An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.
- 4.5 The definitions for Internal Audit assurance categories are as follows:

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

## Internal Audit Consultancy and Other Work

4.6 Internal Audit staff have been involved in the following for the Council to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter:

- a) Provide 'critical friend' internal challenge and assurance through engagement in meetings of programmes and projects involving major change (Fit for 2024 Transformation Programme, Information Governance Group, Social Work Performance Board, Social Work Review Delivery Group, Sustainability Board).
- b) Learning and development for all Internal Audit team members during the research stage of new audit areas.
- c) The Chief Officer Audit & Risk joined CIIA Local Authority Forum and webinars on the topics of 'Culture through the EDI lens', 'Data analytics - is not negotiable', and 'Scepticism - why is this important for IAs', to share good practice and to keep knowledge of new Internal Audit developments up to date.
- d) The Principal Internal Auditor accessed CIPFA/CIIA Local Authority Forum and webinars on 'Internal Audit- Untapped Potential' and joined the CIIA Data Analytics Forum, which are providing valuable insights.

## Recommendations

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

<b>High:</b> Significant weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high to require immediate action within one month of formally raising the issue. Added to the relevant Risk Register and included in the relevant Assurance Statement.
<b>Medium:</b> Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.
<b>Low:</b> Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to attention of senior management.
Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

4.8 The table below summarises the number of Internal Audit recommendations made during 2021/22:

	2021/22 Number of Recs
High	0
Medium	13
Low	3
<b>Sub-total reported this period</b>	<b>16</b>
Previously reported	16
<b>Total</b>	<b>32</b>
Recommendations agreed with action plan	32
Not agreed; risk accepted	0
<b>Total</b>	<b>32</b>

4.9 Internal Audit has commenced various reviews in the period from 1 April to 31 May 2022 associated with the delivery of the Annual Plan 2022/23 which was approved by the Audit and Scrutiny Committee on 14 March 2022.

## **5 IMPLICATIONS**

### **5.1 Financial**

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

### **5.2 Risk and Mitigations**

- a) During the development of the Internal Audit Annual Plan 2021/22 and at the start of each audit engagement, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered.
- b) If audit recommendations are not implemented, there is a greater risk of loss and/or reduced operational efficiency and effectiveness, and Management may not be able to demonstrate effective management of risks through improved internal controls and governance.

### **5.3 Integrated Impact Assessment**

- (a) There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017).
- (b) The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those in the Internal Audit function with the Code of Ethics set out in the PSIAS which is appropriate for the profession of Internal Audit founded as it is on trust placed in its objective assurance about risk management, internal control and governance.

### **5.4 Sustainable Development Goals**

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist.

### **5.5 Climate Change**

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

### **5.6 Rural Proofing**

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

### **5.7 Data Protection Impact Statement**

There are no personal data implications arising from the content of this report.

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

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



## 6 CONSULTATION

- 6.1 The Directors relevant to the Internal Audit reports issued have signed off the relevant Executive Summary within Appendix 1.
- 6.2 The Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance and Change, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been taken into account.

### Approved by

**Jill Stacey, Chief Officer Audit and Risk Signature .....**

### Author(s)

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

**Background Papers:** Appropriate Internal Audit files

**Previous Minute Reference:** Audit and Scrutiny Committee 14 March 2022

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

Contact us at Internal Audit [intaudit@scotborders.gov.uk](mailto:intaudit@scotborders.gov.uk)

**APPENDIX 1**

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Asset Management</p> <p>Subject: Capital Investment</p> <p>No: 007/020</p> <p>Date issued: 14 April 2022 Draft; 20 May 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the audit was to review the governance arrangements in place for capital planning and investment including strategic asset management plans to ensure these are aligned to Council priorities and business requirements.</p> <p>The latest Capital Investment Strategy applies to financial year 2022/23 and subsequent financial years, and pulls together the investment implications of other more detailed policies, including the refreshed Council Plan. Capital investment is aligned to Council priorities and business requirements. The Estates Strategy once completed and approved should ensure closer alignment of capital projects with the Council’s strategic objectives and priorities.</p> <p>The Capital Plan outlines the expected programme and project costs and how they will be funded. Asset Management Plans, that ensure a proper balance between investment in new assets and maintenance of existing assets, are either not in place or are not up to date and the overall condition and suitability of the Council’s properties is not fully understood. Capital investment cannot be effectively prioritised until Asset Management Plans are in place.</p> <p>The Council currently does not have a Capital Board or equivalent which monitors the outputs from the capital bid process or oversees the delivery of the capital programme. Consequently there is no effective high-level mechanism to ensure that projects entered into the Capital Plan are strategically relevant and of the highest priority. While capital expenditure incurred each year is highly significant there is no strategic risk register in place, although risk registers are in place at the project level.</p>	0	4	0	<p>Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations, three of which are linked to and dependent upon the approval by Council of the Estates Strategy and subsequent implementation of the prioritised action plan.</p>

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Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Capital Investment (cont'd)	<p>At the project level governance is provided through Project Boards. Capital financial budget monitoring and management and monitoring of high value capital projects and their delivery are in place.</p> <p>Regular and appropriate capital project and programme reporting is provided to senior officers and elected members to enable them to make decisions on the Council's capital investment activity.</p> <p>Internal Audit are able to provide Substantial assurance. Largely satisfactory risk, control, and governance systems are in place. There is some scope for improvement in the governance arrangements to achieve objectives.</p> <p>Internal Audit have made the following recommendations which are designed to assist with this improvement:</p> <ul style="list-style-type: none"> <li>• Asset Management Plans should be developed. (Medium)</li> <li>• A Capital Board or equivalent should be established which monitors the outputs from the capital bid process and ensures that projects entered into the Capital Plan are strategically relevant and of the highest priority. (Medium)</li> <li>• A strategic risk register should be established for capital investment. (Medium)</li> <li>• Sustainability should be a factor influencing scoring in the capital bid process. (Medium)</li> </ul>				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Asset Management</p> <p>Subject: IT Asset Management</p> <p>No: 009/014</p> <p>Date issued: 09 May 2022 Draft; 20 May 2022 Final</p> <p>Level of Assurance: Limited</p>	<p>The purpose of the review was to assess systems, processes and controls that are in place to ensure complete and accurate records of all IT assets that underpin the IT Asset Management Strategy to deliver the Council's strategic objectives and priorities.</p> <p>There are 2 separate asset registers containing IT equipment which are used for different purposes. The first is an IT register maintained by CGI with details of individual assets; measures are in place to identify assets not regularly connecting to the network though there are no further reviews to confirm location of asset. The second is the fixed asset register maintained in Techforge system used for capital expenditure above the de minimus level.</p> <p>The following example of good practice was found: Asset tags are used for quick and simple identification of IT assets.</p> <p>There is no overarching IT Asset Management Strategy in place. IT assets are managed within individual projects such as school iPads in the Inspire Learning Programme or laptop replacement as part of the Windows 10 project on a business as usual basis.</p> <p>Internal Audit are able to provide Limited assurance. We found no evidence of significant error, inaccuracy or non-compliance but without an overarching strategy and an accurate asset register, it was not possible to fully assess this nor confirm whether this is in line with the Council's Digital Strategy.</p> <p>Internal Audit have made the following recommendations:</p> <ul style="list-style-type: none"> <li>• An overarching IT Asset Management Strategy should be developed to define objectives &amp; determine priorities. (Medium)</li> <li>• Adding employee assets to Business World ERP system should be reconsidered to facilitate self-serve updates. (Low)</li> <li>• A physical count of major assets should be compared to the asset register and checked that they are properly asset tagged. Further review of disabled laptops should be considered. (Low)</li> </ul>	0	1	2	Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Financial Governance</p> <p>Subject: Business World System Key Controls</p> <p>No: 073/005</p> <p>Date issued: 13 May 2022 Draft; 08 June 2022 Final</p> <p>Level of Assurance for the specific areas tested:</p> <ul style="list-style-type: none"> <li>• Procure to Pay – Substantial (with the exception of Petty Cash – Limited);</li> <li>• Sales to Cash – Comprehensive;</li> <li>• HR – Substantial (with the exception of Mandatory Training – Limited);</li> <li>• Record to Report – Comprehensive.</li> </ul>	<p>This Business World ERP System Key Internal Controls review is an integration of 4 audits in the Internal Audit Annual Plan 2021/22 relating to the work streams (Record to Report; Procure to Pay; HR &amp; Payroll, including Pension Payments; Sales to Cash).</p> <p>The Council replaced older legacy systems in April 2017 with an integrated Enterprise Resource Planning solution, Business World (BW), for HR, Finance and Procurement processes designed to reduce duplication in processing and data handling. Business World System is one of the cornerstones by which the Council seeks to continue to achieve transformational change in the way that it operates. The complexity of the system and the introduction of functionality in phases has been assessed as high inherent risk requiring annual Internal Audit reviews since its implementation. This was the final year that the integration of the 4 audits noted above will take place.</p> <p>At a high level the purpose of the review was to test key areas of risk related primarily to developments introduced in 2021/22.</p> <p>Invoice Capture has introduced improvements in the scanning and validation of invoices, although there are no changes to the BW process.</p> <p>Petty Cash Management would benefit from a review and update of the processes, documents, training and controls. An overarching recommendation has been made accordingly.</p> <p>Supplier Masterfile records contain financial and personal data and it is essential that changes to these records are controlled and restrictions around access are applied. There have been no changes to the way in which these records are created, amended or deleted since the previous audit in 2020/21, and greater reliance is now placed on the banking provider to verify supplier accounts. Since the previous audit there have been improvements in reviewing the number of inactive suppliers within the system.</p>	0	1	1	Management have accepted the factual accuracy of the report and its findings, and agreed to implement the recommendations within reasonable timescales.

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Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Business World System Key Controls (cont'd)	<p>Further testing relating to Supplier Masterfile records has highlighted where a Register of Interest may be required where there is a conflict with either the individual or a member of their household. We have made no recommendation as this has already been identified and acknowledged in the HR Policy Framework Audit in 2021/22, and we understand HR are progressing the use of BW for capturing this information. The completion of Registers of Interests has also been recently discussed at the Counter Fraud Integrity Group as a result of the NFI Data Matching exercise 2020/2021. We will continue to monitor progress in this area.</p> <p>The use of the Staff Appraisal functionality continues to show slow progress. Further development work in this area is being carried out by HR which will assist and encourage Line Managers and staff to engage in the appraisal process. This will also contribute to the People Planning process and ultimately the delivery of Council objectives.</p> <p>Internal Audit found that levels of compliance with Mandatory training completion are lower than expected. A recommendation has been made accordingly.</p> <p>Internal Audit considers that sufficient functionality currently exists within the Record to Report module to assist Service Managers with budget monitoring and forecasting.</p> <p>There were no Internal Audit recommendations made in the 2020/21 review. Follow-up indicates that other improvements have largely been completed.</p>				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Business World System Key Controls (cont'd)	<p>To assist with the identified improvements in the 2021/22 review, Internal Audit have made the following recommendations:</p> <p><b>Procure to Pay</b></p> <p><u>Operational Processes</u></p> <ul style="list-style-type: none"> <li>Management should review and update the Petty Cash processes, documents, training and controls, as per the specific details provided during the audit Exit meeting, to support the consistent application of the Policy, and carry out 2<sup>nd</sup> line monitoring of compliance / effectiveness. (Low)</li> </ul> <p><b>HR</b></p> <p><u>Operational Processes</u></p> <ul style="list-style-type: none"> <li>Management must ensure that staff understand the importance of and complete (or re-complete expired) mandatory training and that progress is monitored to ensure compliance. (Medium)</li> </ul>				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Asset Management</p> <p>Subject: Economic Development Industrial Property</p> <p>No: 151/002</p> <p>Date issued: 18 March 2022 Draft; 12 April 2022 Final</p> <p>Level of Assurance: Substantial (administering the Estate and budget monitoring reporting); and Limited (strategy, promotion and performance monitoring).</p>	<p>The purpose of the review was at a high level to assess the corporate governance and financial governance arrangements relating to the Industrial property estate, including strategy, processes, and performance.</p> <p>The Council holds significant business property assets for provision of factory and workshop space for rental. This provision of space supports the development of the local economy by assisting local and incoming businesses with their accommodation needs, and encouraging business and employment growth. In addition, the Council benefits from income generated by these assets, in excess of £1.2M per annum.</p> <p>There is no apparent strategy currently in place which deals with economic development opportunities brought about through the provision of additional business space although clearer direction is expected with the completion of the Estates Strategy (expected 31 March 2022) and the SOSE Inward Investment Strategy which has no confirmed completion date.</p> <p>The industrial and business property estate is managed by applying effective Corporate Landlord principles.</p> <p>Internal Audit are able to provide Substantial assurance in respect of administering the Estate and budget monitoring reporting, and Limited assurance in terms of current strategy, promotion and performance monitoring.</p> <p>Internal Audit have made the following recommendations:</p> <ul style="list-style-type: none"> <li>• Management should include operating costs associated with the Estate, such as repairs, in budget monitoring reports to allow a better appreciation of overall financial performance derived from the Estate. (Medium)</li> <li>• Management should develop a limited number of Key Performance Indicators to allow meaningful assessment of the performance of the Estate. (Medium)</li> </ul>	0	2	0	<p>Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations.</p> <p>The Internal Audit recommendations are reflected as actions for implementation within 6 months in the draft Estates Strategy that was received on 6 April 2022, with a Steering Group established to progress the Estates Strategy and Action Plan for approval in due course.</p>

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Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Legislative &amp; Other Compliance</p> <p>Subject: Sustainable Environment (b/f from 2020/21)</p> <p>No: 202/012</p> <p>Date issued: 12 April 2022 Draft; 04 May 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to assess progress with the development of new governance arrangements and action plans to meet obligations regarding sustainable environmental programmes, including corporate and social responsibility.</p> <p>The Climate Change Route Map (CCRM) sets out the direction for the Council and its partners and communities to move to a net zero emissions Scottish Borders economy by 2045, in line with the national target set by the Scottish Government. The CCRM was approved by Council on 17 June 2021 and is structured around 5 Themes, each with 5 Milestones. The CCRM is supported by the associated Priority Action Plan, which was approved by Council on 10 March 2022.</p> <p>Council agreed to establish the Sustainable Development Committee (SDC) to drive and monitor the implementation of sustainable development goals, tackling climate change and manage reputational risk. The SDC has met on 7 occasions since it was established in January 2020. The Sustainability Board was established to develop and drive forward Council action on delivering the CCRM, and embedding the UN Sustainability Goals across Council activity. It meets fortnightly and comprises expertise from across Services and reports to the SDC.</p> <p>Officers will continue to develop additional and subsequent actions during 2022 and beyond to add to and support the activity reflected in the Plan of Priority Actions. This is in the nature of the continually evolving and changing programme of action, which makes up the CCRM. Regular monitoring and reporting is necessary if the Council is to achieve change, therefore progress and delivery of the Priority Action Plan is expected to be overseen and scrutinised by the Sustainable Development Committee, and reported annually to Council. Risks to successful delivery will require to be identified and any mitigating actions put in place.</p>	0	2	0	<p>Management have accepted the factual accuracy of the report and its findings, and agreed to implement the recommendations</p> <p>Management Response: Whilst we accept that we put in place resources and arrangements to ensure that all required information is completely and accurately provided to the Sustainable Scotland Network (SSN), the imperative is deliverable practical action and this will be the priority that drives forward progress in achieving towards net zero aims.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Sustainable Environment (cont'd)	<p>Sustainability / net zero implications are taken into account as part of the Council's decision making process. Reports for decision contain an "Implications" section, which covers Sustainable Development Goals and Climate Change. The comprehensiveness of the completion of this section is inconsistent across Services and our enquiries found that the completion of the UN Sustainable Development Goals Checklist is sporadic in some Service areas. Notwithstanding, during the course of our work we observed some examples of where carbon neutrality clearly has been carefully considered.</p> <p>The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 requires local authorities and other major public bodies to report to Scottish Ministers in November each year in respect of the preceding financial year on what they have done to comply with their duties. The report was submitted on time and in the required although the Council was unable to supply all the data required principally due to a lack of resources. Omissions were disclosed up front to Sustainable Scotland Network (SSN).</p> <p>Internal Audit are able to provide Substantial assurance, with largely satisfactory risk, control, and governance systems in place.</p> <p>Internal Audit have made the following recommendations, as there is some scope for improvement surrounding reporting obligations:</p> <ul style="list-style-type: none"> <li>• Resources and arrangements should be put in place to ensure that all the information required in the submission to (SSN) can be completely and accurately provided. (Medium)</li> <li>• The benefits of subjecting information contained in the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 report to external validation or peer review should be considered and, if assessed as beneficial, arrangements put in place. (Medium)</li> </ul>				Note: Audit Scotland published a relevant report on 1 March 2022: Addressing climate change in Scotland: A summary of key recommendations for public bodies ( <a href="#">link</a> )

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Asset Management</p> <p>Subject: Roads Asset Management (b/f from 2020/21)</p> <p>No: 203/010</p> <p>Date issued: 18 March 2022 Draft; 11 May 2022 Final</p> <p>Level of Assurance: Substantial (operational management); Limited (governance and strategic management)</p>	<p>The purpose of the review was at a high level to assess whether the Council has a structured framework for Roads Asset Management including an inspection programme together with management information and reporting to demonstrate efficient and effective use of resources.</p> <p>The Service faces significant resource constraints in carrying out the safety and service inspection regime and maintaining roads in their current condition.</p> <p>Overall, the condition of roads over the last four years is broadly constant which represents a significant achievement given the circumstances and resources limitations and indicates that the Service does well with the resources made available.</p> <p>The day to day operational management of the Roads Service appears to be efficiently managed and is supported by capital and revenue budget monitoring information that meets the needs of Management. Internal Audit are able to provide Substantial assurance for those aspects.</p> <p>The governance and strategic management of the Service requires improvement to achieve objectives and evidence best value. Internal Audit are able to provide Limited assurance for those aspects. An up to date Roads Asset Management Plan is not in place. In common with most other councils, the investment in roads cannot adequately take into account the condition of the road network. There is not an effective roads asset management system in place although steps are being taken to address this. Current performance monitoring arrangements require significant development.</p>	0	3	0	<p>Management Response: In general the findings are accurate and the recommendations are accepted; however, for context the improvement activity is a significant undertaking over the next few years which will require additional external resource to be procured and deployed as well as extensive engagement with stakeholders including elected members, concurrent with the implementation of Confirm, the roads asset management system.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Roads Asset Management (b/f from 2020/21)	<p>Internal Audit have made the following recommendations:</p> <ul style="list-style-type: none"> <li>• The Road Asset Management Plan (RAMP) should be updated and published following engagement with relevant stakeholders. It should align with the corporate vision and demonstrate the contribution the RAMP makes towards achieving this vision. The approach of other local and strategic highway authorities, especially those with integrated or adjoining networks, should be considered when developing the RAMP. (Medium)</li> <li>• Financial plans should be prepared in alignment with the RAMP covering short, medium and long-term time horizons. In reviewing the level of funding, the condition of the road network should be taken into account and lifecycle planning principles should be used to support investment decisions and substantiate the need for appropriate and sustainable long term investment. (Medium)</li> <li>• Appropriate performance monitoring arrangements require development to assist the operation of an efficient service which supports the RAMP and demonstrates value for money. (Medium)</li> </ul>				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Subject: Information Governance</p> <p>No: 236/015</p> <p>Date issued: 20 May 2022 Draft; 23 May 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to examine the Information Governance Framework including roles and responsibilities, policy development and implementation, and compliance with legislation, and provide assurance to Senior Information Risk Owner (SIRO).</p> <p><b>Information Governance:</b> There has been some progress with improvement actions, which are monitored through a Tracker presented to the Information Governance Group (IGG) quarterly.</p> <p><b>Records Management:</b> The Council's self-assessment (Progress Update Review) was evaluated by the National Records of Scotland. The final report issued in April 2022 states that Scottish Borders Council and Licensing Board continue to take their statutory obligations seriously and are working hard to bring all the elements of their records management arrangements into full compliance with the Act and fulfil the Keeper's expectations. The next self-assessment will be in October 2022.</p> <p><b>Information Security and Information Sharing:</b> The PSN accreditation was approved in May 2022 by the Cabinet Office. The existence of data sharing agreements is recorded on the Information Asset Registers maintained within Services, which are reviewed by the Information Management team.</p> <p><b>Data Protection and Information Access:</b> Subject Access Requests (SARs) and Freedom of Information requests (FOIs) still pose a significant burden on resources due to tight timescales, though management of these requests has improved. Information Access reports and Data breach reports are monitored by IGG.</p> <p>Internal Audit are able to provide Substantial assurance. There is scope for improvement, specifically to ensure that the mandatory training completion rate is achieved and to refresh awareness of Information Management issues. Management actions are underway, therefore no recommendations were made.</p>	0	0	0	<p>Awaiting Management acceptance of the factual accuracy of the report and its findings.</p> <p>The intention is to present this Executive Summary on Information Governance to the next meeting of the Information Governance Group in July 2022.</p>

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## **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2021/22**

**Report by Chief Officer Audit and Risk**

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### **AUDIT AND SCRUTINY COMMITTEE**

**27 June 2022**

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

- 1.1 The purpose of this report is to present to the Audit and Scrutiny Committee the Internal Audit Annual Assurance Report for the year to 31 March 2022, which includes the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Council's overall control environment.**
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, provides an annual internal audit opinion and report on the adequacy and effectiveness of the Council's governance, risk management and internal controls to support the preparation of the Annual Governance Statement. This is in support of the overall governance arrangements of the Council, as set out in the Local Code of Corporate Governance.
- 1.3 The Remit of the Audit and Scrutiny Committee, relevant to the content of this report, indicates that it should: ensure an adequate framework of internal control, risk management and governance throughout the Council; and monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.
- 1.4 To meet the requirements of the PSIAS the Internal Audit Annual Assurance Report 2021/22, at Appendix 1, includes the annual Internal Audit opinion, provides details of the Internal Audit activity and performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the PSIAS.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit and Scrutiny Committee:**
  - a) Considers the Internal Audit Annual Assurance Report 2021/22 (Appendix 1) and assurances contained therein; and**
  - b) Provides any commentary thereon, including any further actions required by Management.**

### **3 BACKGROUND**

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the *Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector (PSIAS)*. The standards require Internal Audit to have suitable operational independence from the organisation.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) 2017 require that:  
“The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.  
The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.  
The annual report must incorporate:
- the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”
- 3.3 The Remit and Terms of Reference of the Audit and Scrutiny Committee, relevant to the content of this report, indicates that it should:
- Ensure an adequate framework of internal control, risk management and governance throughout the Council, and consider annual assurance reports.
  - Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.

### **4 INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2021/22**

- 4.1 The Internal Audit Annual Assurance Report 2021/22, at Appendix 1, includes the Chief Officer Audit & Risk’s (chief audit executive) independent and objective opinion regarding the adequacy and effectiveness of the Council’s governance, risk management and internal controls. It also provides details of the Internal Audit activity that supports the opinion and of the performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).
- 4.2 Internal Audit’s purpose is to support the Council in its activities, designed to achieve its declared objectives for the benefit of Scottish Borders’ communities and other stakeholders.
- 4.3 The Internal Audit Annual Assurance Report 2021/22 provides assurances in relation to the Council’s corporate governance framework that is a key component in underpinning the delivery of the Council’s outcomes and priorities in accordance with its values as set out within the Council Plan. The key messages of assurance and areas of improvement set out in the Internal Audit Annual Assurance Report 2021/22 have been used to inform the Annual Governance Statement 2021/22.



## 5 IMPLICATIONS

### 5.1 Financial

The net cost of the Internal Audit service was £259k (2020/21 £265k). The majority of service expenditure relates to staff costs (99%) for resources comprising Chief Officer Audit & Risk (50% recharged to Midlothian Council to reflect the shared Internal Audit services arrangement), Principal Internal Auditor, one Senior Internal Auditor, and three Internal Auditors. These resources are for the provision of Internal Audit services to Scottish Borders Council, the Scottish Borders Council Pension Fund, and the Scottish Borders Health and Social Care Integration Joint Board.

### 5.2 Risk and Mitigations

The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit engagement has been risk-based and, where appropriate, has tested the specific Service's management of risk.

Internal Audit provides assurance to the Strategic Leadership Team and the Audit and Scrutiny Committee on the adequacy and effectiveness of internal controls, governance and risk management within the Council, highlights good practice and recommends improvements. Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and range and breadth of audit areas for inclusion within the Annual Plan. There is effective liaison between Internal Audit and the Corporate Risk Officer on an on-going basis to ensure that risks are considered in every audit and that risk reviews take account of findings and improvements arising from Internal Audit work.

Continuous improvements in internal controls and governance arrangements can be demonstrated through Management-initiated actions complemented by the implementation of Internal Audit recommendations. It is anticipated that further improvements in the management and mitigation of risks will arise as a direct result of Management implementing the Internal Audit recommendations made during the year or outstanding from previous years which will enable Management to demonstrate further improvement in internal controls and governance arrangements.

Delivery of the Internal Audit services in conformance with the PSIAS will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to review findings of assessments as part of the consideration of the system of internal control required by regulation 5.

### 5.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017). This report does not relate to new or amended policy or strategy and as a result an integrated impact assessment is not an applicable consideration.

The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those in the Internal Audit function with the Code of Ethics set out in the PSIAS which is appropriate for the profession of Internal Audit founded as it is on trust placed in its objective assurance about risk management, internal control and governance.

#### 5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist, alongside the Internal Audit Charter. Good governance is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

#### 5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

#### 5.6 Rural Proofing

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

#### 5.7 Data Protection Impact Statement

There are no personal data implications arising from content of this report.

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

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

### 6 CONSULTATION

6.1 Directors have been advised to take into account the findings from Internal Audit work during the year when completing their internal control and governance assurance statements as part of the annual self-evaluation and assurance process for the Council's Annual Governance Statement 2021/22.

6.2 The Chief Officer Audit & Risk (chief audit executive) is required to give an independent opinion on the Council's governance, risk management and internal controls. This report and Appendix 1 have been presented to the Strategic Leadership Team to outline the key messages of assurance and areas of improvement.

6.3 The Director Finance & Corporate Governance, the Chief Legal Officer (Monitoring Officer), the Director People, Performance & Change, the Clerk to the Council and the Communications team have been consulted on this cover report and any comments received have been incorporated.

#### Approved by

**Jill Stacey, Chief Officer Audit & Risk**      **Signature .....**

#### Author(s)

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

**Background Papers:** Appropriate Internal Audit files

**Previous Minute Reference:** Audit and Scrutiny Committee 10 May 2021

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

Contact us at Internal Audit [intaudit@scotborders.gov.uk](mailto:intaudit@scotborders.gov.uk)

## Chief Officer Audit & Risk's Annual Assurance Report and Opinion 2021/22 for Scottish Borders Council

### 1 Introduction

- 1.1 It is Management's responsibility to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively. These are known as the first and second lines, which are not fixed but evolve as the Council changes.
- 1.2 Internal Audit, as the third line, is an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.
- 1.3 The Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance.
- 1.4 The Objectives of Internal Audit are set out in its Charter: As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives and to do so:
- In support of the Council's vision, values and priorities.
  - As a contribution to the Council's corporate management of risk.
  - As an aid to ensuring that the Council and its elected members, employees and contracted third parties are operating within the law and relevant regulations.
  - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.
  - As a contribution towards ensuring that financial statements and other published performance information are accurate and reliable.
- 1.5 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:  
 "The chief audit executive (the Council's Chief Officer Audit & Risk) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.  
 The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.  
 The annual report must incorporate:
- the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."
- 1.6 This Annual Report provides the annual internal audit opinion and summarises the work carried out by Internal Audit during the year to 31 March 2022 that underpins the opinion in accordance with the Internal Audit Charter, Strategy and Annual Plan 2021/22. The report also summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

## **2 Opinion on the systems of Internal Control and Governance**

- 2.1 My opinion is that the systems of internal control, governance and risk management within the Council are operating satisfactorily. The opinion is based on our Internal Audit reviews and knowledge and our ability to gain assurance from compliance/service support functions (such as health and safety, IT client, information management, finance and procurement, HR, business continuity) that are key components of the Council's assurance framework.
- 2.2 The main issue for 2021/22 was non-completion by staff of the mandatory eLearning training (particularly child protection), and lack of oversight by Management to check compliance and include in staff annual appraisals. Common themes from Internal Audit findings during the year were: keeping policies and procedures up-to-date which is of particular importance during a period of change, for example HR and Financial Policy Frameworks; Senior Management need to carry out second line monitoring for assurance purposes, for example, Performance Management; and establish a board to provide strategic oversight on capital asset management planning and implementation of capital programmes and projects.
- 2.3 Internal Audit reports during the year confirm improvements in internal controls, governance, and risk management through Management-initiated actions complemented by their implementation of Internal Audit recommendations.
- 2.4 Substantial assurance can be provided on the adequacy of the internal controls and governance arrangements in place. The key governance documents have been reviewed and updated where required during the year, including: Scheme of Administration (approved September 2017; amended December 2021); Procedural Standing Orders (approved September 2021); Scheme of Delegation (approved March 2018; amended September 2021); Financial Regulations (approved February 2022); Procurement & Contract Standing Orders (approved January 2021); and Codes of Conduct for Councillors and for Employees. There is a need to update the Council's Local Code of Corporate Governance (approved June 2018). This will ensure it reflects the appropriate framework for effective governance of the Council's affairs and facilitates the exercise of its functions to deliver best value.
- 2.5 The Council continues to make progress in embedding Risk Management and awareness ensuring that the risks to achieving corporate objectives are systematically identified, analysed, evaluated, controlled, monitored and reported regularly. Corporate and Service Risk Registers are subject to regular review by those Managers who are allocated the responsibilities for managing individual risks. Organisations who are contracted to deliver services on behalf of the Council and through partnership arrangements, such as the Health and Social Care Integration Joint Board and Live Borders, have Risk Management processes in place. The revised Risk Management Policy and Strategy were approved by Council (December 2021) on recommendation by the Audit & Scrutiny Committee (ASC). ASC received presentations during the year from Directors on key risks and mitigations and a Risk Management Annual Report outlining activity against the risk management strategy, to fulfil their role of oversight of how risks are managed. Committee reports include a Risk and Mitigations section to ensure that decision makers are cognisant of the risks associated with the proposals/decisions to be taken. Improvements are required on the Council's Business Continuity Framework to ensure the policy is up-to-date, the system is fit for purpose, adequate support resources are deployed, and a programme of testing is developed and implemented to ensure business continuity is being applied in practice.
- 2.6 Further improvements in internal controls, governance, and risk management have been agreed by Management, as highlighted in Internal Audit reports and recommendations made during the year or outstanding from previous years. The Strategic Leadership Team should continue to monitor Audit Actions on a regular basis and to oversee implementation of Internal Audit recommendations to demonstrate continuous improvement.

### 3 Internal Audit Annual Plan 2021/22 Delivery

- 3.1 Internal Audit staff resources have been adversely affected during the year. Most notably the whole team continue to be working from home, facilitated by the use of MS Teams and access to network drives and business applications. There were reduced Audit Days capacity due to: long-term absence of one Internal Auditor in the first half of the year; and the sudden passing of the Senior Internal Auditor, with reallocation of interim Senior Internal Auditor shared with Midlothian Council to partially cover the vacancy from the 2<sup>nd</sup> quarter. This has resulted in the level of Actual Audit Days being lower than Plan (82%). There has been no impairment to the independence or objectivity of the Internal Audit function arising from the change to resourcing or from consultancy work during the year.
- 3.2 The following revisions to the Internal Audit Annual Plan 2021/22 were approved by the Audit and Scrutiny Committee (date notified):
- Central Schools (Internal Controls) - Due to its links to the Fit for 2024 transformation programme, this activity has been designated as an Internal Audit consultancy review in a 'critical friend' role, in agreement with the Director Education & Lifelong Learning. (14 February 2022)
  - Mental Health Services - Adults and Children \*\* brought forward from 2020/21 (Internal Controls) - Deferred on request by Management in light of ongoing capacity challenges due to Covid-19 pandemic. (14 March 2022)
  - Assessors (Internal Controls) - Deferred on request by Management to align with new development implementation plan as still awaiting legislation from Scottish Government. (14 March 2022)
- 3.3 The range and breadth of Internal Audit work that has been performed during the year, which is listed below, is sufficient to inform the Internal Audit assurance opinion.

#### **Corporate Governance Audits**

- 3.4 To provide assurances in relation to the Council's corporate governance framework that is a key component in underpinning delivery of the corporate objectives and priorities within the Council's Corporate Plan, reviews included (date reported to Audit and Scrutiny Committee):
- Corporate Governance (Assessment of progress on implementation of improvement actions within the Annual Governance Statement including Best Value Assurance Report actions (BVAR). Annual evaluation against the Local Code of Corporate Governance to determine whether the arrangements are operating as described. Prepare this Annual Assurance Report for Management and the Audit and Scrutiny Committee, forming the statutory opinion on the adequacy of the Council's arrangements for governance, internal control and risk management.) - 27 June 2022.
  - Information Governance (Continuous audit approach performing 'critical friend' role through the review of the Information Governance framework including roles and responsibilities, policy development and implementation, assess compliance with legislation, and provide annual assurance to Senior Information Risk Owner and Data Protection Officer) - 27 June 2022.
  - Performance Management Framework (Continuous audit approach to assess progress of the review and enhancement of the Council's Performance Management Framework, including background research and engagement.) – 14 February 2022.
  - Performance Management LGBF (Validation of the Council's Performance Indicators to ensure accuracy of data submitted on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework) – 20 September 2021.
  - Corporate Transformation Programme - Fit for 2024 (Continuous audit approach to review the governance and accountability arrangements associated with the planning

and implementation of the corporate transformation programme, and updates on programmes and projects via the Fit for 2024 Board, including processes for benefit (financial and other) identification, tracking and realisation (return on investment and value for money) and evaluation of outcomes and lessons learned.) – 14 March 2022.

- HR Policy Framework (Assess the HR Policy Framework (including Gifts & Hospitality and Register of Interests) and evaluate whether there is a comprehensive programme in place to review, update and develop relevant policies, procedures and guidelines, including the rollout to employees.) – 22 November 2021.
- Business Continuity Framework (Review the process for setting, testing, reviewing and updating Business Continuity plans (including ICT disaster recovery strategies and plans) to ensure the delivery of business critical (and other) services across the Council, that they are aligned with requirements and that they are fit for purpose (i.e. no critical single points of failure).) – 22 November 2021.
- Risk Management (Progress on the implementation of corporate risk management improvement actions including policy, strategy, training and toolkits.) – 29 June 2021.

### **Financial Governance Audits**

3.5 To provide assurance on the internal financial controls in place and substantive testing of transactions to ensure completeness and accuracy of data in core financial systems, reviews included:

- Financial Policy Framework (Assess the Financial Policy Framework, and evaluate whether there is a comprehensive programme in place to review, update and develop relevant Financial Regulations, Policies, Procedures, Guidelines, and any associated Codes of Practice, including the rollout to employees.) – 14 February 2022.
- Grants incorporating Following the Public Pound (Review of authorisation and monitoring procedures including criteria to evaluate grant applications and monitoring compliance with conditions of grant. Assess process against Following the Public Pound code of practice in support of securing best value.) – 14 March 2022.
- Business World ERP System Key Controls (An integration of 4 audits to assess key controls of the Business World system for Payroll and HR, Sales to Cash, and Procure to Pay processes and core General Ledger and Management Reporting (Record to Report), assess System Access, and test sample of transactions from various data sets.) – 27 June 2022.

### **ICT Governance Audits**

3.6 To provide assurances that computer systems are secure, reliable and conform to nationally agreed standards, reviews included:

- Digital Strategy (Ensure that the Digital Strategy is aligned to Council priorities and business requirements. Review of client relationship and contract management with CGI to assess compliance with Service Delivery and terms and conditions.) – 14 February 2022.

### **Internal Controls Audits**

3.7 To provide assurances in relation to a range of the Council's internal controls in areas identified by Management, reviews included:

- Schools Financial and Business Administration Processes (Review of internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources in the school establishments including evaluation of the systems in place to set and monitor DSM budgets.) – 14 March 2022.
- Justice Services \*\* brought forward from 2020/21 (Assess the adequacy of internal controls, administrative procedures and resources in place to meet statutory obligations.) – 14 February 2022.

- Homelessness \*\* Brought forward from 2020/21 (Review the rent accounting processes and procedures in place, including collection and recovery of rents for temporary accommodation, the launch of the Crisis Intervention Fund process, and the provision, funding and costs associated with providing accommodation for homeless clients. Review progress with Self-Evaluation assessment.) – 22 November 2021.
- Waste and Recycling Services \*\* Brought forward from 2020/21 (Ensure there are adequate operational and financial controls in place for the effective delivery of waste and recycling services.) – 14 February 2022.
- Parks & Environment (Bereavement Services) \*\* Brought forward from 2020/21 (Procedures and controls are in place to provide for efficient and effective use of operational resources in Parks & Environment pertaining to the Cemeteries and Burials service delivery.) – 29 June 2021.
- Scottish Government Support Grants (Assess the adequacy of operational processes in place to administer the payment of Scottish Government Business Support Grants to ensure that they are appropriate and consistent.) – 20 September 2021.
- Registration Service (Assess compliance with the relevant legislation and the adequacy of controls in place for registration fees and charges income.) – 14 February 2022.
- Community Safety - CAT Team (Review of operational and financial controls in place for the effective delivery of services and use of resources.) – 22 November 2021.

#### **Asset Management Audits**

3.8 To provide assurances that Council assets are safeguarded and properly accounted for, and used economically, efficiently and effectively, reviews included:

- IT Asset Management (Review of systems, processes and controls that are in place to ensure complete and accurate records of all IT assets that underpin the IT Asset Management Plan to deliver the Council's strategies, plans & priorities.) – 27 June 2022.
- Capital Investment (Review the governance arrangements in place for capital planning and investment including strategic asset management plans to ensure these are aligned to Council priorities and business requirements.) – 27 June 2022.
- Economic Development Industrial Property (Assess the corporate governance and financial governance arrangements relating to Industrial property estate, including strategy, processes, and performance.) – 27 June 2022.
- Roads Asset Management \*\* Brought forward from 2020/21 (Assess that the Council has a structured framework for Roads Asset Management (roads, bridges, footways, lighting), including an inspection programme and management information and reporting, to demonstrate efficient and effective use of resources.) – 27 June 2022.

#### **Legislative and Other Compliance Audits**

3.9 To test compliance with the terms of the funders' service level agreements or legislative requirements, reviews included:

- Jedburgh Conservation Area Regeneration Scheme (CARS) \*\* Brought forward from 2020/21 (Review as part of programme compliance and evaluation requirements of the external funders including audit requirements.) – 29 June 2021.
- Hawick Conservation Area Regeneration Scheme (CARS) \*\* Brought forward from 2020/21 (Review as part of programme compliance and evaluation requirements of the external funders including audit requirements.) – 29 June 2021.
- EU Funded Programmes - LEADER and EMFF (Perform annual audits of EU grant-funded programmes for 2014-2020, Liaison Entre Actions de Développement de l'Économie Rurale (LEADER) and the European Maritime Fisheries Fund (EMFF), under the terms of Service Level Agreements (SLAs) to assess compliance with the requirements of the SLAs and the relevant EC Regulations.) – 22 November 2021.

- Sustainable Environment \*\* Brought forward from 2020/21 (Assess progress with the development of new governance arrangements and action plans to meet obligations regarding sustainable environmental programmes, including corporate and social responsibility.) – 27 June 2022.

### **Consultancy Work**

- 3.10 In its 'critical friend' role, Internal Audit provided internal challenge and advice to Managers through engagement in a number forums as the Council continues to transform its services (for example: Fit for 2024 Transformation Programme Board; Information Governance Group; Social Work Performance Board; Social Work Review Delivery Group; Sustainable Development Board; Homelessness Compliance Review Group).
- 3.11 During the year Internal Audit responded to a number of requests for ad hoc advice and assistance on internal controls, risk management and governance.

### **Other Audit Work**

- 3.12 During the year Internal Audit resources were deployed in undertaking the following other audit work in support of the Internal Audit function meeting its wider objectives as set out in the Internal Audit Charter:
- Follow-up (Undertook two reviews: The first assessed performance of Management in implementing Internal Audit recommendations by the agreed due date; and the second included a sample check of Internal Audit recommendations which were flagged as closed, to check that they have been effectively implemented and to ensure that the new controls have had the desired effect on improving internal controls, risk management and governance.)
  - Counter Fraud (Internal Audit evaluated fraud prevention controls and detection processes on an on-going basis to ensure fraud risk is considered in every audit, and specifically provided intelligence via data sharing requests from Police Scotland as part of the wider assurance framework on counter fraud and crime controls.)
  - PSIAS Self-Assessment (Undertook an annual self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS) and reported its findings to Management and the Audit and Scrutiny Committee.)
  - Audit and Scrutiny Committee Self-assessment (Provided assistance to the Chair in undertaking the Self-Assessment of the Audit and Scrutiny Committee (Audit functions) against the CIPFA best practice guidance, and provided support for the A&SC members' learning and development during the year.)
  - Integrity Group (Attended the Integrity Group virtual meetings and provided support to the Group to fulfil its role.)
  - Boards / Committees (Prepared for and attended Audit and Scrutiny Committee virtual meetings and other Boards / Committees, as relevant.)
  - Administration of Audit Scotland Reports (Monitored publication of Audit Scotland reports and co-ordinated submission of Audit Scotland Reports to the relevant Committees. Internal Audit considered and applied national audit reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies, thus adding value to the Council.)
  - Audit Planning 2022/23 (Reviewed and updated the Internal Audit Charter and Internal Audit Strategy. Reviewed and extensively updated the Audit Universe to develop and consult on the proposed coverage within the Internal Audit Annual Plan 2022/23.)



## **Non SBC Work**

- 3.13 The Council's Internal Audit service provided independent assurance work relating to the systems of internal control, corporate governance and risk management arrangements of the Scottish Borders Council Pension Fund and Scottish Borders Health and Social Care Integration Joint Board. Separate Internal Audit annual assurance opinions will be reported to their respective Senior Management and Board / Audit and Scrutiny Committee, based on the work delivered in accordance with Annual Plans that have been approved by their respective Senior Management and Board / Audit and Scrutiny Committee in March 2021.
- 3.14 The shared Internal Audit services arrangement between Midlothian and Scottish Borders Councils continued to be delivered during 2021/22, albeit via remote working. The SBC Chief Officer for Audit & Risk fulfilled the roles of Chief Internal Auditor for Midlothian Council and for Midlothian Health and Social Care Integration Joint Board, and provided the strategic leadership for the effective delivery of Internal Audit services to those client organisations through approved Plans and Reports to their respective Senior Management and Boards / Audit and Scrutiny Committees. The Council approved a report 'Shared Internal Audit Services and Proposed Way Forward 2022/23' on 16 December 2021. The report provided details of the wider options for joint working that had been explored and the evaluation of the shared Internal Audit services arrangements, the operating environment for which had changed significantly since its inception. The report proposed a way forward for 2022/23 onwards for the mutual opt out of the shared Internal Audit services at the end of 2021/22 and progression towards a permanent staff resourcing of the Midlothian Council Internal Audit team. Management in both Midlothian Council and Scottish Borders Council have agreed that the shared Internal Audit services arrangement will continue for a transitional period in 1<sup>st</sup> quarter of 2022/23 to allow for the Midlothian Council recruitment of a permanent Chief Internal Auditor.

## **4 Public Sector Internal Audit Standards and Quality Assurance & Improvement Plan**

- 4.1 The professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) include:
- Definition of Internal Auditing;
  - Code of Ethics;
  - Attribute Standards (Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; Quality Assurance and Improvement Programme);
  - Performance Standards (Managing the Internal Audit Activity; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress; and Communicating the Acceptance of Risks).
- 4.2 The Public Sector Internal Audit Standards (PSIAS) requires the annual internal self-assessment against the PSIAS to be subject to an External Quality Assessment (EQA) every five years, by appropriately qualified and independent reviewers. The findings of the SBC EQA, completed by North Lanarkshire Council in early January 2021, assessed the function as 'fully conforms' with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, Attribute Standards and Performance Standards (consistent with the internal self-assessment 2019/20). The findings and the main areas for improvement highlighted in the Final EQA Report were reported to the Audit and Scrutiny Committee on 15 February 2021.
- 4.3 The PSIAS requires the chief audit executive, the Council's Chief Officer Audit & Risk, to carry out an annual internal self-assessment against the PSIAS, develop a quality assurance and improvement plan (QAIP) based on the outcome, and report the results of the QAIP to senior management and elected members. An internal self-assessment 2021/22 of Internal Audit practices against the Standards was carried out in April/May 2022, as required by the PSIAS.

This confirmed the implementation of the improvements identified in the EQA January 2021, and further identified some minor enhancements relating to operational tools to ensure their efficiency and effectiveness. There are no improvement actions for inclusion in the QAIP arising from the 2021/22 internal self-assessment.

Progress will be reported to the Audit and Scrutiny Committee within the Internal Audit Mid-Term Performance Report 2022/23.

**Jill Stacey BA(Hons) ACMA CGMA**  
**Chief Officer Audit & Risk**  
**9 June 2022**




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## RISK MANAGEMENT ANNUAL REPORT 2021/22

**Report by Chief Officer Audit & Risk**

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### AUDIT AND SCRUTINY COMMITTEE

**27 June 2022**

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#### 1 PURPOSE AND SUMMARY

- 1.1 **The purpose of this report is to provide Members with an overview of Scottish Borders Council's responsibilities in respect of risk management and an update on the risk management activity during 2021/22 for assurance purposes.**
- 1.2 Effective Risk Management is one of the foundations of effective Corporate Governance as recognised in the Council's Local Code of Corporate Governance. Compliance with the principles of sound Corporate Governance requires the Council to adopt a coherent approach to the management of risks that it faces every day. Better and more assured risk management will bring many benefits to the Council and the people it serves.
- 1.3 Management have the primary responsibility to systematically identify, analyse, evaluate, control and monitor risks to the achievement of the Council's objectives. Internal Audit is required to give independent assurance on the effectiveness of all internal controls and other arrangements put in place by Management to manage risk. Part of the Audit and Scrutiny Committee's role (Audit function) is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy.
- 1.4 In 2021, a revised Risk Management Policy statement and a 3-year Risk Management Strategy were endorsed by this Committee and approved by the Council to enable the Council to refine its approach to managing risks and embed these key aspects into the management practices of the Council. Risk Management activity during the year, in line with the Policy and Strategy, is outlined in this annual report.

#### 2 RECOMMENDATIONS

- 2.1 **I recommend that the Audit and Scrutiny Committee:**
  - a) **Acknowledges that it is satisfied with the arrangements for managing risks at the Council in support of the Council's Risk Management Policy and Strategy; and**
  - b) **Notes the content of the Corporate Risk Register as at Quarter 4 2021/22 review and the refresh that is underway.**

### **3 BACKGROUND**

- 3.1 Effective Risk Management is one of the foundations of effective Corporate Governance as stated in the Council's Local Code of Corporate Governance (approved by Council, June 2018). Compliance with the principles of sound corporate governance requires the Council to adopt a coherent approach to the management of the risks that it faces every day. Common sense serves to underline the message that better and more assured risk management will bring many benefits to the Council and the people it serves.
- 3.2 The Roles and Responsibilities are set out in the Council's Risk Management Policy. Management have the primary responsibility to systematically identify, analyse, evaluate, control and monitor risks that potentially endanger or have a detrimental effect upon the achievement of the Council's objectives and its people, property, reputation and financial stability whether through core service delivery or through a programme of change. Management continue to be supported by the Corporate Risk Officer to apply the risk management process with risk registers at Corporate and Service levels that are then uploaded to Pentana, the Council's performance management system.
- 3.3 The revised Risk Management Strategy 2021-2024 states that risk registers should be reviewed on a proportionate basis to ensure effective monitoring of current risks and mitigating actions. As such Corporate and Red risks should be reviewed at least quarterly, Amber risks bi-annually and Green risks at least annually. This also presents an opportunity to add newly identified risks or archive risks which are no longer relevant.
- 3.4 Internal Audit is required to give independent assurance on the effectiveness of all internal controls and other arrangements put in place by Management to manage risk, and to make recommendations designed to improve the management and mitigation of risks, in particular where there is exposure to significant financial, strategic, reputational and operational risks to the achievement of the Council's objectives.
- 3.5 Part of the Audit and Scrutiny Committee's role (Audit function) is to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy.

### **4 RISK MANAGEMENT ACTIVITY 2021/22**

- 4.1 Learnings from the Risk Management Health Check 2020 and recommendations from the Risk Management Internal Audit Report 2021 were used to inform the review and revision of the Risk Management Policy and Strategy 2021-24. This was presented to and approved by Council in December 2021. Among other elements the revised Policy and Strategy 2021-24 now includes greater detail on risk escalation/de-escalation procedures as well as risk appetite, tolerance and capacity. To support the effective application of the revised Policy and Strategy 2021-24 the Risk Management Process Guide for managers has been substantially expanded and strengthened to provide additional support and direction for risk managers. Furthermore, work has been undertaken to develop an Appetite, Capacity and Tolerance Toolkit to provide additional guidance and clarity on acceptable levels of risk in relation to different risk categories and highlight

where additional mitigations or escalation may be required. These supporting documents have been further enhanced by knowledge gained from the Corporate Risk Officer's attendance at a two day Enterprise Risk Management Course in February 2022.

- 4.2 It was noted in the 2020/21 Risk Management Annual Report that the planned risk management activity supported by the Corporate Risk Officer was adversely affected during the year due to the ongoing response to the Covid-19 pandemic, with quarterly risk reviews suspended. During 2021/22 significant progress has been made to catch-up on the backlog of facilitated risk review activity and to re-establish the required frequency of reviews, as set out in the Risk Management Strategy 2021-24. As of May 2022, Corporate Risks have consistently received quarterly risk reviews, facilitated by the Corporate Risk Officer and a summary of these have been presented to the Strategic Leadership Team (SLT) on a quarterly basis (Please see Appendix One – Corporate Risk Register as at Quarter 4 2021/22). Furthermore, all Service Risk Registers have received facilitated risk reviews from the Corporate Risk Officer at least once during 2021/22 with most having received more than one review. An update on service risk review activity is also presented to SLT on a quarterly basis in the form of a risk tree which details the risk review date and the Red, Amber, Green (RAG) status of each service risk register, helping to enable greater SLT oversight of risk management activity.
- 4.3 In addition to the Corporate and Service Risk Register reviews detailed above, the Corporate Risk Officer has continued to facilitate risk workshops and development sessions for several new risk registers on request by Management. These new risk registers relate to programmes which are reflective of the ever-changing responsibilities, partnerships, projects and legislative dimensions to which the Council is exposed; for example, Borderlands, Elections, the Fit for 2024 Programme, and Galashiels and Peebles High Schools. It should be noted that the development of new Risk Registers takes substantially more time than it does to carry out reviews of established Risk Registers, and are more iterative in nature thus reflecting the design and implementation stages of these complex programmes. As well as being directly involved in the development of new risk registers the Corporate Risk Officer has provided guidance and advice to programme Managers to indirectly support them to develop additional risk registers and has provided feedback and scrutiny to ensure the effective application of the Risk Management Policy and Strategy 2021-24 as they are developed.
- 4.4 Learnings and implications from both the UK's exit from the EU and the Covid-19 pandemic have been reflected in Corporate, Service and Programme Risk Registers and internal controls and mitigating actions developed and implemented where possible. The EU Exit Risk Register continues to receive quarterly reviews and significant efforts have been made during 2021/22 to engage with managers from across the Council and reflect, where relevant, service related EU exit risks on Service Risk Registers with a view to ensuring that these risks are monitored and managed by those best placed to do so.

- 4.5 Starting in 2020/21 and concluding in 2021/22 various Directors representing the diverse range of Council Services made presentations to the Audit and Scrutiny Committee at their meetings on the strategic risks facing their respective Services and the internal controls and governance in place to manage / mitigate those risks to demonstrate how risk management is embedded within Services. This approach provided the opportunity to the Elected and External Members of the Committee, as part of their oversight remit, to gain a fuller understanding of how Management are discharging their risk management responsibilities in practice and to enable them to hold Management to account on the application of the Risk Management Policy requirements. The style and content of the presentations changed from February 2020, following a request from the Chair of the Committee for the presentations to be more focused on how individual risks are managed and controlled. This new approach has proven to be successful, with Members providing positive feedback following each of the presentations, which were delivered as listed below:

<b>Director</b>	<b>Date of Meeting</b>
Director Finance & Corporate Governance	February 2020
Director Social Work and Practice	March 2020
Director Resilient Communities	September 2020
Executive Director Corporate Improvement & Economy	November 2020
Director People, Performance and Change	February 2021
Director Education and Lifelong Learning	March 2021
Director Infrastructure and Environment	September 2021

- 4.6 To reflect the Council's contribution of corporate support resources to partnership working, risk management advisory and support services were provided by the Corporate Risk Officer to Live Borders and the Scottish Borders Health and Social Care Integration Joint Board using the same systematic approach as part of their respective business or strategic planning processes.
- 4.7 Risk Management refresh training for Elected Members of the Audit and Scrutiny Committee took place in June 2021 to provide an overview of the risk management framework that is applied within the Council. This covered a range of topic areas such as: the anatomy of a risk, the risk management landscape, relevant sections of the Local Code of Corporate Governance and the risk management role of the Audit and Scrutiny Committee (Audit function) while drawing on practical examples from the Corporate Risk Register.
- 4.8 As part of Commercial Awareness Week in November 2021 the Chief Officer Audit and Risk and the Corporate Risk Officer developed and delivered a pre-recorded video presentation on Risk Management, Fraud, Bribery and Corruption entitled "What do we need to be aware of when working with

suppliers?." This was undertaken as part of a wider initiative to raise staff awareness and increase knowledge of supplier, commissioned services and contract management. Similar to the refresher training provided to Elected Members in June 2021 the presentation covered the fundamentals of risk management in addition to focusing on specific considerations of which managers should be aware when dealing with contracted or commissioned suppliers / services.

- 4.9 Regular engagement with senior managers continues to be undertaken with the Chief Officer Audit and Risk attending service management team meetings to provide updates on risk management activity and, where relevant, to encourage input to enhance the development of key risk management documents, such was the case in 2021 with the Risk Management Process Guide and the Appetite, Capacity and Tolerance Toolkit. This has also served to achieve another of the recommendations set out in the Risk Management Internal Audit Report 2021.
- 4.10 The Chief Officer Audit and Risk and the Corporate Risk Officer joined two professional risk management bodies during 2021/22, as corporate member for the Council: the Institute of Risk Management (IRM) and the Association of Local Authority Risk Managers (ALARM). Membership allows access to a wide range of resources, seminars and information on best practice as it is developed, knowledge from which can be used to strengthen the Council's approach to and implementation of effective risk management processes and practices.
- 4.11 Liaison continues with Internal Audit on an on-going basis to ensure that risk is considered in every assurance audit and risk reviews take account of improvements arising from audit work. The Corporate Risk Officer receives all final Internal Audit Reports.
- 4.12 The Chief Officer Audit & Risk is a mandatory consultee for all Committee reports, which provides the opportunity to check that full risk information is provided. Due to resource capacity and sometimes time pressures this is carried out on a sample basis. New guidance was added to the Committee Reports Guidance document to enable report writers to complete the Risk and Mitigations section correctly with reference to relevant risk registers and with sufficient detail to ensure that decision makers are cognisant of the risks associated with the proposals/decisions to be taken. During 2021/22 the Corporate Risk Officer has provided feedback to several Report Authors on the Risk and Mitigations section of Committee Reports to aid them in strengthening their underlying message, to highlight mitigating actions that are being pursued or new risks that have emerged, to support Members in their decision making process.

### **Conclusion**

- 4.13 The above demonstrates that the management of risks is being embedded and is recognised as an essential part of management practice, which is the key objective of the Corporate Risk Management Policy and Strategy 2021-2024. It is an essential part of decision-making and should help to ensure that decisions are taken with a comprehensive understanding of the any associated risks.

## **5 RISK MANAGEMENT NEXT STEPS 2022/23**

- 5.1 The Risk Review Programme of Work for the Corporate Risk Officer in 2022/23 is being developed on a quarterly rolling basis to incorporate the cycle of Corporate Risk Register reviews, relevant Service Risk Register reviews, and development of new risk registers in collaboration with Management.
- 5.2 Efforts will continue to be made to align the corporate risk management process with both the business planning and performance management processes. However, any delay to the latter will affect the former and the business planning and performance management processes are not yet fully integrated and aligned with the risk management cycle. Once in place management will have access to a very valuable management tool for planning, monitoring, reporting and assurance.
- 5.3 The implementation of improvements arising from Risk Management Internal Audit Report 2021 will continue to be progressed. While the recommendations have been achieved, notably the review of the Risk Management Policy and Strategy 2021-24, focus during 2022/23 will turn to the completion of the Risk Appetite, Tolerance and Capacity Toolkit prior to being circulated for consultation and feedback. This will then be presented to the SLT for approval. In addition, the Risk Management Training Pack for managers will be updated to reflect the revised Risk Management Policy, Strategy and Process Guide along with the new guidance contained within the Appetite, Tolerance and Capacity Toolkit. This will be delivered through e-Learning and MS Teams to ensure that Managers have the skills to continue to identify, evaluate, monitor and control risks in line with the revised Corporate Risk Management Framework.
- 5.4 The new Council Plan 2022-23 (approved by Council in February 2022) has presented an opportunity to revisit the Corporate Risk Register with a view to streamlining it to more clearly reflect and support the objectives detailed within the Council Plan. Doing so will also ensure more effective and consistent application of the Risk Management Framework which states that risks to achieving corporate objectives will be systematically identified, assessed, evaluated, controlled and monitored. As there are currently 30 risks on the Corporate Risk Register this will also provide an additional benefit by reducing the number of risks Directors spend time reviewing each quarter. A development session with SLT will be organised to progress this work during the summer of 2022 to support engagement with the process and maintain a shared sense of ownership and decision taking. The intention is that those risks which do not have such clear links to supporting the achievement of objectives set out in the Council Plan 2022-23 will be de-escalated to a strategic service level, in line with the de-escalation process detailed in the Risk Management Policy and Process Guide. While these risks may not necessarily be corporate in nature, they are strategically significant and enhanced reporting arrangements will be developed to capture these and other strategic service risks which will be presented to SLT on a regular basis. This will aid in ensuring a greater level of oversight and awareness of those risks and support more effective decision taking.



- 5.5 Risk Management induction training of the members of the Audit and Scrutiny Committee (related to its Audit functions) will be arranged to ensure they have an overview of the risk management framework that is applied within the Council. Elected Members are again encouraged to seek out the Risk and Mitigations section of Committee reports that they are asked to approve. Appropriate challenge is welcomed to ensure that the Elected Members are satisfied that the risks to the decisions they are being asked to take are fully considered and appropriately mitigated.

## **6 IMPLICATIONS**

### **6.1 Financial**

There are no financial implications as a direct result of the report. The Corporate Risk Officer resource costs are contained within budgets. Any additional costs arising from enhanced risk mitigation will have to be considered and prioritised against other pressures in the revenue budget.

### **6.2 Risk and Mitigations**

The report sets to assure the Audit and Scrutiny Committee that the Council is undertaking its risk management responsibilities adequately. It also allows the Committee to fulfil their remit as set out in the Corporate Risk Management Policy.

### **6.3 Integrated Impact Assessment**

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. An Integrated Impact Assessment (IIA) was completed as part of the revised Risk Management Policy statement and Risk Management Strategy 2021-2024, approved by Council on 16 December 2021. This is a routine good governance report for assurance purposes.

### **6.4 Sustainable Development Goals**

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist as part of the revised Risk Management Policy statement and Risk Management Strategy 2021-2024, approved by Council on 16 December 2021. Good governance including the managing risks is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

### **6.5 Climate Change**

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

### **6.6 Rural Proofing**

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

### **6.7 Data Protection Impact Statement**

There are no personal data implications arising from the content of this report.

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

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

## 7 CONSULTATION

- 7.1 This report has been presented to the Strategic Leadership Team who play a key leadership role in ensuring the identification and effective management of the risks relating to the Council's core business, transformation and partnership activities, and in embedding these key aspects into the management practices of the Council.
- 7.2 The Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance & Change, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been taken into account.

### Approved by

**Jill Stacey, Chief Officer Audit and Risk Signature .....**

### Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk
Emily Elder	Corporate Risk Officer

**Background Papers:** Scottish Borders Council's Corporate Risk Management Policy Statement and Corporate Risk Management Strategy

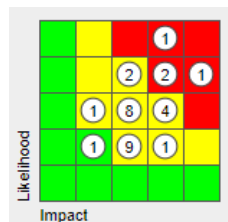
**Previous Minute Reference:** Audit and Scrutiny Committee 10 May 2021

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# SLT – Summary Corporate Risk Register

Quarter Four Reviews: January – March/April 2022



Risk Code	Managed By	Assigned To	Risk Title	Description	Risk Score	Status	Trend	Last Review Date
SLT001 (JH)	Jennifer Holland	Nick Byers	IT Infrastructure	If we do not have appropriate IT infrastructure then we may fail to deliver the business transformation programme and our other business objectives in full resulting in significant service delivery issues and inability to deliver savings	9 Moderate - Possible			08-Mar-2022
SLT002 (JH)	Jennifer Holland	Nick Byers	IT Data and System Security	Lack of appropriate IT data and system security could lead to service delivery failure and reputational damage	9 Moderate - Possible			08-Mar-2022
SLT003 (DR)	David Robertson		Budgetary control	Failure of budgetary control processes may increase the likelihood of unplanned overspends, under recovery of budgeting income, budgets being stretched and the savings required by the 5 year Financial Plan delayed	9 Moderate - Possible			31-Mar-2022
SLT004 (DR)	David Robertson		Government funding	If there is an unforeseen or unplanned reduction in government funding beyond financial planning assumptions, then our ability to provide services may be compromised (LGFS updated annually in December).	9 Moderate - Possible			31-Mar-2022
SLT006 (DR)	David Robertson		Pension Fund instability	Insufficient contributions and/or too many pensioners and too few active contributing members may bring increased costs to the Council's Pension Fund	4 Minor - Unlikely			31-Mar-2022
SLT007 (DR)	David Robertson		Financial sustainability Pension Fund	A change in the level of participation in the pension fund may lead to calls upon the council and other admitted bodies for additional funding resulting in increased costs to employers	6 Moderate - Unlikely			31-Mar-2022
SLT008 (DR)	David Robertson	Stuart Ford	H&S compliance	If someone is harmed because we do not have, or we fail to comply with health and safety policy and procedures, then we may face litigation, fines and significant reputational damage	9 Moderate - Possible			14-Apr-2022
SLT009 (JH)	Jennifer Holland	Jennifer Holland	Contract monitoring	Ineffective monitoring of contracts could result in poor performance, poor value for money and expose the Council to other damaging risks	6 Moderate - Unlikely			08-Mar-2022
SLT010 (NM)	Netta Meadows	Andy McLean	External events	If there is a significant incident during/as a consequence of an externally organised event in the Scottish Borders, then there may be significant reputational damage due to the perception that all	8 Major - Unlikely			09-Feb-2022

Risk Code	Managed By	Assigned To	Risk Title	Description	Risk Score	Status	Trend	Last Review Date
				events are managed and overseen by the Council				
SLT011 (NM)	Netta Meadows	Andy McLean	Major Incidents	If we are unprepared for major incidents then we may not be able to deliver our services and communities may be adversely affected.	6 Moderate - Unlikely			09-Feb-2022
SLT012 (NM)	Netta Meadows		Political instability	As the current administration is a coalition, if political instability within it arises then this may impact on decision making and delays across Council business.	6 Moderate - Unlikely			14-Mar-2022
SLT013 (NMc)	David Robertson	Nuala McKinlay	Elected Members Conduct	If Members act inappropriately in the course of their duties, then the Council may be subject to reputational damage if the Council is viewed not to have provided adequate training, monitoring and oversight	9 Moderate - Possible			25-Jan-2022
SLT014 (NMc)	David Robertson	Nuala McKinlay	Legislative Compliance	If the Council fails to comply with the various legislation that it is bound by, then there is a risk of financial penalties, litigation, reputational damage and prosecution	6 Moderate - Unlikely			25-Jan-2022
SLT015 (NMc)	David Robertson	Nuala McKinlay	Data Breach	If we lose officially sensitive data or we use data inappropriately then we may be in breach of data protection legislation resulting in fines and reputational damage	12 Major - Possible			25-Jan-2022
SLT016 (NM)	Jennifer Holland		Insufficient resources for the delivery of the Commissioning Plan	If we do not have sufficient resource for delivery of the joint strategic plan (incl. commissioning) for IJB then there may be insufficient care and support for vulnerable people in the Scottish Borders leading to poor outcomes and reputational damage.	12 Moderate - Likely			08-Mar-2022
SLT017 (SE)	Stuart Easingwood		C&YP and adults at risk of harm	Failure to protect C&YP and adults at risk of harm may result in harm to them and reputational damage for the Council and Integration Joint Board	12 Major - Possible			11-Feb-2022
SLT018 (LM)	Lesley Munro		Mental/Emotional Wellbeing C&YP	If we do not identify and adequately support young people with mental and emotional wellbeing issues then they may come to harm.	12 Major - Possible			19-Apr-2022
SLT019 (LM)	Lesley Munro	John Fyfe; Lesley Munro	C&YP/Learners Placements	If children, young people and learners are placed/educated outwith the local area their needs may not be sufficiently met and with significant costs to SBC	20 Major - Almost Certain			18-Feb-2022
SLT020 (LM)	Lesley Munro		Education system	If there is a major failure in our education system then we may not be able to improve attainment and achievement levels for our children and young people leading to poor outcomes.	6 Moderate - Unlikely			19-Apr-2022
SLT021 (NM)	Netta Meadows	Adam Drummond	Effective Service Delivery	If we do not effectively deliver services as a Council and do not capitalise on positive PR opportunities, share good news stories or work to mitigate the impacts of potential negative coverage then the public's perception of the council as a whole may be a negative one.	12 Moderate - Likely			17-Feb-2022
SLT022 (CH)	Clair Hepburn	Erick Ullrich	Change management	Ineffective change management to modernise the organisation may cause conflicts with employees and their representative bodies	6 Moderate - Unlikely			18-Mar-2022

Risk Code	Managed By	Assigned To	Risk Title	Description	Risk Score	Status	Trend	Last Review Date
				resulting in delay in achieving objectives and savings				
SLT023 (CH)	Clair Hepburn		Staff recruitment and retention	If we are unable to recruit and retain suitably qualified, experienced and motivated staff then we may not be able to deliver our objectives.	6 Moderate - Unlikely			01-Feb-2022
SLT024 (CH)	Clair Hepburn		Staff behaviour	If staff act inappropriately in the course of their duties, then the Council may be subject to reputational damage, financial loss and litigation	6 Moderate - Unlikely			01-Feb-2022
SLT025 (CH)	Clair Hepburn		Transformation Programmes	If we fail to manage and appropriately resource major Transformation programmes/projects undertaken simultaneously then we may be unable to achieve objectives	6 Minor - Possible			01-Feb-2022
SLT026 (JC)	John Curry		Property	If we do not identify opportunities for rationalisation, savings and investment in the Operational property portfolio then there may be negative financial implications.	16 Major - Likely			16-Feb-2022
SLT027 (JC)	John Curry		Capital Projects	If Capital projects are not evaluated to take into account ROI and whole life costs then the benefits may not be realised or give value for money	12 Major - Possible			16-Feb-2022
SLT029 (JC)	Jenni Craig		Community Planning Partnership	Failure to lead and manage the Community Planning Partnership may mean that it is unable to deliver strategies and political ambition	9 Moderate - Possible			25-Feb-2022
SLT030 (JC)	Jenni Craig		Stakeholder Engagement	If we do not engage with our primary stakeholders (residents, businesses, partners, staff) then we may not gain the support and buy-in to enable the changes required to deliver services in the future	9 Moderate - Possible			28-Mar-2022
SLT031 (SE)	Stuart Easingwood		Unpredictable C&YP Placements	Unpredictable high risk and high tariff placements within Children and Families Social Work could cause significant pressure on the budget. These placements can be mandated by Court processes or via the Childrens' Hearing system, over which we have no direct control.	16 Major - Likely			11-Feb-2022
SLT032 (JC)	John Curry	Ian Aikman	Climate Change	If the Council and its partners do not act to assess and address climate change threats, the consequences of climate change may be more adverse and the Council could fail to meet its legislative obligations.	20 Catastrophic - Likely			13-Apr-2022

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## **COUNTER FRAUD ANNUAL REPORT 2021/22**

**Report by Chief Officer Audit & Risk**

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### **AUDIT AND SCRUTINY COMMITTEE**

**27 June 2022**

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

- 1.1 This report provides the Audit and Scrutiny Committee with details of the Council's counter fraud responsibilities and an update on the fraud prevention, detection and investigation activity during the year to 31 March 2022.**
- 1.2 The Council is committed to minimising the risk of loss due to fraud, theft or corruption and to taking appropriate action against those who attempt to defraud the Council, whether from within the authority or from outside.
- 1.3 The primary responsibility for the prevention, detection and investigation of fraud rests with Management, supported by the Integrity Group. Internal Audit provides advice and independent assurance on the effectiveness of processes put in place by Management. Part of the Audit and Scrutiny Committee's role is to oversee the framework of internal financial control including the assessment of fraud risks and to monitor counter fraud strategy, actions and resources.
- 1.4 In 2021, a revised Counter Fraud Policy statement and a 3-year Counter Fraud Strategy 2021-2024 were endorsed by this Committee and approved by the Council. This will enable the Council to continue to refine its approach to tackling fraud, taking account of reducing resources, with a focus on prevention and detection and promotion of a counter fraud culture across the Council to improve its resilience to fraud.
- 1.5 Assurances about the effectiveness of the Council's existing systems and arrangements for the prevention, detection and investigation of fraud can be taken from the outcomes contained within this report.

#### **2 RECOMMENDATIONS**

- 3.1 I recommend that the Audit and Scrutiny Committee:**
  - a) Considers the counter fraud work undertaken in support of the Council's counter fraud policy and strategy; and**
  - b) Notes the outcomes of the counter fraud activity 2021/22.**

### **3 BACKGROUND**

- 3.1 The size and nature of the Council's services, as with other large organisations, puts the Council at risk of loss due to fraud, theft, corruption and crime. The Council at its meeting on 16 December 2021 approved a refreshed Counter Fraud Policy Statement and Counter Fraud Strategy 2021-2024, which had been endorsed by the Audit and Scrutiny Committee on 22 November 2021.
- 3.2 Establishing and maintaining a counter fraud culture is fundamental to ensuring an effective response to fraud, theft, corruption or crime and the leadership part played by the Strategic Leadership Team and Senior Management is key to establishing counter fraud behaviours within the organisation, its partners, suppliers and customers.
- 3.3 The primary responsibility for the prevention, detection and investigation of fraud rests with Management. The Integrity Group is a forum which has representatives from across the Council's Services to support Management to fulfil their responsibilities in tackling fraud, chaired by the Chief Officer Audit & Risk. Its purpose is to improve the Council's resilience to fraud, corruption, theft and crime. It oversees the policy framework, agrees and monitors the implementation of improvement actions, raises awareness as a method of prevention, and performs self-assessments against best practice.
- 3.4 Internal Audit is required to give independent assurance on the efficacy of processes put in place by Management to manage the risk of fraud. The Internal Audit Annual Plan 2022/23, approved by the Audit and Scrutiny Committee on 14 March 2023, includes an audit of the Council's Counter Fraud Controls and Whistleblowing Arrangements.
- 3.5 Part of the Audit and Scrutiny Committee's role is to oversee the framework of internal financial control including the assessment of fraud risks and to monitor counter fraud strategy, actions and resources.
- 3.6 Tackling fraud is not a one-off exercise; it is a continuous process across all parts of the Council because the service delivery processes it underpins are continuous. Tackling fraud is an integral part of good governance within the Council and demonstrates effective financial stewardship and strong public financial management.

### **4 COUNTER FRAUD ACTIVITY 2021/22**

- 4.1 The Council's Counter Fraud Policy Statement and Counter Fraud Strategy 2021-2024 have been reviewed and refreshed to reflect the counter fraud developments that have been introduced during the last 3 years and the change in provision of resources. These were endorsed by the Audit and Scrutiny Committee on 22 November 2021 and approved by Scottish Borders Council on 16 December 2021. The Counter Fraud Policy Statement outlines the key objectives and states the roles and responsibilities in tackling fraud. The Counter Fraud Strategy 2021-2024 outlines the approach that will be adopted within Scottish Borders Council to tackle fraud, in support of the Counter Fraud Policy Statement. It is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption' published in December 2014.



- 4.2 Quarterly meetings of the Integrity Group were held during the year 2021/22 to undertake its remit to improve the Council's resilience to fraud, corruption, theft and crime. The Integrity Group is an officer forum, chaired by the Chief Officer Audit & Risk, which has 2 Director representatives from SLT and representatives from HR, Finance, Legal, IT, and Procurement to support Management to fulfil their responsibilities in tackling fraud.
- 4.3 The Integrity Group considered the Audit Scotland report 'Fraud and Irregularity Update 2020/21' on 18 October 2021 to determine any Management Actions required in response for improvement and assurance purposes. It noted the similarities in the fraud risks reported in 2020 and 2021 by Audit Scotland. It revisited the Counter Fraud Controls Assessment carried out during 2020/21 and received a progress update on the Action Plan from each of the Action Owners, along with further information on additional practices that have been introduced. The Counter Fraud Controls Assessment 2021/22 and associated Action Plan were presented to the Strategic Leadership Team on 3 February 2022 and then to the Audit and Scrutiny Committee on 14 February 2022.
- 4.3 Business continuity priority was given to the Council's participation in the National Fraud Initiative (NFI), which is a UK wide counter fraud exercise led by the Cabinet Office and Audit Scotland. It uses data analytic techniques to compare information about individuals held by different public bodies, and on different systems, to identify circumstances (data matches) that might suggest the existence of fraud or error. The Chief Officer Audit & Risk acts as the Council's Key Contact for NFI. The reduced resources and activity was regularly reported to the Response & Recovery Board as part of business continuity during the pandemic. All NFI data sets were submitted on time and in full. Data match investigations by Services were significantly impacted due to staff deployment during the pandemic to response activity, including payment of other Scottish Government grants.
- 4.4 The Audit Scotland report 'Fraud and Irregularity Update 2020/21' was disseminated to staff across the Council, with a request that relevant fraud risks be assessed and fraud risk mitigation actions be implemented as appropriate.
- 4.5 The Chief Officer Audit & Risk recorded a video as part of Commercial Awareness Week 15-19 November 2021 on the risks of Fraud, Bribery and Corruption related to Contract Management to outline what managers need to be aware of when working with suppliers.
- 4.6 The Council supports Police Scotland in their criminal investigations by checking addresses and confirming or providing occupiers names and addresses. There were 304 Police Scotland address checks in 2021/22 (428 in 2020/21). This information is provided under section 21 (paras 2 & 3) Data Protection Act 2018.
- 4.7 The efficacy of the Council's arrangements for the prevention, detection and investigation of fraud and corruption is predicated on the ongoing awareness of and compliance with the approved policies, procedures and guidelines by staff when carrying out their duties and on the vigilance of staff in identifying and reporting any irregularities.

## **5 OUTCOMES OF COUNTER FRAUD ACTIVITY 2021/22**

- 5.1 All frauds and irregularities greater than £5,000 must be reported to Audit Scotland. There were no known frauds greater than £5,000 during 2021/22 that resulted in loss to the Council. There were no reported outcomes from the National Fraud Initiative 2020-2021 exercise; there is one discrepancy related to Pensions which is currently under investigation to ascertain whether this is the result of error or fraud.
- 5.2 Email phishing continues to be the most frequent method of attempted fraud. The actual number of phishing emails are not recorded; however, senders are routinely blocked and reported to the Council's IT provider, CGI. Measures to quarantine suspicious emails are in place. Staff are regularly reminded of the dangers posed by phishing.
- 5.3 Mandate Fraud is the second most attempted fraud against Scottish Borders Council whereby fraudsters send forged emails or letters requesting changes to bank details and purporting to be from suppliers. Payments team and other staff are aware of increased risk and are extra vigilant to prevent any financial loss from this type of attempted fraud.

## **6 COUNTER FRAUD NEXT STEPS 2022/23**

- 6.1 Plan for and participate in the next 2-year exercise National Fraud Initiative 2022/2023. Data matches will be reviewed by relevant staff and managers in Services across the Council, as permitted by available time/resources.
- 6.2 The Integrity Group will continue to monitor the implementation of the improvement actions arising from the Counter Fraud Controls Assessment, carry out a review of the minimum policy framework for managing the risk of fraud, and raise fraud awareness as a method of prevention.
- 6.3 Progress plans to incorporate the fraud awareness, bribery, and gifts, hospitality and interests eLearning modules within the training matrices for Services across the whole Council to enable an approach for e-learning targeted at specific groups.

## **7 IMPLICATIONS**

### **7.1 Financial**

Effective internal control systems are designed to prevent and detect fraud and this contributes to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse. The corporate subscription to the National Anti-Fraud Network (NAFN) is included within the Audit & Risk budget. Any additional costs arising from enhanced fraud risk mitigation will have to be considered and prioritised against other pressures in the revenue budget.

### **7.2 Risk and Mitigations**

The process of identifying fraud risks is based on the principles of the Corporate Risk Management Policy and Framework. Evaluation and monitoring of fraud risks and mitigations are facilitated through the Integrity Group on behalf of the Strategic Leadership Group. Elected Member oversight is provided by the Audit and Scrutiny Committee.

### 7.3 **Integrated Impact Assessment**

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. An Integrated Impact Assessment (IIA) was completed as part of the revised Counter Fraud Policy statement and Counter Fraud Strategy 2021-2024, approved by Council on 16 December 2021. This is a routine good governance report for assurance purposes. Equality, diversity and socio-economic factors are accommodated by way of all alleged frauds being investigated and pursued in accordance with appropriate legislation.

### 7.4 **Sustainable Development Goals**

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist. However, the application of practices associated with the Council's Counter Fraud Policy and Strategy is fundamental to ensuring an effective response to fraud, theft, corruption, or crime. This will make a difference to the UN Sustainable Development Goal 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

### 7.5 **Climate Change**

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

### 7.6 **Rural Proofing**

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

### 7.7 **Data Protection Impact Statement**

There are no personal data implications arising from the content of this report.

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

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

## **8 CONSULTATION**

8.1 The Integrity Group has been consulted on this report as part of fulfilling its role in enhancing the Council's resilience to fraud.

8.2 The Strategic Leadership Team, who play a key leadership role in establishing counter fraud behaviours within the organisation, its partners, suppliers and customers, has been consulted on this Report.

8.3 The Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance & Change, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been taken into account.

**Approved by**

**Jill Stacey, Chief Officer Audit and Risk** Signature .....

**Author(s)**

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

**Background Papers:** Audit Scotland publications on website

**Previous Minute Reference:** Audit and Scrutiny Committee 10 May 2021

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

Contact us at [fraud@scotborders.gov.uk](mailto:fraud@scotborders.gov.uk)

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## **ANNUAL ASSURANCE STATEMENT 2021/22 TO THE SCOTTISH HOUSING REGULATOR**

**Report by Director Social Work & Practice**

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### **AUDIT AND SCRUTINY COMMITTEE**

**27 June 2022**

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

- 1.1 This report proposes that the Audit and Scrutiny Committee considers and approves the Annual Assurance Statement 2021/22 in respect of landlord services provided by the Council.**
- 1.2 Part of the Audit and Scrutiny Committee's remit (Audit functions) is to assess the effectiveness of internal controls, risk management, and governance arrangements.
- 1.3 In 2019, the Scottish Housing Regulator ("the Regulator") revised its Regulatory Framework. This placed a new requirement on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. The Annual Assurance Statement 2021/22 in respect of landlord services provided by the Council (Appendix 1), is designed to meet this requirement of the Scottish Housing Regulator, supported by the further self-assessment information (Appendix 2).

#### **2 RECOMMENDATIONS**

- 2.1 **I recommend that the Audit and Scrutiny Committee:**
  - a) Considers the details of the Annual Assurance Statement 2021/22 to the Scottish Housing Regulator in respect of landlord services provided by the Council (Appendix 1), and the further self-assessment information (Appendix 2), and acknowledges the actions by Management to improve arrangements; and**
  - b) Approves the Annual Assurance Statement 2021/22 to the Scottish Housing Regulator in respect of landlord services provided by the Council (Appendix 1) and agrees that it be submitted to the Scottish Housing Regulator along with the Summary Statement of Self-Assessment of Compliance against Regulatory Framework (Appendix 2).**

### **3 BACKGROUND**

- 3.1 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, and used economically, efficiently and effectively.
- 3.2 In 2019, the Scottish Housing Regulator (“the Regulator”) revised its Regulatory Framework. This placed a new requirement on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. This statement must either confirm that the Governing Body or appropriate Committee is assured that the landlord is complying with all relevant regulatory requirements and standards, or highlight any material areas of non-compliance and how the landlord will address these.
- 3.3 As Scottish Borders Council is a housing stock transfer local authority, it is subject to submitting a Statement that is considerably less involved than an asset-owning authority. However, the Council is responsible for Homelessness Services provision in the Scottish Borders and must give assurance in this area.
- 3.4 Part of the Audit and Scrutiny Committee’s remit (Audit functions) is to assess the effectiveness of internal controls, risk management, and governance arrangements in place.

### **4 ANNUAL ASSURANCE STATEMENT 2021/22 IN RESPECT OF LANDLORD SERVICES PROVIDED BY THE COUNCIL**

- 4.1 A draft version of the Annual Assurance Statement for submission to the Scottish Housing Regulator is attached as Appendix 1 ‘Scottish Borders Council Annual Assurance Statement 2021/22 to the Scottish Housing Regulator’, is designed to meet this requirement of the Scottish Housing Regulator. It confirms the Council’s level of compliance with all of the relevant requirements set out at Chapter 3 of the Regulatory Framework, to include:
  - all relevant standards and outcomes in the Scottish Social Housing Charter in respect of any tenants, homeless persons, and other person who are in receipt of housing services; and
  - legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.
- 4.2 The Annual Assurance Statement 2021/22 in respect of landlord services provided by the Council is informed by the self-assessment of compliance against the Regulatory Framework by the Homelessness Services Manager, and the work of Audit and Inspection bodies. More information is contained in Appendix 2 ‘Summary Statement of Self-Assessment of Compliance against Regulatory Framework’.
- 4.3 The self-assessment demonstrates good progress with the previously identified improvement actions, arising from the significant amount of work undertaken by Council officers and others in a collaborative effort over the year. This supports the conclusion that the Council now meets the outstanding material requirement for the Gypsy/Traveller site at Tweedside Caravan Park, and is now materially compliant with the Scottish Housing Regulator’s revised Regulatory Framework.



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Scottish Borders Council Annual Assurance Statement 2021/2022 to the Scottish Housing Regulator (draft)

The Assurance Statement on Internal Control and Governance 2021/22 by the Director Social Work & Practice to the Chief Executive includes assurances in respect of landlord services provided by the Council, as detailed below. This informs the Annual Governance Statement 2021/22 by the Chief Executive which will be considered for approval by the Council's Audit and Scrutiny Committee at its meeting on 27 June 2022.

We confirm that in respect of landlord services provided by the Council we have seen and considered sufficient evidence to give us assurance that the Council complies with the regulatory requirements as laid out in Chapter 3 of the Scottish Housing Regulator's Regulatory Framework, including:

- all relevant standards and outcomes in the Scottish Social Housing Charter in respect of any tenants, homeless persons, and other person who are in receipt of housing services; and
- legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.

The overall arrangements in respect of the Council's legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety, appear to be operating satisfactorily and to be materially compliant with the revised Regulatory Framework:

- Gypsy/Traveller site – The Council's designated site for Gypsy/Travellers within Scottish Borders at Tweedside Caravan Park, Innerleithen now meets the Scottish Government's minimum standards for Gypsy/Traveller sites. This follows the Council and Tweedside Caravan Park reaching agreement during 2021/2022 on the form of a new occupancy agreement for use on the site.
- Homelessness Services – The Council's Internal Audit conducted an audit of homelessness services during 2021/2012, including examination and evaluation of progress with the self-assessment of the service with the associated Service Improvement Action Plan. Internal Audit were able to provide substantial assurance, finding that largely satisfactory risk, control, and governance systems are in place, and that management improvement actions are underway. A further audit on Homelessness will be included within the Internal Audit plan for 2022/23 as an opportunity to continue to review progress with these service developments.

Signed \_\_\_\_\_  
Stuart Easingwood, Director – Social Work & Practice

Signed \_\_\_\_\_  
Councillor Elaine Thornton-Nicol, Chair of Audit and Scrutiny Committee

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**Scottish Borders Council Annual Assurance Statement 2021/2022 to the Scottish Housing Regulator**  
**Summary Statement of Self-Assessment of Compliance against Regulatory Framework**

<b><u>Annual Assurance Statement Statutory Guidance Requirement</u></b>	<b><u>Self-Assessment of Compliance</u></b>
<b>Assurance &amp; Notification</b>	
<p>Prepare an Annual Assurance Statement in accordance with SHR published guidance, submit it to SHR between April and the end of October each year, and make it available to tenants and other service users.</p>	<p>The Scottish Borders Council Annual Governance Statement (AGS), forms a section of the SBC Annual Report and Statement of Accounts which is considered annually by the Council's Audit and Scrutiny Committee. The 'Scottish Borders Council Annual Assurance Statement 2021/2022 to the Scottish Housing Regulator' is reported under section 8 of the 2021/2022 'Director – Social Work &amp; Practice Assurance Statement on Internal Control and Governance', which informs the Annual Governance Statement 2021/2022 by the Chief Executive which is being considered by the Council's Audit and Scrutiny Committee at its meeting on 27 June 2022.</p> <p>This Summary Statement of Self-Assessment of Compliance against Regulatory Framework supplements the 2021/2022 'Director – Social Work &amp; Practice Assurance Statement on Internal Control and Governance'.</p> <p>The 'Annual Assurance Statement 2020/21 to the Scottish Housing Regulator' by the Service Director Customer and Communities' was considered and approved by Scottish Borders Council's Audit and Scrutiny Committee at its meeting on 10 May 2021 and subsequently submitted to the Scottish Housing Regulator as required:</p> <ul style="list-style-type: none"> <li>• <a href="#">Annual Governance Statement 2020-21 and Annual Assurance Statement 2020-21 to SHR.pdf (moderngov.co.uk)</a></li> <li>• <a href="#">Appendix 2 Annual Assurance Statement to the Scottish Housing Regulator.pdf (moderngov.co.uk)</a></li> </ul>
<p>Notify the SHR during the year of any material changes to the assurance in our Annual Assurance Statement.</p>	<p>SBC will notify the SHR during the year of any material changes as soon as possible.</p>

<u>Annual Assurance Statement Statutory Guidance Requirement</u>	<u>Self-Assessment of Compliance</u>
<p>Each landlord must have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.</p>	<p>The Council is responsible for homelessness services provision in the Scottish Borders. As at 31 March 2022, this included the ownership and management of 18 properties, and the management of 92 properties leased from RSLs, for use as temporary accommodation for homeless people. In addition, the Council works together with an independent private business, Tweedside Caravan Park, to provide 9 pitches and related amenities for use by Gypsy/Travellers at Tweedside Caravan Park in Innerleithen.</p> <p>The overall arrangements in respect of the Council's legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety, appear to be operating satisfactorily and to be materially compliant with the revised Regulatory Framework:</p> <ul style="list-style-type: none"> <li>• Gypsy/Traveller site – The Council's designated site for Gypsy/Travellers within Scottish Borders at Tweedside Caravan Park, Innerleithen now meets the Scottish Government's minimum standards for Gypsy/Traveller sites. This follows the Council and Tweedside Caravan Park reaching agreement during 2021/2022 on the form of a new occupancy agreement for use on the site.</li> <li>• Homelessness Services – The Council's Internal Audit conducted an audit of homelessness services during 2021/2012, including examination and evaluation of progress with the self-assessment of the service with the associated Service Improvement Action Plan. Internal Audit were able to provide substantial assurance, finding that largely satisfactory risk, control, and governance systems are in place, and that management improvement actions are underway:  <p style="text-align: center;"><u>Item No. 10 - Internal Audit Work to October 2021.pdf (modern.gov.co.uk)</u></p> A further audit on Homelessness will be included within the Internal Audit plan for 2022/23 as an opportunity to continue to review progress with these service developments.</li> </ul>
<p>Notify the SHR of any tenant and resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.</p>	<p>Following review of fire safety requirements the capacity the designated site for Gypsy/Travellers at Tweedside Caravan Park, Innerleithen has been reduced from 10 pitches to 9 pitches.</p> <p>A Health and Safety Compliance Group has been formed to review health and safety requirements for all Council domestic properties, including temporary accommodation for homeless people, and to ensure that all necessary measures are in place on an ongoing basis.</p> <p>There are no other tenant or resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.</p>

<b><u>Annual Assurance Statement Statutory Guidance Requirement</u></b>	<b><u>Self-Assessment of Compliance</u></b>
Make our Engagement Plan easily available and accessible to its tenants and service users, including online.	The SHR's Engagement Plan with SBC is located on the Council's website at <a href="#">Scottish Social Housing Charter   Scottish Borders Council (scotborders.gov.uk)</a> and <a href="#">Charter performance   Gypsy/Travellers - rights and responsibilities   Scottish Borders Council (scotborders.gov.uk)</a>
<b>Scottish Social Housing Charter Performance</b>	
Submit an Annual Return on the Charter (ARC) to the SHR by 31 May each year in accordance with the SHR's published guidance.	The Council submitted its ARC for 2021/2022 to the SHR on 20 May 2022 in accordance with the SHR's Technical Guidance.
<p>Involve tenants, and where relevant other service users, in the preparation and scrutiny of performance information. It must:</p> <ul style="list-style-type: none"> <li>• Agree its approach with tenants.</li> <li>• Ensure it is effective and meaningful – that the chosen approach gives tenants a real and demonstrable say in the assessment of performance</li> <li>• Publicises the approach to tenants</li> <li>• Ensure that it can be verified and be able to show that the agreed approach to involving tenants has happened</li> <li>• Involve other service users in an appropriate way, having asked and had regard to their needs and wishes.</li> </ul>	<p>Work continues to improve the involvement of tenants and other service users in the preparation and scrutiny of performance information, and to agree the format of performance reporting with tenants and other service users, ensuring that it is accessible for them, and to give them a way to feed back their views on the style and form of the reporting. This includes:</p> <ul style="list-style-type: none"> <li>• Self-assessment of 'customer engagement' has been included as a priority in the homelessness self-assessment programme within the reviewed and updated homelessness 'Self-Assessment and Service Improvement Action Plan'.</li> <li>• During 2021/2022 officers developed and launched a new homelessness services customer feedback survey which is intended to give all homelessness service users the opportunity to give their views on their experience of the service and to make suggestions for how the service can be improved. The default survey medium is online but every service user who does not have digital access is provided with a paper version of the survey.</li> <li>• A survey on Health and Wellbeing during Covid-19 has been carried out with clients of the homelessness Housing Support service.</li> </ul>

<b><u>Annual Assurance Statement Statutory Guidance Requirement</u></b>	<b><u>Self-Assessment of Compliance</u></b>
<p>Report its performance in achieving or progressing towards the Charter outcomes and standards to its tenants and other service users (no later than October each year. It must agree the format of performance reporting with tenants, ensuring that it is accessible for tenants and other service users, with plain and jargon-free language.</p> <p>When reporting its performance to tenants and other service users it must:</p> <ul style="list-style-type: none"> <li>• Provide them with an assessment of performance in delivering each of the Charter outcomes and standards which are relevant to the landlord.</li> <li>• Include relevant comparisons – these should include comparisons with previous years, with other landlords and with national performance.</li> <li>• Set out how and when the landlord intends to address areas for improvement.</li> <li>• Give tenants and other service users a way to feed back their views on the style and form of the reporting.</li> </ul>	<p>Work continues to improve the involvement of tenants and other service users in the preparation and scrutiny of performance information, and to agree the format of performance reporting with tenants and other service users, ensuring that it is accessible for them, and to give them a way to feed back their views on the style and form of the reporting. This includes:</p> <ul style="list-style-type: none"> <li>• Self-assessment of ‘customer engagement’ has been included as a priority in the homelessness self-assessment programme within the reviewed and updated homelessness ‘Self-Assessment and Service Improvement Action Plan’.</li> <li>• During 2021/2022 officers developed and launched a new homelessness services customer feedback survey which is intended to give all homelessness service users the opportunity to give their views on their experience of the service and to make suggestions for how the service can be improved. The default survey medium is online but every service user who does not have digital access is provided with a paper version of the survey.</li> <li>• A survey on Health and Wellbeing during Covid-19 has been carried out with clients of the homelessness Housing Support service.</li> </ul>
<p>Make the SHR’s report on the landlord’s performance easily available to its tenants, including online.</p>	<p>The SHR’s information about SBC, including information about performance, can be found at <a href="https://www.scotborders.gov.uk">Scottish Social Housing Charter   Scottish Borders Council (scotborders.gov.uk)</a></p>
<p><b>Tenants and Service Users Redress</b></p>	
<p>Make information on reporting significant performance failures, including the SHR’s leaflet, available to its tenants.</p>	<p>The SHR’s leaflet is available on the Council’s website at: <a href="https://www.scotborders.gov.uk/info/20048/homeless/229/how_to_appeal_or_complain">https://www.scotborders.gov.uk/info/20048/homeless/229/how_to_appeal_or_complain</a></p>

<b><u>Annual Assurance Statement Statutory Guidance Requirement</u></b>	<b><u>Self-Assessment of Compliance</u></b>
<p>Provide tenants and other service users with the information they need to exercise their right to complain and seek redress, and respond to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).</p> <p>Ensure it has effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO guidance.</p>	<p>Information on how to make a complaint, in accordance with SPSO guidance, and complaints performance reports are available on SBC's website at: <a href="https://www.scotborders.gov.uk/info/20016/have_your_say/155/make_a_complaint">https://www.scotborders.gov.uk/info/20016/have_your_say/155/make_a_complaint</a></p> <p>Supporting procedures are on SBC's intranet at: <a href="http://intranet.scotborders.gov.uk/yourjob/Pages/complaints-procedure.aspx">http://intranet.scotborders.gov.uk/yourjob/Pages/complaints-procedure.aspx</a></p>
<b>Whistleblowing</b>	
<p>Have effective arrangements and a policy for whistleblowing by staff and governing body/elected members which it makes easily available and which it promotes.</p>	<p>The Council's 'Procedure on the Disclosure of Unlawful or Improper Actions – otherwise known as "Whistle Blowing"' is Appendix 2 in the Council's 'Code of Conduct for Employees of Scottish Borders Council' which is located at <a href="http://intranet.scotborders.gov.uk/yourjob/Pages/human-resources/policy-procedures-guidelines.aspx">http://intranet.scotborders.gov.uk/yourjob/Pages/human-resources/policy-procedures-guidelines.aspx</a></p>
<b>Equality and Human Rights</b>	
<p>Have assurance and evidence that it considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies, and in its day-to-day service delivery.</p>	<p>The Council's Integrated Impact Assessment (IIA) Process enables the development or review of projects, policies, strategies, functions &amp; services that meet the demands of Equality legislation and do not discriminate. The Integrated Impact Assessment (IIA) Process and Supporting Guidance is located at <a href="http://intranet.scotborders.gov.uk/yourjob/Pages/equality-impact-assessments.aspx">http://intranet.scotborders.gov.uk/yourjob/Pages/equality-impact-assessments.aspx</a></p>
<p>To comply with these duties, landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users.</p>	<p>Relevant data on protected characteristics is collected on homelessness applications in accordance with the Scottish Government's HL1, HL3 and Prevent1 case management database frameworks.</p> <p>Provision for the collection of relevant data on protected characteristics for service users who use the Gypsy/Traveller site at Tweedside Caravan Park is being built into a new feedback survey form for use during 2022/2023 which is intended to give all Gypsy/Traveller households who stay on the site the opportunity to give their views on their experience of the service and to make suggestions for how the service can be improved.</p>

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**DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22**

**Report by Chief Executive**

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**AUDIT AND SCRUTINY COMMITTEE**

**27 June 2022**

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**1 PURPOSE AND SUMMARY**

- 1.1 This report proposes that the Audit and Scrutiny Committee considers and approves the draft Annual Governance Statement 2021/22 for inclusion in the Council's unaudited Statement of Accounts 2021/22.**
- 1.2 Part of the Audit and Scrutiny Committee's remit (Audit function) is to assess the effectiveness of internal controls, risk management, and governance arrangements.
- 1.3 The draft Annual Governance Statement 2021/22 at Appendix 1, in compliance with the CIPFA/SOLACE Framework, provides details of the Council's Governance Framework, the annual Review of Framework undertaken, Improvement Areas of Governance, and Overall Opinion.

**2 RECOMMENDATIONS**

- 2.1 **I recommend that the Audit and Scrutiny Committee:**
  - a) Considers the details of the draft Annual Governance Statement 2021/22 (Appendix 1) to ensure it reflects the risk environment and governance in place to achieve objectives, and acknowledges the actions identified by Management to improve internal controls and governance arrangements; and**
  - b) Approves that the draft Annual Governance Statement 2021/22 (Appendix 1) be published in the Council's unaudited Statement of Accounts 2021/22.**

### **3 BACKGROUND**

- 3.1 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, and used economically, efficiently and effectively.
- 3.2 The Council approved a revised Local Code of Corporate Governance on 28 June 2018, on recommendation by this Committee, consistent with the principles and requirements of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) which helps to ensure proper arrangements continue to be in place to meet these responsibilities.
- 3.3 Fundamentally, Corporate Governance is about openness, integrity and accountability. It comprises the systems and processes, and cultures and values by which the authority is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
- 3.4 The CIPFA/SOLACE Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement and report compliance on an annual basis.
- 3.5 Part of the Audit and Scrutiny Committee's remit (Audit functions) is to assess the effectiveness of internal controls, risk management, and governance arrangements in place. This includes to 'Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'<sup>1</sup>.

### **4 DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22**

- 4.1 In the period February to April 2022, the officer Governance Self-Assessment Working Group (the 'Group') undertook the annual self-assessment of the effectiveness of internal control and governance arrangements and compliance against the Local Code for the year ended 31 March 2022. The Chief Officer Audit & Risk led on this process as part of HIA<sup>2</sup> role to be champion for sound governance.
- 4.2 The Group has evaluated progress with implementation of prior year improvement actions, which included the recommended improvements within the Best Value audit report.
- 4.3 The Annual Governance Statement 2021/22 (Appendix 1), in compliance with the CIPFA/SOLACE Framework, provides details of the Council's Governance Framework, the annual Review of Framework undertaken, Improvement Areas of Governance, and Overall Opinion.
- 4.4 The Annual Governance Statement 2021/22 is informed by the self-assessment of compliance against the Local Code by the officer Governance Self-Assessment Working Group, the work of Internal Audit, External Audit and Inspection agencies, and annual assurance statements received from the Directors and the Monitoring Officer.

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<sup>1</sup> CIPFA guidance note for local authorities 'Audit Committees' (2018)

<sup>2</sup> CIPFA 'the role of the head of internal audit in public organisations' (2019)

## 5 IMPLICATIONS

### 5.1 Financial

There are no direct financial implications associated with this report.

### 5.2 Risk and Mitigations

The Annual Governance Statement 2021/22 details areas where additional work would further enhance the internal control environment, or improve risk management, and corporate governance arrangements.

### 5.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014. This report does not relate to new or amended policy or strategy and as a result an integrated impact assessment is not an applicable consideration.

### 5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals. Core principle of good governance "C. Defining outcomes in terms of sustainable economic, social, and environmental benefits" is included within the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). The officer Governance Self-Assessment Working Group considered examples of evidence to demonstrate local compliance with all the Framework's seven core principles of good governance, supporting principles and a range of specific requirements.

### 5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

### 5.6 Rural Proofing

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

### 5.7 Data Protection Impact Statement

There are no personal data implications arising from content of this report.

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

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

## 6 CONSULTATION

6.1 The Strategic Leadership Team has been engaged in the governance annual assurance process 2021/22 and has been consulted on this report to ensure their knowledge of its content.

6.2 The Director Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director People, Performance & Change, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been incorporated.

**Chief Executive** **Approved by**  
**Signature** .....

**Author(s)**

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

**Background Papers:** CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'; Scottish Borders Council Local Code of Corporate Governance

**Previous Minute Reference:** Audit and Scrutiny Committee 10 May 2021

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

Contact us at Internal Audit [intaudit@scotborders.gov.uk](mailto:intaudit@scotborders.gov.uk)

## Annual Governance Statement 2021/22

### 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 2022, 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. It is recognised that the Local Code needs to be reviewed and updated, and submitted for approval to ensure it continues to be relevant in the ever-changing operating environment and sets out the framework of governance and control for the conduct of the Council's business.

## **The Governance Framework**

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance, include:

### **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law**

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, and financial regulations which are regularly reviewed and revised where appropriate.

Codes of conduct are in place for, and define the high ethical values and standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

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, recordings can be accessed from the Council's website and are available for 180 days.

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 eight 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.

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**

An annual review of the adequacy and effectiveness of the Council's overall governance framework has been carried out, taking into account the ongoing Covid-19 pandemic impact in 2021/22 on business as usual in the delivery of services and virtual committee meetings to enable decision-making. The output is this Annual Governance Statement which is presented to the Audit and Scrutiny Committee.

The review was informed by assurances from the: Governance Self-Assessment Working Group; Directors; Internal Audit annual opinion and recommendations; comments and recommendations made by External Auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2021/22 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.

A progress update on the implementation of the Best Value Audit Implementation Plan that underpins the seven recommendations (nos. 1-7) has been reviewed by the Strategic Leadership Team and has been presented to the Audit and Scrutiny Committee on 14 February 2022. The update considered the full suite of 40 actions associated with the Best Value Implementation Plan, with good progress overall and 50% of them completed. Some of the actions had to be reset as ways to achieve the outcomes have changed, and end dates for some actions had been reviewed and amended, where applicable. Two key projects were underway that addressed key recommendations of the Best Value Audit report: the refresh of the Council Plan (approved February 2022); and a review of the organisation's performance management approach.

In respect of the other three improvement areas of governance identified by the Council in 2020/21 (nos. 8-10), there have been developments during the year. Specifically, the refocussed and themed Fit for 2024 transformation programme to ensure the Council builds on all transformational benefits that the pandemic has presented including digital advancements, the strategic policy research and planning to influence the refresh of the Council Plan and the ongoing enhancement 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.

The implementation of the remainder of the actions in the Best Value Audit Implementation Plan to fully 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 2020/21 (8-10 below) in order to enhance governance and internal controls:

- 8) Implement the refocussed and themed Fit for 2024 programme to achieve the transformational benefits that the pandemic has presented including digital advancements.



- 9) Produce plans and toolkits to complete the links from the Council Plan to individuals' appraisals consistently across the Council and refresh the Performance Management Framework to ensure performance monitoring and reporting is accurate, robust and timely.
- 10) Update the Policy Register to enable oversight of the ongoing review of policies, procedures and guidelines to ensure they are fit for purpose and meet current legislation.

These actions to enhance the governance arrangements in 2022/23 will be driven and monitored by the Strategic Leadership Team on a regular basis in order to inform the next annual review. Internal Audit work planned in 2022/23 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  
mm 2022

Councillor Euan Jardine  
Leader of the Council  
mm 2022

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**DRAFT ANNUAL REPORT AND ACCOUNTS 2021/22**

**Report by Director – Finance & Corporate Governance**

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**AUDIT AND SCRUTINY COMMITTEE**

**27 June 2022**

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**1 PURPOSE AND SUMMARY**

- 1.1 **This report provides the Audit and Scrutiny Committee with an opportunity to scrutinise the draft Scottish Borders Council and Group Annual Report and Accounts for the year ended 31 March 2022 prior to its submission to the External Auditors.**
- 1.2 The draft Report and Accounts are still subject to Statutory Audit, which will commence in July as normal, but may conclude later than usual due to competing audit demands as a result of the ongoing impact of COVID-19. It is estimated that following the Audit process, the final report and Accounts will be submitted to Council in October 2022.

**2 STATUS OF REPORT**

- 2.1 This report is presented to enable members to consider the draft Annual Report and Accounts (the Annual Report) attached at Appendix 1 prior to External Audit Inspection by the normal statutory deadline of 30 June 2022.

**3 RECOMMENDATIONSG**

- 3.1 **It is recommended that the Audit and Scrutiny Committee:**
- (a) **Notes the Draft Annual Report and Accounts 2021/22 for Scottish Borders Council and associated Group Accounts; and**
  - (b) **Supports its submission for review by the External Auditors, Audit Scotland for Scottish Borders Council, Common Good and Trust Funds accounts, and to KPMG who continue to provide the external audit of the Council's subsidiary Bridge Homes.**

## 4 BACKGROUND

- 4.1 The Accounts summarise the financial transactions for the 2021/22 financial year and the balance sheet positions at the year-end of 31 March 2022. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practice. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Service Reporting Code Of Practice 2021/22 supported by International Financial Reporting Standards (IFRS).
- 4.2 All of the Common Good and Trust reports attached adhere to the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

## 5 ANNUAL REPORT AND ACCOUNTS 2021/22

- 5.1 The draft Annual Accounts for 2021/22 are attached at Appendices 1 - 5. These will be submitted to the External Auditors, Audit Scotland or KPMG as appropriate, by 30 June 2022, to allow commencement of the audits:

- **Scottish Borders Council** Annual Accounts for year ending 31 March 2022 (Appendix 1)
- **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2022 (Appendix 2)
- **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2022 (Appendix 3(i))
- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2022 (Appendix 3 (ii))
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2022 (Appendix 3 (iii))
- **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2022 (Appendix 3 (iv))
- **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2022 (Appendix 3 (v))
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2022 (Appendix 4)
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2022 (Appendix 5)

- 5.2 The above Accounts will be made available for public inspection for a 14 day period commencing 1 July 2022.

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

## 6 IMPLICATIONS

### 6.1 Financial

There are no financial implications relating to this proposal.

### 6.2 Risk and Mitigations

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

### 6.3 Integrated Impact Assessment

It is anticipated that there are no adverse equality implications.

### 6.4 Sustainable Development Goals

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

### 6.5 Climate Change

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

### 6.6 Rural Proofing

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

### 6.7 Data Protection Impact Statement

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

### 6.8 Changes to Scheme of Administration or Scheme of Delegation

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

## 7 CONSULTATION

- 7.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications are being consulted on this report and any comments will be reported at the Committee meeting.

**Approved by**

**David Robertson**  
**Director Finance & Corporate Governance**

**Signature .....**

**Author(s)**

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

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

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

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**UNAUDITED ANNUAL ACCOUNTS  
SCOTTISH BORDERS COUNCIL  
FOR THE YEAR TO 31 MARCH 2022**

# Scottish Borders Council

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## Foreword by the Leader of the Council

Welcome to the Annual Accounts for Scottish Borders Council for the year ended 31 March 2022. 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 2021/22.

2021/22 was a year of transition for the Council. Focus moved from COVID-19 response to recovery and the Council approved a refreshed Council Plan focusing on key objectives to drive service the anti-poverty strategy were approved, new tourist, education and care facilities were progressed and work was undertaken to modernise the Council through digital developments.

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 2021/22;
- key aspects of our performance during 2021/22; and
- our plans for the future.

### Highlights of 2021/22

Despite an extremely challenging operating environment during 2021/22 the Council achieved the following:

- ✓ Delivered a responsive approach to supporting communities, businesses and vulnerable individuals through the ongoing COVID-19 recovery period. The Council administered almost £74m of grants to local businesses during the pandemic with funding also provided to those in financial hardship;

- ✓ Transformed homecare services through the roll out of mobile handheld technology to over 400 staff, optimising the scheduling of care visits and improving staff safety;
- ✓ Achieved £9.3m of Financial Plan savings, £3.5m of which were on a permanent recurring basis;
- ✓ Delivered a net underspend of £1.427m from a revenue budget of £294.7m; and
- ✓ Delivered new investment in assets for the Borders of £59.6m in schools, flood protection, roads and other assets.

### Our Plans for 2022/23

The next year presents many opportunities and challenges for the Council including:

- the Council's ongoing recovery from COVID-19;
- the continued delivery of the Council's transformation programme;
- delivery of IT transformation through the digital strategy;
- delivery of the major construction elements of the Hawick Flood Protection Scheme;
- Progress delivery of Galashiels, Peebles and Hawick High Schools and Earlston Primary School and Health Centre;
- Collaborate with South of Scotland Enterprise (SOSE) on the delivery of the wider Regional Economic Partnership including Borderlands Inclusive Growth Deal and City Deal.

The Council has again balanced its budget and is looking forward to engaging effectively with communities on spending priorities and improving quality of life for everyone in the Borders.

*Councillor Euan Jardine*

**Leader, Scottish Borders Council**

# Management Commentary

## Introduction

This management commentary provides a summary of Scottish Borders Council’s financial performance for the year and how this has supported delivery of the 2018-2023 Corporate Plan. It also outlines the financial strategy and the challenges the Council faces in future years in delivering its priorities for the Scottish Borders. A new Council Plan was approved in February 2022 which sets out the Council’s priorities for the Scottish Borders.

## About Scottish Borders Council



Source: <https://www.nrscotland.gov.uk/statistics-and-data/statistics>



## Strategic Direction

### Council Plan

Scottish Borders Council agreed the 2018-2023 Corporate Plan in February 2018. In February 2022 the Council approved the Scottish Borders Council Plan 1 April 2022-31 March 2023. This updated Plan consolidates and articulates the Council's strategic ambition beginning with the Corporate Plan 2018-2023 but incorporating strategic commitments made since 2018. In so doing, the one year Council Plan seeks both to provide a bridge from the existing Corporate Plan 2018-2023 to future Council Plans and to lay a template for those Council Plans in future.

We want to build on our strengths as a Council, but also focus on the things we know we need to improve upon. This Council Plan will help us shape our direction of travel. There are two things, in particular, that we want to develop:

- We want a Plan that reflects a shared ambition with our communities and citizens across the Scottish Borders. This new Council Plan will, set out 'Our Part' in delivering for the Scottish Borders, but 'Our Part' will be much more meaningful if it is produced with your help, 'Your Part'
- We want a Plan that speaks to our 'Places' across the Scottish Borders by setting out the priorities for different communities, whether in Berwickshire, Cheviot, Eildon, Teviot & Liddesdale, or Tweeddale.

The Council Plan is based on 6 outcomes that we aim to deliver for the Scottish Borders. Five of the outcomes focus on improving the wellbeing of citizens within the Scottish Borders and making our region a more sustainable and better place to live, work in and to visit. The sixth outcome is developing a Council that is as effective and efficient as it can be – we need to do this in order to deliver on the other five outcomes.



Clean, green future

•We tackle climate change and we value, protect and enhance our local environment and nature, so that the Scottish Borders can be enjoyed now and by future generations



Empowered, vibrant communities

•The Scottish Borders has thriving, inclusive communities where people support each other and take responsibility for their local area



Fulfilling our potential

•From child to adult, everyone in the Scottish Borders has access to high quality education and the opportunities they need to fulfil their potential



Good health and wellbeing

•The people of the Scottish Borders have the opportunities and are supported to take control of their health and wellbeing, enjoying a high quality of life



Strong inclusive economy, transport and infrastructure






•Built upon strong and effective physical and digital connections and infrastructure, the benefits of a productive and sustainable economy are widely shared, enabling us to fulfil our potential in the Scottish Borders and attract others to live, work and visit



Working together improving lives

•Scottish Borders Council will be a well-run and efficient organisation. We will have well informed, timely and effective decision making, which is evidence led and focused on the needs of customers and communities; and we will have a positive and open culture

## Scottish Borders Council key highlights 2021/22

	<p>•We tackle climate change and we value, protect and enhance our local environment and nature, so that the Scottish Borders can be enjoyed now and by future generations</p>	<ul style="list-style-type: none"> <li>• Climate change route map approved by Council</li> <li>• Further progression in Hawick Flood Protection scheme</li> <li>• Completion of new building at Tweedbank with planning for expansion of the Lowood site underway</li> <li>• Introduction of region wide default 20mph schemes</li> </ul>
	<p>•From child to adult, everyone in the Scottish Borders has access to high quality education and the opportunities they need to fulfil their potential</p>	<ul style="list-style-type: none"> <li>• Roll out of Free School Meals – P4-P5</li> <li>• Development of a new DSM scheme for launch in August 2022</li> <li>• Upgrade of the Secondary school wide area network and improved wifi in all Primary schools</li> <li>• Additional 45 teachers were employed to support pupils in the COVID-19 recovery period</li> <li>• Kelso and Selkirk High Schools awarded Apple Distinguished Schools accreditation</li> </ul>
	<p>•Built upon strong and effective physical and digital connections and infrastructure, the benefits of a productive and sustainable economy are widely shared, enabling us to fulfil our potential in the Scottish Borders and attract others to live, work and visit</p>	<ul style="list-style-type: none"> <li>• A new play park was opened in St Boswells with 5 year plans approved for further facilities in the Borders</li> <li>• The new Tapestry building opened its doors in Galashiels</li> <li>• Investment of £13.5m on Roads infrastructure in 2021/22</li> </ul>
	<p>•The Scottish Borders has thriving, inclusive communities where people support each other and take responsibility for their local area</p>	<ul style="list-style-type: none"> <li>• Build back a better Borders fund allocated £500k to local communities</li> <li>• Funding provided to families in Financial Hardship</li> <li>• Approved the new anti-poverty and food growing strategies</li> <li>• The approach to Community Choices has been embedded during 2021/22</li> </ul>
	<p>•The people of the Scottish Borders have the opportunities and are supported to take control of their health and wellbeing, enjoying a high quality of life</p>	<ul style="list-style-type: none"> <li>• Launch of Enterprise Mobility in SBCares providing hand-held devices to over 400 frontline care staff</li> <li>• Opening of Wilkie Gardens extra care housing facility in Galashiels</li> <li>• The Council was part of a pilot for 'The Promise' to support the ambition for all children to reach their full potential</li> </ul>



Working together  
improving lives

Scottish Borders Council will be a well-run and efficient organisation. We will have well informed, timely and effective decision making, which is evidence led and focused on the needs of customers and communities; and we will have a positive and open culture.

- The Council's Digital Strategy was approved which includes a focus on streamlining processes and digital automation wherever possible
- The Council employed 64 Modern apprentices during 2021/22 providing training and work experience across the Council.

## Transformation

A key pillar of the Council's longer term planning is a 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 COVID-19 pandemic has had a fundamental impact on the way the Council is organised and in the way the Council delivers services. In future greater reliance will be placed on technology to modernise the Council.

## Financial Strategy

The Financial Strategy has met its objectives during 2021/22 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.

A new longer term Revenue Financial Strategy was approved by Council in February 2022 covering a 10 year timeframe from 2022/23. Adopting a consistent 10 year revenue planning horizon will further assist the Council to plan service and strategic change appropriately and ensure the financial implications of the Council Plan are properly considered, affordable and reflected in future budgets and ensure the Council's revenue plans are aligned with the Capital Investment Programme over a 10 year period.

## Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2021/22 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. The accumulated financial risk in the 2021/22 Risk Register was assessed to be £12.895m and the projected usable General Fund balance, at £6.315m, was sufficient to cover 49% of risks identified.

The key financial risks identified in the Council's strategic risk register are as follows:

- Budgetary Control – "Failure of budgetary control processes may increase the likelihood of unplanned overspends, under recovery of budgeted income, budgets being stretched and the savings required by the 5 year Financial Plan delayed."
- Government Funding – "If there is an unforeseen or unplanned reduction in government funding beyond financial planning assumptions, then our ability to provide services may be compromised (LGFS updated annually in December)."
- Capital Projects – "If Capital projects are not evaluated to take into account ROI and whole life costs then the benefits may not be realised or give value for money."
- Climate Change - "If the Council and its partners do not act to assess and address climate change threats, the consequences of climate change may be more adverse and the Council could fail to meet its legislative obligations."

## 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>

2021/22 represented the fourth year of the current 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 £66m 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 2022. The document brings together the Council's 10 year Capital Investment Plan 2021 – 2031 and also the 10 year Treasury Strategy which sets out how the investment plans can be funded.

The Capital Financial Plan aims to ensure that capital borrowing is within prudential borrowing limits and remains sustainable in the longer term. In this regard it is important to recognise that capital investment decisions taken now have long term borrowing and revenue implications which have the potential to place an undue burden on future tax payers. The Council's Treasury Management Strategy provides the linkage between the Financial Strategy, Capital Investment Plans and the Borrowing Strategy. The Financial Strategy, the Financial Plans and the Treasury Management Strategy are approved by Council annually in February.

See page 56 of the Annual accounts for details of the Council's business model.

## **Equalities Mainstreaming**

Scottish Borders Council takes a positive approach to equalities and human rights through taking forward the actions in its Mainstreaming Report and Equality Outcomes. The current Mainstreaming Report covers the period 2021 -2025.

The report covers previous progress made in advancing equalities, 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.

To achieve this, the Council uses an Integrated Impact Assessment, which assesses both the impact of any proposal, plan or policy on groups with protected characteristics under the Equality Act and also, where relevant, the groups who may experience socio – economic disadvantage.

All of the Council's budget proposals are subject to an Integrated Impact Assessment.

More information can be found on the Council's website:

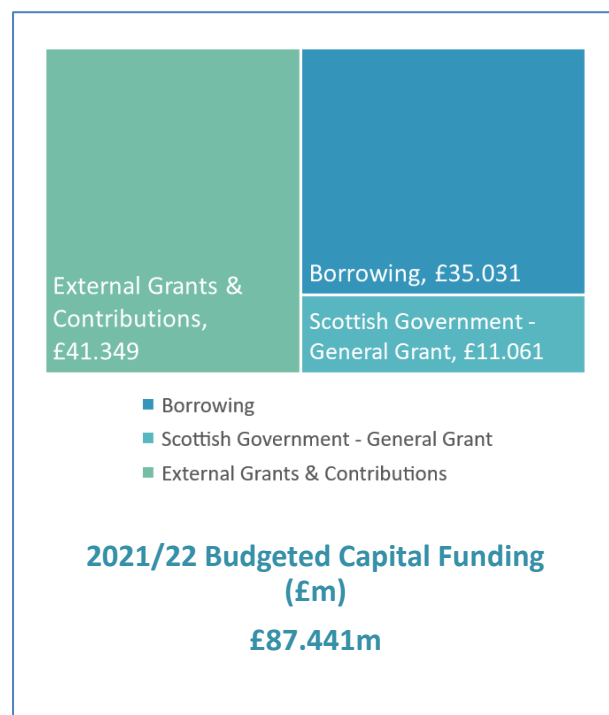
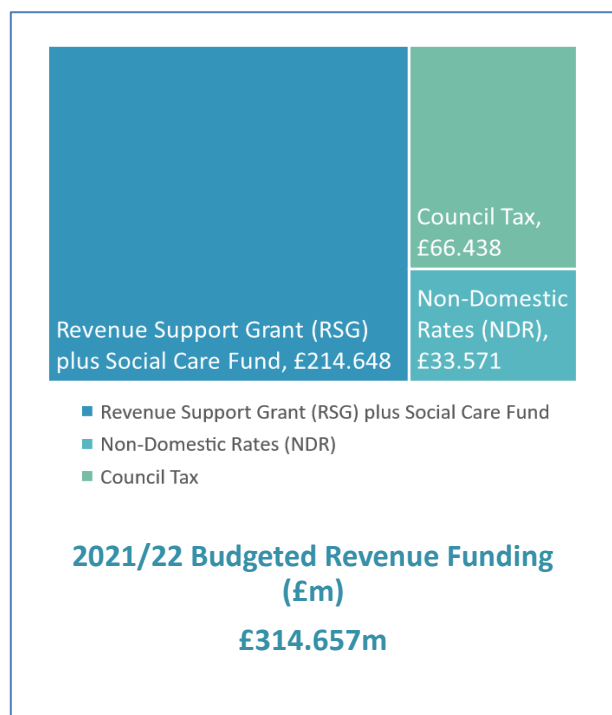
[Equality and diversity/Fairer Scotland Duty | Scottish Borders Council \(scotborders.gov.uk\)](https://www.scotborders.gov.uk/equality-and-diversity/fairer-scotland-duty)

## How are we are doing? - Financial Performance

### 2021/22 Financial Resources Available

The financial resources of the Council are categorised into Revenue and Capital budgets. 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.

The income and expenditure table on page 47 has further analysis.





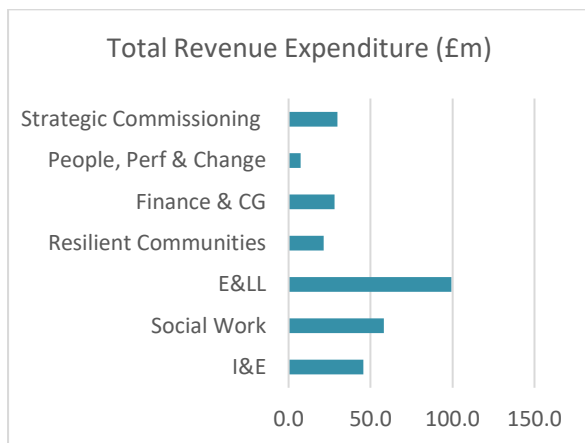
## Financial Position at 31 March 2022

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.

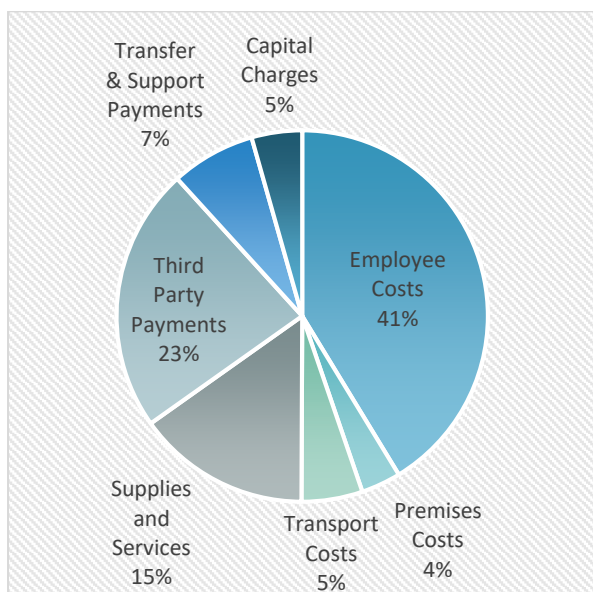
### Revenue

The actual outturn for the financial year 2021/22 was a revenue expenditure of £289.6m representing a net underspend of £1.427m (0.5%) against the final approved budget.

The following chart analyses the revenue spend by Council department:

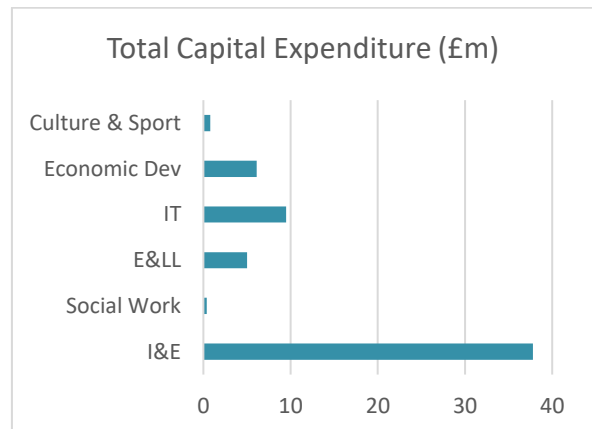


Revenue net expenditure of £289.6m for the year includes income of £167.4m, and gross expenditure of £457m as analysed in the chart below:



### Capital

The actual outturn for the financial year 2021/22 was capital expenditure of £59.6m with a favourable year end timing movement of £7.5m against revised budget.



The capital programme delivered significant investment in the Scottish Borders during 2021/22 and the following table highlights some of the major projects undertaken:

Infrastructure & Environment	
• Flood Protection Works	£20m
• Roads & Bridge Maintenance	£10.9m
• Land & Property Infrastructure	£4.5m
• Plant & Vehicle	£1.9m
Education & Lifelong Learning & Social Work	
• School Estate Block	£1.1m
• Galashiels Academy	£1.4m
• Peebles High School	£1.4m
• Social Care Infrastructure	£0.4m
IT/Econ Dev/Culture & Sport	
• ICT Transformation	£9.5m
• Economic Regeneration	£5.9m
• Culture & Sport	£0.8m

## COVID-19 grants not included in the Comprehensive Income & Expenditure Statement (CI&ES)

During 2021/22 the Council continued to administer 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
-	
Additional £400 secondary teachers & lecturers	253
Childcare Sector Omicron Impacts	96
Low Income Pandemic Payments	1,199
Self Isolation Support	553
Spring 2021 Child Bridging Payment	257
Summer 2021 Child Bridging Payment	235
Autumn 2021 Child Bridging Payment	340
Winter 2021 Child Bridging Payment	352
Spring 2022 Child Bridging Payment	294
Business Grant Scheme	18,744
Coronavirus (COVID-19): £500 payment for health and social care staff	1,337
<b>TOTAL</b>	<b>23,660</b>

## Reconciliation of Outturn to Financial Statement CI&ES

The table below shows the effect on the Council's reported outturn position of the statutory accounting adjustments and provides a reconciliation to the Comprehensive Income and Expenditure Statement on page 47. It should be noted that the net impact of these Statutory Adjustments have no impact on the Council Taxpayer.

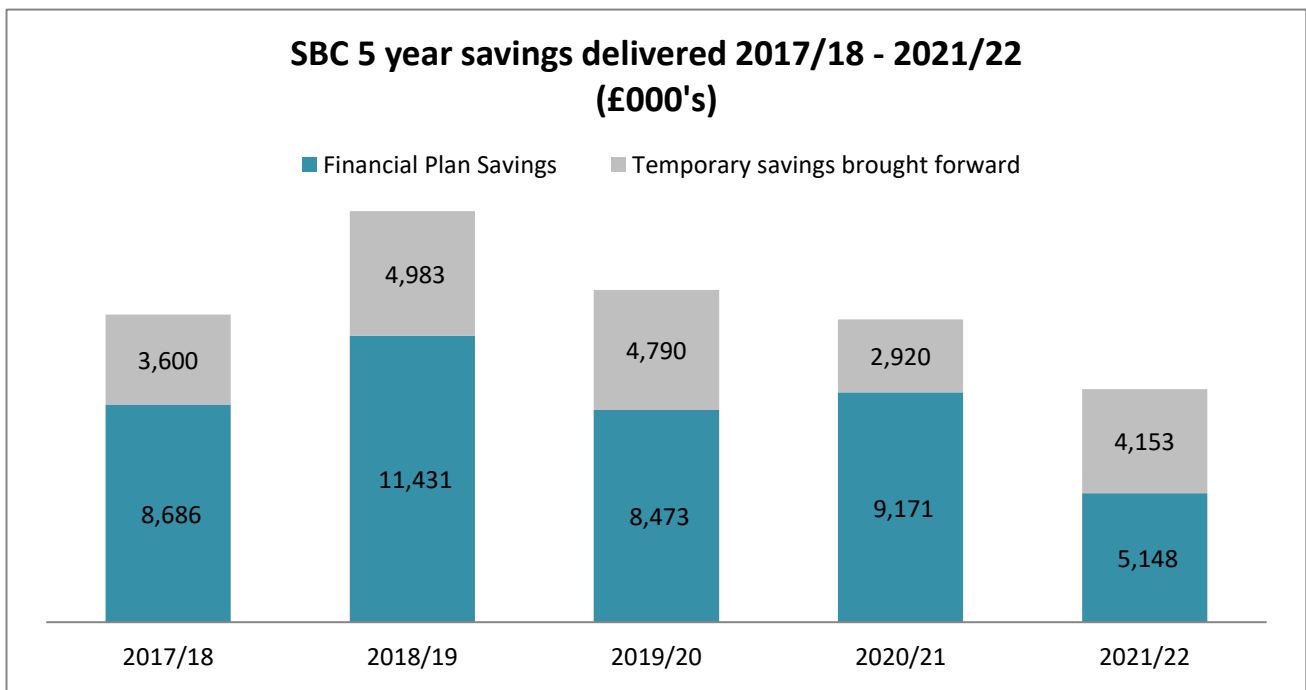
<b>Net Surplus on Revenue Out-turn</b>	<b>(1.427)</b>
Net Statutory Adjustments to Net Cost of Services (inc. Depreciation/Impairment on Revaluation/Loan Charges/PPP/Non Distributed Costs)	25.463
Other Asset (Gains)/Losses	6.567
Net Interest Costs	9.917
Net Changes on Pension Assets/Liabilities (IAS19 at 31 <sup>st</sup> March 2021)	(82.610)
Capital Grants & Contributions Applied (exc.Reserves used)	(42.522)
SBc Contracts External Operating Deficit	0.257
<b>Net Surplus - Total Comprehensive Income &amp; Expenditure</b>	<b>(84.355)</b>

## Delivery of Targeted Savings

Overall, Financial Plan savings of £9.301m were delivered during 2021/22 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 £9.301m shown below are made up of £5.148m savings included in the 2021/22 financial plan plus £4.153m brought forward from previous years. Of these savings delivered during 2021/22 £3.489m (37%) were delivered permanently. A further £1.932m (21%) of the savings, which were fully delivered in 2021/22, are not required to be delivered in the 2022/23 financial plan leaving a balance of £3.880m (42%) to be carried forward from 2021/22 for permanent delivery in 2022/23.

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 £66m. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required in 2022/23 and beyond and the challenges now posed through COVID-19 recovery and current economic challenges.

## 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 2021/22 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2022. This results in statutory accounting adjustments of £33.272m being required to revise the net cost of services of £322.9m compared with the reported departmental net cost of services of £289.6m.

### (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 Deficit on the Provision of Council Services for the year of £6.457m. This deficit arises as a result of disposal of assets following a judicial review published in August 2020, which required Councils in Scotland to identify and transfer assets built on Common Good land to the relevant Common Good Funds.

This position and its impact on the General Fund is reflected in the following table showing the cumulative surplus on the General Fund of £51.992m as at 31<sup>st</sup> March 2022.

			2021/22
	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
<b>Net Cost of Services</b>	<b>289,604</b>	<b>33,272</b>	<b>322,877</b>
Other Income and Expenditure	(305,155)	(11,263)	(316,418)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(15,550)</b>	<b>22,009</b>	<b>6,457</b>

### Opening Balance on General Fund

(Surplus) or Deficit on Income & Expenditure Account for the Year

Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year

### Closing Balance on General Fund

	(36,441)
	6,457
	(22,009)
	<b>(51,992)</b>

Note 5 – Expenditure and Funding Analysis on pages 64 – 67 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 (£87.2m) calculated on an IAS19 basis at the balance sheet date of 31<sup>st</sup> March 2021. This revises the £6.457 deficit position on the Provision of Council Services to a Net Comprehensive Income surplus of £84.355m (deficit of £42.541m in 2020/21).

## Balance Sheet

During 2021/22 the Net Asset position increased by £84.3m to £168.3m (£84.6m 2020/21). The table below details the movement during the year.

	Balance Sheet as at		
	31-Mar-21	31-Mar-22	Movement
	£m	£m	£m
Long Term Assets	615.3	619.1	3.8
Current Assets	72.8	96.1	23.3
Current Liabilities	(69.1)	(63.1)	6.0
Long Term Liabilities	(319.4)	(324.2)	(4.8)
<b>Net Assets excluding Pension Liability</b>	<b>299.6</b>	<b>327.8</b>	<b>28.2</b>
Pension Liability	(215.7)	(159.5)	56.2
<b>Net Assets/(Liabilities) including Pension Liabilities</b>	<b>84.0</b>	<b>168.3</b>	<b>84.3</b>

More details in relation to the Net Assets Excluding pension liabilities can be found within the Balance Sheet on page 49.

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 2022 was £215m. Additional long term borrowing was undertaken during the year amounting to £20m, with no requirement for short term borrowing during the 2021/22 year. The average rate of interest paid on outstanding external debt was 4.42%.

## 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 46).

**Unusable Reserves** – result from accounting adjustments and cannot be spent

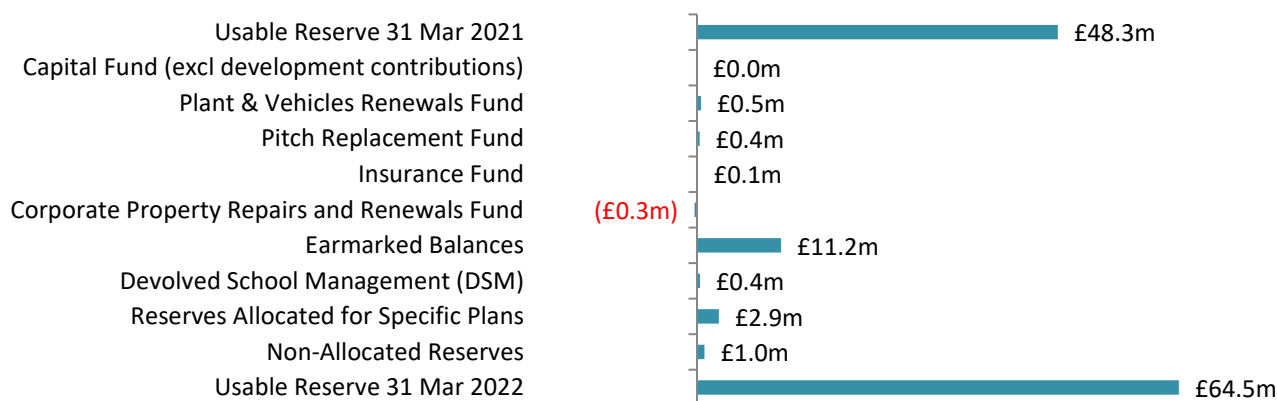
**Usable Reserves** – result from the Council’s activities and can be spent in the future

Note 31, page 98 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 and provide financial resilience to the Council;
- A contingency to cushion the impact of unexpected events or emergencies; and
- Earmarked balances to meet known or predicted liabilities.

As at 31 March 2022 the total Usable Reserves Balance is £64.5m (£48.3m at 31 March 2021) a net increase of £16.2m 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 £11.2m and Reserves for specific plans which have increased by £2.9m. There have been increases of £1m in non-allocated reserves, £0.5m in the Plant & Vehicles Renewals Fund, £0.4m in Pitch Replacement Fund, and £0.4m increase in Devolved School Management.



Movements within the Allocated and Non-Allocated Reserves during 2021/22 comprised:

### **Reserves Allocated for Specific Plans - net effect of:**

Increase in Treasury reserve	£2.300m
Increase in Workforce Management reserve	£0.300m
Establish strategic contract movement reserve	£0.362m

### **Non-Allocated Reserves**

2020/21 in year draw downs	(£0.410m)
2021/22 year end underspend	£1.427m

## Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2022 with a comparator year ending 31 March 2022. The Group Accounts for 2021/22 can be found from page 110. 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?

### ***Performance against our corporate priorities***

The Council reports and presents its performance information relating to each corporate priority on a quarterly basis to the Strategic Leadership Team and the Executive Committee of the Council. Below is a summary of the key performance information for 2021/22 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 2021 to MARCH 2022**



Please note that the 21/22 Planning figures will not be received from the Scottish Government until July 2022.

**Planning Permission # Local – Non Householder** ●

**6.5 weeks** – average time to determine **LOCAL DEVELOPMENTS – NON HOUSEHOLDER** during 2020/21

Down from 8.0 in 19/20 (Yr)

**Planning Permission # Local – Householder** ●

**9.1 weeks** – average time to determine **LOCAL DEVELOPMENTS – HOUSEHOLDER** during 2020/21

Up from 6.2 in 19/20 (Yr)

**Waste Recycling Household Recycling**

**55.02%** of our household waste on average, was recycled over the **12 months ended Dec-21**

Up from 52.79% in 12 mths ended Dec-20

**Waste Recycling Household 'Other' Treatment**

**44.69%** of our household waste required 'other' treatment, on average over the **12 months ended Dec-21**

Down from 46.95% in 12 mths ended Dec-20

**Energy Use (26 key sites) Electricity**

**8,823,213 kilowatt hours of Electricity used**

Up from 6,713,382 Kwh in 2020/21

**Waste Recycling Household Landfilled**

**0.29%** of our household waste on average, was sent to Landfill over the **12 months ended Dec-21**

Up from 0.27% in 12 mths ended Dec-20

**Waste Recycling Community Recycling Centres**

**75.66%** of waste was recycled at SBC **Community Recycling Centres**, on average, over the **12 months ended Dec-21**

Up from 75.21% in 12 mths ended Dec-20

**Energy Use (26 key sites) Gas**

**16,277,895 kilowatt hours of Gas used**

Up from 12,856,277 Kwh in 2020/21

Note: Current year waste treatment figures not yet verified by SEPA



For more on performance visit [www.scotborders.gov.uk/performance](http://www.scotborders.gov.uk/performance) or email [performance@scotborders.gov.uk](mailto:performance@scotborders.gov.uk)  
Correct at time of publication: 25<sup>th</sup> May 2022

## Context Indicators Update

Indicator	2020/21	2021/2	Change
Planning Applications	1255	n/a	-
Fatalities on Borders Roads	5 2020	7 2021	↑
Seriously injured on Borders Roads	47 2020	57 2021	↑
Capital Receipts Cumulative **	£0.645m	£0.280m	↓
Properties surplus	39	16	↓
Properties marketed	5	13	↑
Properties under offer	12	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)

# OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2021** to **MARCH 2022**



## Welfare Benefits

**1,103** people contacted us for **Welfare Benefits** advice receiving over **£3.390m** in **additional benefits**

Down from 1,126 people in 20/21  
Down from £4.237m in 20/21

## Customer Voice Interactions

**157.9k** voice interactions were logged by our Contact Centres in 21/22

Up from 126.7k in 20/21

## Housing Benefit Reduction – New Claims

**17.51** days – average time to process **New Claims**

Up from 16.99 days in 20/21

## Council Tax

**96.5%** of Council Tax due was collected

Up from 95.97% in 20/21

## Housing Benefit Reduction – Change Events

**6.71** days – average time to process **Change Events**

Up from 3.73 days in 20/21

*Please note that no annual information regarding Welfare Benefits has been received.*

## Complaints – Stage One

**9.94** days to process with **78.12%** closed within timescale (5 wrk days)

Up from 7.2 in 20/21

## Complaints – Stage Two

**24.02** days to process with **58.73%** closed within timescale (20 wrk days)

Up from 19.95 in 20/21

## Complaints – Escalated

**19.24** days to process with **60.27%** closed within timescale (20 wrk days)

Up from 18.19 in 20/21



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Correct at time of publication: 25<sup>th</sup> May 2022

## Context Indicators Update

Indicator	2020/21	2021/22	Change
Face to Face Interactions (CRM) by Customer Services	1.6k	4.3k	↑
Email Interactions by Customer Services	54k	52k	↓
Web Interactions by Customer Services	5.2k	5.7k	↑
Total logged customer contact with SBC	187.5k	219.8k	↑
Complaints Closed	742	832	↑

Key: # 1 quarter lag \*\* Cumulative in year ↑ Increased ↓ Reduced

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# OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2021** to **MARCH 2022**



## Context Indicators Update

Indicator	2020/21	2021/22	Change
FOIs requests received	959	1,137	↑
Facebook Engagements	560.4k	361.6k	↓
Twitter Engagements	50.4k	31.9k	↓

Key: # 1 quarter lag \*\* Cumulative in year ↑ Increased ↓ Reduced

Context indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

### Freedom of Information Requests (FOI)

**83%** of FOI requests were completed on time

Down from **85%** in 20/21

### SBC Absence Rate – Staff

Annual absence rate **5.49%**

Up from **4.74%** in 20/21

### 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

Remains the same from **92%** in 20/21

### SBC Absence Rate – Teaching Staff

Annual absence rate **3.44%**

Up from **1.98%** in 20/21

### Valuation Roll (Non Domestic) Time to amend valuation roll

**81%** amended on roll within 3 months of the date of completion and the issue of the valuation notice (new, altered or demolished properties)

Up from **61%** in 20/21

Status

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Correct at time of publication: 25<sup>th</sup> May 2022

# INDEPENDENT, ACHIEVING PEOPLE

OUR PERFORMANCE DURING THE YEAR **APRIL 2021** to **MARCH 2022**



## School Attendance Primary Schools

**91.42%** of pupils attended their **primary school** (avg. of mthly attendance)

**Down** from 97.1% in 20/21

## School Exclusions Primary Schools

**13** exclusion incidents in **primary schools**  
**12** exclusions from **primary school**

**Up** from **3** in 20/21  
**Up** from **3** in 20/21

## Looked After Children Aged 12+

**65%** of looked after children (aged 12+) in a **community family based placement** (end of Mar-21)

**Up** from **63%** at end of Mar-20

## School Attendance Secondary Schools

**86.82%** of pupils attended their **secondary school** (avg. of mthly attendance)

**Down** from 97.9% in 20/21

## School Exclusions Secondary Schools

**77** exclusion incidents in **secondary schools**  
**77** exclusions from **secondary school**

**Up** from **47** in 20/21  
**Up** from **46** in 20/21

## Looked After Children All Ages

**81%** of looked after children (all ages) in a **community family based placement**

**Remains the same** from **81%** in 20/21

## School Attendance Overall

**89.1%** of pupils attended **school overall** (avg. of mthly attendance)

**Down** from 97.5% in 20/21

## School Exclusions Overall

**90** exclusion incidents at **primary and secondary schools**  
**89** exclusions from **primary and secondary schools**

**Up** from **50** in 20/21  
**Up** from **49** in 20/21

## Context Indicators Update

Indicator	2020/21	2021/22	Change
Schools/Nurseries inspections	0	3	↑
Looked After Children	180	191	↑
Inter-agency Referral Discussions - child	422	496	↑
Child Protection Register	53	50	↓
New Modern Apprentices employed this year	28	60	↑
Modern Apprentices securing employment with SBC after MA	24	33	↑
Number of Current Modern Apprentices	45	56	↑

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

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# INDEPENDENT, ACHIEVING PEOPLE

OUR PERFORMANCE DURING THE YEAR **APRIL 2021 to MARCH 2022**



## Context Indicators Update

Indicator	2020/21	2021/22	Change
Adult protection - Concerns	238	287	↑
Adult protection - Investigations	123	186	↑
Referrals To Domestic Abuse Services **	453	462	↑
Reported incidents of domestic abuse **	1,282	1,284	↑
High Risk domestic abuse cases discussed at Multi Agency Risk Assessment Conference	123	117	↓
Number of reported ASB Incidents **	7,289	5,334	↓
ASB Early Interventions **	898	830	↓
Monitored for ASB **	4,084	4,340	↑
Referrals to mediation **	49	15	↓
Group 1-5 recorded crimes and offences **	3,495	3,700	↑

Key: # 1 quarter lag \*\* Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

### Social Care Care at Home ●

**78% of adults (aged 65yrs+) received care at home** compared to a care home/residential setting (end Dec-21)

Remains the same from 78% at end of Mar-21



### Mediation Service ●

**14.8% of cases showing agreement or improvement after mediation**

Down from 63.3% at end of 20/21

### Social Care Self Directed Support ●

**95.3% of adults are using the Self Directed Support approach** (end Dec-21)

Down from 96% at end of Mar-21

### Bed Days Associated With Emergency Admissions #

**3,627.40 bed days** associated with emergency admissions (aged 75+) (rate per 1000 population) (20/21)

Up from 3,285.38 19/20

### Delayed Discharges From Hospital

**601 bed days** associated with delayed discharges in residents aged 75+ (rate per 1000 population) (20/21)

Down from 656 during 19/20

Note: The suite of indicators reported here are under review with a view to representing a fuller assessment of Adult Social Care performance in future reports.

● ● ● Status

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Correct at time of publication: 25<sup>th</sup> May 2022

# A THRIVING ECONOMY, WITH OPPORTUNITIES FOR EVERYONE

OUR PERFORMANCE DURING THE YEAR **APRIL 2021** to **MARCH 2022**



**Business Gateway New Businesses** ●

**177 new businesses** were created with our help  
\*Service suspended during 2020/21

**Down** from **218** in 18/19

**Invoices Paid** ●

**94%** of invoices, on average were **paid within 30 days**

**Down** from **95%** in 20/21

**Top Capital Projects**

Of the top **major projects** ongoing across the council **15** are **rated Green \***

**Down** from **18** in 20/21

**Business Gateway Businesses Supported**

**971** businesses were **supported** in 3 quarters ended Dec-19  
\*Service suspended during 2020/21

**1,497** in 18/19

**Occupancy Rates** ●

**89%** of industrial and commercial properties owned by the council were **occupied**

**Down** from **91%** in 20/21

**3** are **rated Amber \***

Remains the same from **3** in 20/21

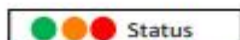
**0** are **rated Red \***

Remains the same from **0** in 20/21

**Affordable Homes** ●

**314** additional homes were provided last year that were affordable to people in the Borders, based on our wages

**Up** from **107** in 20/21



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Correct at time of publication: 25<sup>th</sup> May 2022

## Context Indicators Update

Indicator	2020/21	2021/22	Change
16 - 64 Employment rate #	77.2%	#79.3% Q3	↓
16 - 64 Claimant Count	5.33%	4.08%	↓
18 - 24 Claimant Count	9.9%	6.67%	↓

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)

# EMPOWERED VIBRANT COMMUNITIES

OUR PERFORMANCE DURING THE YEAR **APRIL 2021 to MARCH 2022**



## Context Indicators Update

Indicator	2020/21	2021/22	Change
Active community resilience plans	59	65	↑
Progressing community resilience plans	0	0	→
Community Funding - Total Scottish Borders	£416.1k	£335.1k	↓
Community Fund – Berwickshire	£111.7k	£17.3k	↓
Community Fund – Cheviot	£78.4k	£20.8k	↓
Community Fund – Eildon	£93.3k	£100.5k	↑
Community Fund - Teviot & Liddesdale	£45.7k	£75.6k	↑
Community Fund - Tweeddale	£70.9k	£120.9k	↑
Community Fund - Borderswide	£16.1k	£0	↓
Neighbourhood Small Schemes Fund – £ **	£242.1k	£534.5k	↑
Volunteer work with SBC	197	852	↑

Key: # 1 quarter lag \*\* Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

### SCOTTISH BORDERS COUNCIL COMMUNITY ACTION TEAM (WITH POLICE SCOTLAND) 2021/22 Figs (20/21)

**961** (1,365)  
Hours of High Visibility foot patrols

**6,261** (5,854)  
Hours of mobile patrols

**748** (844)  
Parking tickets issued

**173** (774)  
Person Drug searches (52% positive)

**43** (74)  
Premises Drug searches (84% positive)

**277** (284)  
Static road checks

**143** (185)  
ASB Warning Letters Issued (Under 18s)



### Asset Transfer Requests

**1** asset transfer request was Received

Down from 3 in 20/21

**1** asset transfer request was Agreed

Up from 0 in 20/21

**0** asset transfer requests were Refused

Remains the same from 0 in 20/21

### Community Resilience SB Alert Registrations

**6,950** people were registered for SB Alert at end of Mar-22

Up from 6,458 at end Mar-21

### Community Participation

**0** participation requests were Received

Remains the same from 0 in 20/21

**0** participation requests was Agreed

Remains the same from 0 in 20/21

**0** participation request was Refused

Remains the same from 0 in 20/21

**Community Benefit Clauses**  
**21** contracts awarded with community benefit clauses

Up from 14 in 20/21

### Employment and Skills opportunities

**15** opportunities delivered as a result of community benefit clauses

Down from 39 in 20/21



For more on performance visit [www.scotborders.gov.uk/performance](http://www.scotborders.gov.uk/performance) or email [performance@scotborders.gov.uk](mailto:performance@scotborders.gov.uk)  
Correct at time of publication: 25<sup>th</sup> May 2022

## Our Plans for the Future

The Council has successfully delivered £66m of savings over the past 9 years through a Corporate Transformation Programme. The current Fit for 2024 programme was launched at the start of 2019/20 to deliver significant savings, ensure sustainability and deliver service improvements over the 5 years from 2019/20 to 2023/24. This plan along with the Capital Investment Programme and Departmental Business Plans will be delivered within an environment of ever reducing financial resources and increasing public and government expectations.

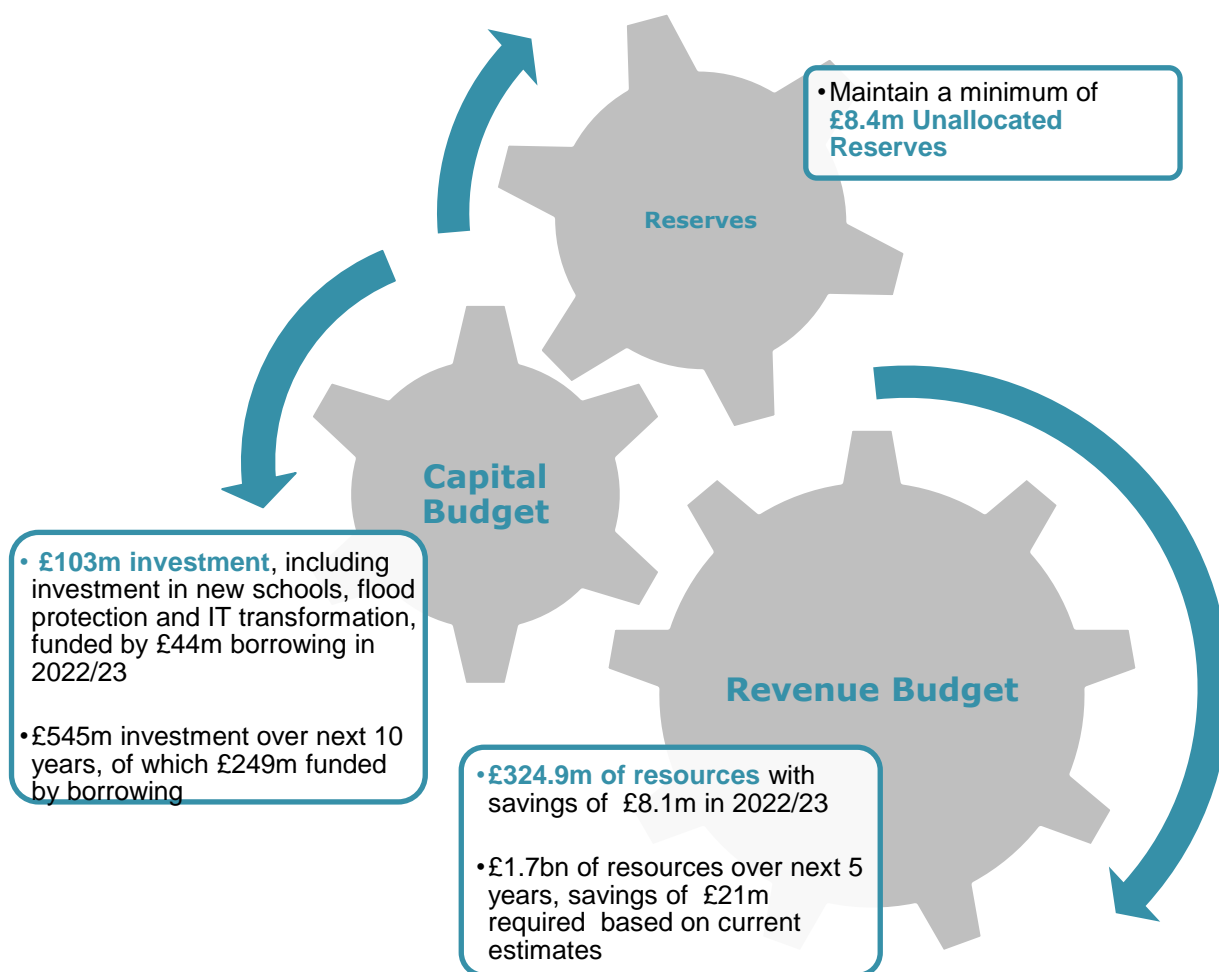


# fitfor2024

For more information on the programme visit: [www.scotborders.gov.uk/fitfor2024](http://www.scotborders.gov.uk/fitfor2024)



## Future Financial Plans - 2022/23




The Revenue and Capital Financial Plans from 2022/23 onwards can be found on the Council's webpages at [www.scotborders.gov.uk](http://www.scotborders.gov.uk)

## Conclusion

The operating environment for the Council continues to be very challenging. The Council is faced with a number of financial and economic influences such as increasing demands on services, current inflation affecting the costs of goods and services and wider labour market factors affecting the Council's ability to recruit to fill key vacancies in a number of areas. New digital innovations, business process re-engineering and technology solutions continue to be pursued in order for the Council to deliver vital services to the community as efficiently and effectively as possible.

The Council's work to support communities and deliver services following the pandemic continues. The Council has worked in partnership with the Scottish Government to provide support to Ukrainian refugees displaced by the current war with Russia. Work also continues in mainstreaming Community Choices to ensure the Council is positively engaging with communities in prioritising resources whenever possible.



The current operating environment also presents many opportunities for the Scottish Borders, including continued ever closer working with the NHS, the South of Scotland Enterprise (SOSE), the Edinburgh and South East Scotland Regional City Deal and the 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, constrained 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.

**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 27 June 2022.

### 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 2022.

**David Robertson CPFA**  
**Director**  
**Finance & Corporate Governance**

# Independent Auditor's Report

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# Annual Governance Statement 2021/22

## 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 2022, 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. It is recognised that the Local Code needs to be reviewed and updated, and submitted for approval to ensure it continues to be relevant in the ever-changing operating environment and sets out the framework of governance and control for the conduct of the Council's business.

# Annual Governance Statement

## The Governance Framework

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance, include:

### A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, and financial regulations which are regularly reviewed and revised where appropriate.

Codes of conduct are in place for, and define the high ethical values and standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

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, recordings can be accessed from the Council's website and are available for 180 days.

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.

# Annual Governance Statement

## **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 eight 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.

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.

# Annual Governance Statement

## Review of Adequacy and Effectiveness of the Council's Governance Framework

An annual review of the adequacy and effectiveness of the Council's overall governance framework has been carried out, taking into account the ongoing Covid-19 pandemic impact in 2021/22 on business as usual in the delivery of services and virtual committee meetings to enable decision-making. The output is this Annual Governance Statement which is presented to the Audit and Scrutiny Committee.

The review was informed by assurances from the: Governance Self-Assessment Working Group; Directors; Internal Audit annual opinion and recommendations; comments and recommendations made by External Auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2021/22 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.

A progress update on the implementation of the Best Value Audit Implementation Plan that underpins the seven recommendations (nos. 1-7) has been reviewed by the Strategic Leadership Team and has been presented to the Audit and Scrutiny Committee on 14 February 2022. The update considered the full suite of 40 actions associated with the Best Value Implementation Plan, with good progress overall and 50% of them completed. Some of the actions had to be reset as ways to achieve the outcomes have changed, and end dates for some actions had been reviewed and amended, where applicable. Two key projects were underway that addressed key recommendations of the Best Value Audit report: the refresh of the Council Plan (approved February 2022); and a review of the organisation's performance management approach.

In respect of the other three improvement areas of governance identified by the Council in 2020/21 (nos. 8-10), there have been developments during the year. Specifically, the refocussed and themed Fit for 2024 transformation programme to ensure the Council builds on all transformational benefits that the pandemic has presented including digital advancements, the strategic policy research and planning to influence the refresh of the Council Plan and the ongoing enhancement 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.

The implementation of the remainder of the actions in the Best Value Audit Implementation Plan to fully 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.



## Annual Governance Statement

In addition, the implementation of further enhancements to the other improvement actions identified by the Council in 2020/21 (8-10 below) in order to enhance governance and internal controls:

- (8) Implement the refocussed and themed Fit for 2024 programme to achieve the transformational benefits that the pandemic has presented including digital advancements.
- (9) Produce plans and toolkits to complete the links from the Council Plan to individuals' appraisals consistently across the Council and refresh the Performance Management Framework to ensure performance monitoring and reporting is accurate, robust and timely.
- (10) Update the Policy Register to enable oversight of the ongoing review of policies, procedures and guidelines to ensure they are fit for purpose and meet current legislation.

These actions to enhance the governance arrangements in 2022/23 will be driven and monitored by the Strategic Leadership Team on a regular basis in order to inform the next annual review. Internal Audit work planned in 2022/23 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.

# 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:-

- Pay Bandings Information Page 37
- Senior Councillor Remuneration Page 38
- Senior Officer Remuneration Page 40
- Pension Benefits Information for Senior Councillors Page 43
- Pension Benefits Information for Senior Officers Page 44

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 implemented a realignment of Council Services which was implemented on 1 September 2021. The number of service departments remains at seven with each service managed by a Director.

## 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 2021/22 the salary for the Leader of Scottish Borders Council is £37,213. 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 £325,598. 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 £305,277. 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 the Council on 30 August 2012 to take account of changes to the Scheme of Administration. At the Scottish Borders Council meeting on 27 August 2020 a new Scheme of Payment for Senior Councillors was agreed to take account of changes to portfolio titles and responsibilities.

# 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£50,000 - £54,999	-	-	91	88	16	35	107	123
£55,000 - £59,999	-	-	58	67	22	24	80	91
£60,000 - £64,999	1	-	31	24	-	3	32	27
£65,000 - £69,999	3	1	11	11	7	8	21	20
£70,000 - £74,999	-	4	1	1	-	-	1	5
£75,000 - £79,999	2	-	3	4	-	1	5	5
£80,000 - £84,999	3	4	1	1	-	-	4	5
£85,000 - £89,999	3	4	3	3	-	-	6	7
£90,000 - £94,999	2	1	-	-	-	-	2	1
£95,000 - £99,999	-	1	-	-	-	-	-	1
£100,000 - £104,999	-	-	-	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	2	1	-	-	-	-	2	1
£115,000 - £119,999	1	-	-	-	-	-	1	-
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-	-	-
£135,000 - £139,999	-	1	-	-	-	-	-	1
£140,000 - £144,999	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17</b>	<b>17</b>	<b>199</b>	<b>199</b>	<b>45</b>	<b>71</b>	<b>261</b>	<b>287</b>

# Remuneration Report

## Remuneration of Senior Councillors

The table below provides details of the remuneration paid to the Council's Senior Councillors

Total Remuneration 2020/21 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2021/22 £
35,713	S Haslam	Leader of the Council to 25 November 2021	24,292 (FYE 37,213)	-	24,292
0	M Rowley	Leader of the Council from 25 November 2021	13,025 (FYE 37,213)	90	13,115
26,785	D Parker	Convener	27,910	-	27,910
<b>62,498</b>		<b>Leader and Convener Remuneration</b>	<b>65,227</b>	<b>90</b>	<b>65,317</b>
-	S Haslam	Executive Member for Economic Regeneration & Finance from 16 December 2021 to 21 February 2022; Executive Member for Finance & Budget Oversight from 22 February 2022	7,162	-	7,162
23,717	M Rowley	Executive Member for Economic Regeneration & Finance from 27 August 2020 to 24 November 2021	15,889 FYE (24,444)	168	16,057
23,459	A Aitchison	Executive Member for Sustainable Development	24,444		24,444
19,462	S Bell	Chair of Audit & Scrutiny	20,279		20,279
24,129	G Edgar	Executive Member for Infrastructure, Travel & Transport (also Area Partnership Chair for full year)	24,444	309	24,753
23,459	T Weatherston	Executive Member for Adult Wellbeing; Depute Convener for full year	24,444		24,444
23,459	C Hamilton	Executive Member for Children & Young People	24,444		24,444
23,735	G Turnbull	Executive Member for Public Protection	24,444	276	24,720
14,110	S Mountford	Executive Member for Enhancing the Built Environment & Natural Heritage	24,444	155	24,599
23,459	E Jardine	Executive Member for Wellbeing, Sport & Culture	24,444		24,444
9,529	T Miers	Executive Member for Planning & Environment to 26 August 2020	0		0
19,462	J Fullarton	Area Partnership Chair	20,279		20,279
23,621	R Tatler	Executive Member for Community Development and Localities (also Area Partnership Chair for full year)	24,444	162	24,606
19,462	N Richards	Area Partnership Chair	20,279		20,279
22,130	S Hamilton	Executive Member for Transformation & Service Improvement (also continuing as Area Partnership Chair)	24,444	283	24,727
<b>293,193</b>		<b>Total Other Senior Councillor Remuneration</b>	<b>303,884</b>	<b>1,185</b>	<b>305,069</b>
<b>355,691</b>		<b>Total Senior Councillor Remuneration</b>	<b>369,111</b>	<b>1,275</b>	<b>370,386</b>

The total remuneration figures relate to the salary, fees and allowances for 2021-22 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.

2020/21 £'000		2021/22 £'000
676	Salaries	724
10	Expenses	13
<b>686</b>	<b>Total</b>	<b>737</b>

The draft annual return of Councillors' salaries and expenses for 2021/22 is available on the Council's website at [www.scotborders.gov.uk](http://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.

2020/21		2021/22					
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 01/04/22							
3,452	N Meadows	Chief Executive (from 22 March 2021) (1)	136,081	-	-	-	136,081
111,265	KD Robertson	Director - Finance & Corporate Governance (from 1 September 2021); Executive Director, Finance & Regulatory (to 31 August 2021) (2)	113,164	94	-	-	113,258
90,109	J Craig	Director - Resilient Communities (from 1 September 2021); Service Director Customer & Communities (to 31 August 2021)	91,109	-	-	-	91,109
88,165	C Hepburn	Director - People, Performance & Change (from 1 September 2021); Service Director HR and Communications (to 31 August 2021)	89,651	-	-	-	89,651
81,698	SC Easingwood	Director - Social Work & Practice (from 1 September 2021); Service Director Social Work & Public Protection (to 31 August 2021) (3)	86,738	-	-	-	86,738
71,435	LH Munro	Director - Education & Lifelong Learning (from 1 September 2021); Service Director Young People Engagement & Inclusion (from 8 June 2020 to 31 August 2021)	89,165	13	-	-	89,178
92,273	JM Holland	Director - Strategic Commissioning & Partnerships (from 1 September 2021); Chief Operating Officer SB Cares (to 31 August 2021) (4)	96,724	-	-	-	96,724
0	JR Curry	Director - Infrastructure & Environment (from 1 October 2021) (5)	44,483 (FYE 88,965)	-	-	-	44,483
<b>Senior Employees departed post before 01/04/22</b>							
113,200	JR Dickson	Executive Director, Corporate Improvement and Economy (left 10 August 2021) (6)	44,086 (FYE 114,000)	-	-	-	44,086
651,597		<b>Total</b>	<b>791,201</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>791,308</b>

## Notes

- (1) N Meadows figure of £136,081 includes £6,855 Returning Officer Fee for the Scottish Parliamentary Election on 6 May 2021.
- (2) KD Robertson figure of £113,164 includes £415 fee for the Scottish Parliamentary Election on 6<sup>th</sup> May 2021.
- (3) SC Easingwood figure of £86,738 includes £500 Covid response payment funded by the Scottish Government.
- (4) JM Holland figure of £96,724 includes £500 Covid response payment funded by the Scottish Government.
- (5) John Curry undertook the role of Assets & Infrastructure Service Director from 14 September 2020 to 30 September 2021. However, he was a seconded consultant and not an employee of Scottish Borders Council therefore his salary during this period is not included in the above report.
- (6) JR Dickson figure of £44,086 includes £3,309 for Depute Returning Officer Fees for both the European Parliamentary Election on 23<sup>rd</sup> May 2019 and the Scottish Parliamentary Election on 6 May 2021.

## Remuneration 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).

### Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2020/21 and 2021/22:

#### 2021/22

Exit Package Cost band (including special payments) 2021/22	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	2	-	2	15,866
£20,001 - £40,000	1	-	1	24,853
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	1	-	1	63,585
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>104,303</b>

The total costs of £0.104m 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.

#### 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	-	-	-	-
<b>Total</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>30,151</b>

### Council Subsidiary Bodies

Separate disclosure of the remuneration and pension benefits of senior posts held in the Council's 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.

2020/21			2021/22					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 2021	For year to 31 March 2022	Type	As at 31 March 2022	Difference from 31 March 2021			
Total Remuneration	Name	Post Title	£	£	£	£	£	£	£	£	£	£		
80,991	Ewan Jackson	Chief Executive Officer	83,687	0	0	83,687	14,578	15,044	Pension	25,478	2,484	Lump Sum	16,409	508

# 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 the employee 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 2021/22 were as follows:

Whole Time Pay	2021/22
On earnings up to and including £21,800	5.50%
On earnings above £21,801 and up to £26,700	7.25%
On earnings above £26,701 and up to £36,600	8.50%
On earnings above £36,601 and up to £48,800	9.50%
On earnings above £48,801	12.00%

If the employee 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 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> 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 1/49<sup>th</sup> 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 2022 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 2021	For year to 31 March 2022	Type	As at 31 March 2022	Difference from 31 March 2021
		£	£		£	£
S Haslam	Leader of the Council to 25 November 2021; Executive Member for Economic Regeneration & Finance from 16 December 2021 to 21 February 2022; Executive Member for Finance & Budget Oversight from 22 February 2022	6,428	5,843	Pension	2,849	771
				Lump Sum	-	-
D Parker	Convenor	4,821	5,024	Pension	8,205	1,008
				Lump Sum	2,606	177
A Aitchison	Executive Member for Sustainable Development	4,223	4,400	Pension	5,840	856
				Lump Sum	1,681	145
S Bell	Chair of Audit & Scrutiny	3,503	3,650	Pension	3,732	585
				Lump Sum	-	-
G Edgar	Executive Member for Infrastructure, Travel & Transport (also Area Partnership Chair)	4,223	4,400	Pension	4,133	701
				Lump Sum	-	-
T Weatherston	Executive Member for Adult Wellbeing (also Depute Convener)	4,223	4,400	Pension	10,097	1,276
				Lump Sum	16,006	1,441
C Hamilton	Executive Member for Children & Young People	4,223	4,400	Pension	1,876	572
				Lump Sum	-	-
G Turnbull	Executive Member for Public Protection	4,223	4,400	Pension	5,429	846
				Lump Sum	1,604	144
M Rowley	Executive Member for Economic Regeneration & Finance to November 2021; Leader of the Council from 25th November 2021	4,223	5,204	Pension	1,876	667
				Lump Sum	-	-
S Mountford	Executive Member for Enhancing the Built Environment & Natural Heritage	3,816	4,400	Pension	3,546	706
				Lump Sum	-	-
E Jardine	Executive Member for Wellbeing, Sport & Culture	4,223	4,400	Pension	1,876	572
				Lump Sum	-	-
T Miers	Executive Member for Planning & Environment	3,621	3,349	Pension	1,807	447
				Lump Sum	-	-
J Fullarton	Area Partnership Chair	3,503	3,650	Pension	5,085	713
				Lump Sum	1,588	124
R Tatler	Executive Member for Community Development and Localities (also Area Partnership Chair for full year)	4,223	4,400	Pension	1,770	569
				Lump Sum	-	-
N Richards	Area Partnership Chair	3,503	3,650	Pension	1,516	474
				Lump Sum	-	-
S Hamilton	Executive Member for Transformation & Service Improvement (also continuing as Area Partnership Chair)	3,933	4,400	Pension	1,560	563
				Lump Sum	-	-
<b>Total</b>		<b>66,912</b>	<b>69,970</b>			

### 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 2022 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 2022.

Name		In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2021	For year to 31 March 2022	Type	As at 31 March 2022	Difference from 31 March 2021
		£	£		£	£
<b>Senior Employees in post as at 01/04/21</b>						
N Meadows	Chief Executive	621	23,261	Pension Lump Sum	2,565	2,494
					-	-
KD Robertson	Director - Finance & Corporate Governance (from 1 September 2021); Executive Director, Finance & Regulatory (to 31 August 2021)	20,028	20,295	Pension Lump Sum	49,357	3,323
					70,259	1,179
J Craig	Director - Resilient Communities (from 1 September 2021); Service Director Customer & Communities (to 31 August 2021)	16,220	16,400	Pension Lump Sum	44,186	2,596
					65,655	721
C Hepburn	Director - People, Performance & Change (from 1 September 2021); Service Director HR and Communications (to 31 August 2021)	15,870	16,137	Pension Lump Sum	21,961	2,355
					2,984	49
CS Easingwood	Director - Social Work & Practice (from 1st September 2021); Service Director Social Work & Public Protection (to 31st August 2021)	14,705	15,523	Pension Lump Sum	29,678	3,084
					31,462	1,657
LH Munro	Director - Education & Lifelong Learning (from 1 September 2021); Service Director Young People Engagement & Inclusion (from 8 June 2020 to 31 August 2021)	12,858	16,050	Pension Lump Sum	43,232	41,767
					-	-
JM Holland	Director - Strategic Commissioning & Partnerships (from 1 September 2021); Chief Operating Officer SB Cares (to 31 August 2021)	16,609	17,320	Pension Lump Sum	4,623	2,103
					-	-
JR Curry	Director - Infrastructure & Environment from 1st October 2021	-	8,007	Pension Lump Sum	936	936
					-	-
<b>Senior Employees departed post before 01/04/22</b>						
JR Dickson	Executive Director, Corporate Improvement and Economy (left 10 August 2021)	20,376	7,340	Pension Lump Sum	22,551	1,468
					0	0
<b>Total</b>		<b>117,287</b>	<b>140,333</b>			

## 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.

# 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 12 employees who are TU representatives.

The percentage of working time spent on TU activities by the 12 TU representatives can be broken down as follows:-

Percentage of Time	Number of TU Representatives
1% - 50%	8
51% - 99%	2
100%	2
<b>Total</b>	<b>12</b>

The percentage of the total pay bill spent on facility time is 0.092%

100% of paid facility time hours is spent on trade union activities.

## 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 98.

### 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
<b>(Increase) or Decrease In 2020/21</b>	<b>(17,262)</b>	<b>(385)</b>	<b>(361)</b>	<b>(136)</b>	<b>(18,144)</b>	<b>60,686</b>	<b>42,542</b>	
Balance at 31/03/2021 carried forward	(36,441)	(9,929)	(362)	(1,532)	(48,264)	(35,700)	(83,965)	

### Movement in reserves during 2021/22

	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 01/04/2021	(36,441)	(9,929)	(362)	(1,532)	(48,264)	(35,700)	(83,965)	

### Movement in reserves during 2021/22

Total Comprehensive Income & Expenditure	6,457	-	-	-	6,457	(90,812)	(84,355)	C I & E
Adjustments between accounting basis & Funding basis under regulations	(22,008)	(887)	311	(91)	(22,675)	22,675	-	31
<b>(Increase) or Decrease In 2021/22</b>	<b>(15,551)</b>	<b>(887)</b>	<b>311</b>	<b>(91)</b>	<b>(16,217)</b>	<b>(68,137)</b>	<b>(84,355)</b>	
Balance at 31/03/2022 carried forward	(51,992)	(10,816)	(51)	(1,623)	(64,482)	(103,838)	(168,320)	

## 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 2020/21			2021/22				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
88,465	(18,118)	70,348	Infrastructure & Environment	91,219	(15,845)	75,374	
46,399	(3,549)	42,850	Strategic Commissioning & Partnerships	44,346	(2,303)	42,043	
135,699	(82,934)	52,765	Social Work & Practice	141,806	(79,852)	61,954	
112,841	(21,333)	91,507	Education & Lifelong Learning	119,791	(21,208)	98,583	
40,825	(26,277)	14,548	Resilient Communities	40,906	(24,405)	16,501	
17,789	(3,082)	14,707	Finance & Corporate Governance	39,395	(25,927)	13,468	
8,089	(236)	7,853	People Performance & Change	9,164	(652)	8,511	
1,824	-	1,824	Non-Distributed Costs	6,443	-	6,443	
<b>451,929</b>	<b>(155,529)</b>	<b>296,400</b>	<b>Net Cost of Services</b>	<b>493,070</b>	<b>(170,193)</b>	<b>322,877</b>	
2,099	(2,100)	(1)	Roads Trading Operation (Surplus)/Deficit (External)	5,427	(5,170)	257	8
			<b>Other Operating Expenditure</b>				
2,316	(1,915)	401	(Gain)/Loss on Disposal of Assets	10,926	(730)	10,196	
			<b>Financing &amp; Investment Income and Expenditure</b>				
11,943	-	11,943	Interest Payable & Similar Charges	10,144	-	10,144	29
-	(250)	(250)	Interest Receivable & Similar Income	-	(227)	(227)	20
17,902	(14,524)	3,378	Net Interest Expense on the Net Defined Benefit Liability	19,426	(14,853)	4,573	
			<b>Taxation and Non-Specific Grant Income</b>				
-	(211,566)	(211,566)	Revenue Support Grant	-	(211,149)	(211,149)	
-	(23,388)	(23,388)	Non-Domestic Rates Pool for Scotland	-	(26,668)	(26,668)	
-	(60,215)	(60,215)	Council Tax	-	(61,023)	(61,023)	
-	(30,896)	(30,896)	Capital Grants and Contributions	-	(42,522)	(42,522)	28
-	-	-		-	-	-	
<b>486,189</b>	<b>(500,384)</b>	<b>(14,194)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>538,993</b>	<b>(532,536)</b>	<b>6,457</b>	

# Comprehensive Income and Expenditure Statement

2020/21				2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
486,189	(500,384)	(14,194)	<b>(Surplus)/Deficit on Provision of Services</b>	538,993	(532,536)	6,457	
		(3,030)	(Surplus)/Deficit on revaluation of Non Current Assets			(3,629)	
		(75)	Any Other (Gains) Or Losses			(0)	
		59,840	Actuarial (gains)/losses on pension assets/liabilities			(87,183)	
		56,736	<b>Other Comprehensive Income and Expenditure</b>			(90,812)	
		<b>42,541</b>	<b>Total Comprehensive (Income)/Expenditure</b>			<b>(84,355)</b>	

## Balance Sheet

The Balance Sheet shows the value as at the 31<sup>st</sup> 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'.

2020/21 £'000		2021/22 £'000	Notes
397,328	Property Plant and Equipment	389,079	12
27,517	Other Land and Buildings	30,814	
133,554	Vehicle, Plant, Furniture & Equipment	136,316	
5,425	Infrastructure	6,615	
42,600	Surplus Assets	53,247	
1,014	Assets Under Construction	1,014	13
1,182	Heritage Assets	882	14
6,711	Intangible Assets	1,106	29
<b>615,331</b>	<b>Long Term Assets</b>	<b>619,073</b>	
-	Intangible Assets - Current	-	14
1,645	Inventories	1,445	24
55,646	Short Term Debtors	61,222	30
(11,948)	less Impairment of Receivables	(12,530)	
27,417	Cash and Cash Equivalents	45,918	34
<b>72,759</b>	<b>Current Assets</b>	<b>96,055</b>	
-	Bank Overdrafts	-	29
(28,513)	Short Term Borrowing	(4,836)	29
(50,718)	Short Term Creditors	(59,887)	30
(134)	Provisions	(148)	25
<b>(79,365)</b>	<b>Current Liabilities</b>	<b>(64,871)</b>	
(192,280)	Long Term Borrowing	(210,490)	29
(89,115)	Other Long Term Liabilities	(82,161)	17
(913)	Due to Trust Funds and Common Good	(1,026)	
(3,438)	Provisions	(3,389)	25
(23,348)	Capital Grants Receipts in Advance	(25,391)	
<b>(309,094)</b>	<b>Long Term Liabilities</b>	<b>(322,456)</b>	
299,631	<b>Net Assets excluding pension liability</b>	327,801	
(215,666)	Pension Liability	(159,481)	20
<b>83,965</b>	<b>Net Assets/(Liabilities) including pension liability</b>	<b>168,320</b>	

## Balance Sheet

2020/21 £'000	Financed By:	2021/22 £'000	Notes
	<b>Useable Reserves</b>		
(9,929)	Capital Fund	(10,816)	} 31
(36,441)	General Fund Balance	(51,992)	
(362)	Property Maintenance Fund	(51)	
(1,532)	Insurance Fund	(1,623)	
	<b>Unusable Reserves</b>		
(152,904)	Capital Adjustment Account	(169,501)	} 31
6,122	Financial Instruments Adjustment Account	5,814	
(111,272)	Revaluation Reserve	(106,184)	
215,666	Pension Reserve	159,481	
6,687	Employee Statutory Adjustment Account	6,552	
<b>(83,965)</b>	<b>Total Reserves</b>	<b>(168,320)</b>	

The unaudited accounts were issued on 27 June 2022.

**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.

2020/21 £'000		2021/22		Notes
		£'000	£'000	
(14,194)	<b>Net (Surplus) or deficit on the provision of services</b>		6,457	
(51,192)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(85,674)		32
31,064	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	43,309		32
<b>(20,128)</b>	<b>Net Cash Flows From Operating Activities</b>		<b>(42,365)</b>	
	<b>Investing Activities</b>			
51,527	Purchase of PP&E, investment property and intangible assets	58,436		
(1,915)	Proceeds from PP&E, investment property and intangible assets	(730)		
-	Purchase/(Disposal) of short & long term investments	-		
(23,771)	Other Items which are Investing Activities	(51,993)		
<b>25,841</b>	<b>Net Cash Flows from Investing Activities</b>		<b>5,713</b>	
	<b>Financing Activities</b>			
(15,000)	Cash received from loans & other borrowing	(9,717)		
5,591	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	7,198		
762	Repayments of short and long term borrowing	15,000		
(168)	Other items which are financing activities	(787)		
<b>(8,815)</b>	<b>Net Cash Flows from Financing Activities</b>		<b>11,694</b>	
<b>(17,296)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>(18,501)</b>	
10,121	Cash and Cash Equivalents at the beginning of the reporting period		27,417	
27,417	Cash and Cash Equivalents at the end of the reporting period		45,918	34
<b>(17,296)</b>	<b>Movement</b>		<b>(18,501)</b>	

# Notes to the Core Financial Statements

## Accounting Policies

### General Principles

The Annual Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 that they are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Service Reporting Code of Practice 2021/22, 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 Comprehensive 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

## Notes to the Core Financial Statements

and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### Events after the Reporting Period

Events after the Balance Sheet are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have been a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

### Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### Financial Instruments

The following policies are the Council's interpretation of 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 (CI&ES) 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 (FVPL)

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.

### Leases

## Notes to the Core Financial Statements

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 into 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 2021/22.

## 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 2022 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 2021/22.

## 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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £17.001m. However, the assumptions interact in complex ways. During 2021/22, the authority's actuaries advised that the net pension liability had decreased by £56.185m as a result of estimates being revised and updating assumptions.

### Arrears

At 31 March 2022, the authority had Accounts Receivable debtors due of £5.359m, Council Tax debtors of £25.997m and Non Domestic Rate debtors of £3.399m. Provision for bad debts amounted to £0.891m, £11.639m and £3.399m 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 £0.090m for Accounts Receivable debtors, £1.164m for Council Tax debtors and £0.334m 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				2021/22	
		2020/21					
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	
46,111	24,226	70,338	Infrastructure & Environment	45,575	29,799	75,374	
34,211	8,639	42,850	Strategic Commissioning & Partnerships	29,683	12,360	42,043	
51,115	1,588	52,704	Social Work & Practice	58,127	3,827	61,954	
93,863	(2,355)	91,507	Education & Lifelong Learning	99,371	(788)	98,583	
13,122	1,496	14,618	Resilient Communities	21,437	(4,936)	16,501	
29,879	(15,172)	14,707	Finance & Corporate Governance	27,994	(14,526)	13,468	
7,342	511	7,853	People, Performance & Strategy	7,418	1,093	8,511	
-	1,824	1,824	Non Distributed Costs	-	6,443	6,443	
<b>275,643</b>	<b>20,757</b>	<b>296,400</b>	<b>Net Cost of Services</b>	<b>289,604</b>	<b>33,272</b>	<b>322,877</b>	
(292,905)	(17,689)	(310,594)	Other Income and Expenditure	(305,155)	(11,263)	(316,418)	
<b>(17,262)</b>	<b>3,068</b>	<b>(14,194)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(15,551)</b>	<b>22,009</b>	<b>6,457</b>	
<b>(19,179)</b>			<b>Opening General Fund Balance</b>	<b>(36,441)</b>			
(17,262)			Less/Plus (Surplus) or Deficit on General Fund Transfer (to)/from reserves	(15,551)			
<b>(36,441)</b>			<b>Closing General Fund as 31 March</b>	<b>(51,992)</b>			

## 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 2021/22

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
Infrastructure & Environment	14,289	7,347	(458)	21,179	8,621	29,799
Strategic Commissioning & Partnerships	8,876	3,980	(132)	12,724	(364)	12,360
Social Work & Practice	312	3,751	(27)	4,036	(209)	3,827
Education & Lifelong Learning	2,221	5,230	43	7,494	(8,282)	(788)
Resilient Communities	459	2,661	(13)	3,108	(8,044)	(4,936)
Finance & Corporate Governance	(16,699)	2,346	(123)	(14,476)	(50)	(14,526)
People, Performance & Change	-	1,110	(14)	1,095	(2)	1,093
Non Distributed Costs	6,443	-	-	6,443	-	6,443
	<b>15,901</b>	<b>26,425</b>	<b>(724)</b>	<b>41,602</b>	<b>(8,330)</b>	<b>33,272</b>
Other income and expenditure from the Expenditure and Funding Analysis	(23,888)	4,573	2,589	(16,726)	5,463	(11,263)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(7,987)</b>	<b>30,998</b>	<b>1,865</b>	<b>24,877</b>	<b>(2,868)</b>	<b>22,009</b>

#### Adjustments between Funding and Accounting Basis 2020/21 - Restated

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
Infrastructure & Environment	15,026	2,999	(559)	17,467	6,760	24,226
Strategic Commissioning & Partnerships	7,138	1,783	80	9,001	(362)	8,639
Social Work & Practice	441	1,480	(159)	1,761	(173)	1,587
Education & Lifelong Learning	1,834	1,938	168	3,940	(6,296)	(2,355)
Resilient Communities	350	1,184	(35)	1,500	(3)	1,497
Finance & Corporate Governance	(15,979)	1,002	(50)	(15,027)	(145)	(15,172)
People, Performance & Change	-	458	56	514	(3)	511
Non Distributed Costs	1,824	-	-	1,824	-	1,824
	<b>10,634</b>	<b>10,844</b>	<b>(499)</b>	<b>20,979</b>	<b>(222)</b>	<b>20,757</b>
Other income and expenditure from the Expenditure and Funding Analysis	(20,731)	3,378	(336)	(17,689)	-	(17,689)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(10,097)</b>	<b>14,222</b>	<b>(835)</b>	<b>3,290</b>	<b>(222)</b>	<b>3,068</b>

## 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 65 are analysed as per the Council's management reporting structure.



# Notes to the Core Financial Statements

## Note 5 Expenditure and Funding Analysis

The Council's expenditure and income is analysed as follows:-

Expenditure/Income	2020/21 £'000	2021/22 £'000
<b>Expenditure</b>		
Employee Benefits Expenses	179,384	193,301
Other Service Expenses	241,989	266,112
Support Services Recharges	334	344
Depreciation, Amortisation, Impairment	33,601	38,142
Interest Payments	11,943	10,144
Loss on Disposal of Assets	401	10,196
<b>Total Expenditure</b>	<b>467,651</b>	<b>518,240</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(155,529)	(170,193)
Interest and Investment Income	(250)	(227)
Income from Council Tax and Non Domestic Rates	(83,603)	(87,691)
Government Grants and Contributions	(242,462)	(253,671)
<b>Total Income</b>	<b>(481,845)</b>	<b>(511,783)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(14,194)</b>	<b>6,457</b>

## Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations during the year.

## Note 7 Prior Year Adjustments

Both the Council's single entity and group Comprehensive Income and Expenditure statement for 2020/21 have been restated to reflect the changes to the management reporting structure implemented in 2021/22.

## 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:

2020/21 £'000		2021/22 £'000	3 Year Cumulative £'000
(2,100)	External Turnover for the Year	(5,170)	(12,470)
(65)	(Surplus) / Deficit Excluding IAS 19	(51)	(355)
	<b>IAS 19 Adjustments</b>		
64	Service Cost	308	551
(1)	(Surplus) / Deficit Including IAS 19	257	196

## Notes to the Core Financial Statements

The financial objective set by the Local Government in Scotland Act (2003) determines that each Significant Trading Operation must break even over a rolling three year period. This objective is measured after adjusting for IAS 19 pension costs. However, due to the notional nature of IAS 19 adjustments, the significant impact they have on the trading surplus and the fact that they are wholly outwith the control of SBc Contracts, trading surpluses/(deficits) have been disclosed above both inclusive of and excluding IAS 19 adjustments. Over the three year period 2019/20 to 2021/22 the financial objective has not been achieved, with a deficit of £196k after applying IAS 19 adjustments. However, the measure of the operational trading performance is the three year surplus of £355k excluding IAS 19 adjustments as shown above.

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 21 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 2021/22 SBc Contracts recorded an annual operating surplus of £0.391m against a revised budget target of a £0.462m surplus. After technical adjustments for pension (IAS 19) and Employee benefits accrual the net final position for the external trading operation was £0.257m deficit.

In 2021/22 the turnover achieved was £24.2m. Of the total, £5.2m (21%) was generated by external work.

2021/22 was an exceptionally challenging year due to Covid-19 related pressures and recent unprecedented increases in fuel and material costs. Works were carried out on a number of projects, notably the Great Tapestry Streetscape, Galalaw Business Park Extension, internal refurbishments at Peebles and Selkirk High Schools and a new Industrial Unit at Lauder. External works included the roundabout, access road, car park, internal footpaths and platform accesses at the recently opened Reston Station.

Looking ahead to 2022/23 the order book remains strong with works programmed to continue on the Peebles to Eddleston Multi Use Path and Social Housing works at Coopersknowe. Other contracts within the public and private sector are being pursued. Rising fuel prices are however resulting in large increases in materials costs and our ongoing Surface Dressing Framework agreement with South Lanarkshire Council has been curtailed for the coming year due to shortages in specialist bitumen products. We are dealing with these challenges by closer engagement with suppliers and seeking to explore further market opportunities.

SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £7.6 million during 2021/22.

# Notes to the Core Financial Statements

## Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2021/22 Scottish Borders Council received £0.369m 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 2022.

During 2021/22, 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 2021/22 is £23.66m including £20.081m in Business Grants.

## 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 ie the Scottish 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 2021/22 was £0m (2020/21: £0m). The Remuneration Report shows the total allowances paid to Senior Members in 2021/22. The Members' Register of Interests can be inspected and is available on the Council's web site at [www.scotborders.gov.uk](http://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 £0.134m (2020/21: £0.020m).

The Council is the administering authority for the Scottish Borders Council Pension Fund. As administrator for the fund the Council is considered to have direct control over the fund, and the fund is therefore deemed to be a related party. During 2021/22, the Scottish Borders Council Pension Fund had an average balance of £1.40m (2020/21: £1.43m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.001m (2020/21: £0.005m). In addition the Council charged the Pension Fund £0.320m (2020/21: £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:

	2020/21	2021/22
Due to/ (from) the Scottish Borders Council Pension Fund	(£0.244m)	(0.050m)

The Council provided routine material financial assistance (management fee) to other bodies in 2021/22 as follows:

	2020/21	2021/22
• Jedburgh Leisure Facilities Trust	£0.115m	£0.115m

Jedburgh Leisure Facilities Trust is recognised as an Associate of Scottish Borders Council, however it has been excluded from Councils Group Accounts on the basis of materiality.

## Notes to the Core Financial Statements

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 £2.594m (2021/21: £2,555m) was transferred from NHS Borders and utilised as follows:

	<b>2020/21</b>	<b>2021/22</b>
Children's Services	£0.107m	£0.108m
Older People	£1.220m	£1.239m
Adults with Learning Difficulties	£0.945m	£0.993m
People with Mental Health Needs	£0.075m	£0.129m
Support Services	£0.208m	£0.125m

Other funding from NHS Borders in 2021/22 to support services are:

	<b>2020/21</b>	<b>2021/22</b>
Older People	£10.987m	£8.116m
Adults with Learning Difficulties	£1.492m	£1.635m
People with Mental Health Needs	£0.551m	£0.585m
People with Physical Difficulties	£0.328m	£0.330m
Other Support Services	£1.068m	£1.042m

### Borders Ability Equipment Store

The Store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure including COVID-19 pressures (funded by Scottish Government) totalled £1.141m in 2021/22, with a contribution from NHS Borders of £0.481m, the contribution from NHS Borders is now an 50% contribution of spend.

### Galashiels Resource Centre

This is a day centre run jointly with 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.

The Scottish Borders Health and Social Care Integration Board was established on 6<sup>th</sup> 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 and is shown within Scottish Borders Council Group Accounts as a Joint Venture. In 2021/22 the Council made a payment of £55.945m to the Board with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31<sup>st</sup> March 2022 a debtor of £0.028m and creditor figure of £1.064m between the Board and Scottish Borders Council was outstanding.

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.

The Council made no further advances to Bridge Homes LLP during 2021/22 and all outstanding amounts (£5.612m) were repaid during the year. The Council received interest on the advance from Bridge Homes LLP during the year. Bridge Homes LLP has been consolidated into the Council's Group Accounts as a Subsidiary.

## Notes to the Core Financial Statements

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1<sup>st</sup> April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. Payments of £6.149m (including management fee of £5.033m) were made to the trust in 2021/22. Live Borders is consolidated into Scottish Borders Council as a Subsidiary

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 2021/22 due to Lowood Tweedbank Limited amounted to £43k. Lowood Tweedbank is a Subsidiary of Scottish Borders Council which has been excluded from the Councils Group Accounts on the basis of materiality.

### Common Good and Trusts

Interest payable to Common Good and Trust Funds in relation to investments in SBC Loans Fund was £1k for 2021/22. Common Good and Trusts are consolidated into Scottish Borders Council Group Accounts as a Subsidiary

### Note 11 Audit Remuneration

In 2021/22 the agreed audit fee for the year was £0.293m in respect of services provided by Audit Scotland (2020/21 £0.288m). 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 2020/21).

# Notes to the Core Financial Statements

## Note 12 Property, Plant & Equipment

### Movement on Balances

#### Movements in 2021/22

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE *	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
<b>Gross book value (GBV) at 31 March 2021</b>	<b>458,741</b>	<b>84,709</b>	<b>259,640</b>	<b>43,374</b>	<b>5,485</b>	<b>1,014</b>	<b>852,963</b>
Acquisitions & Recognition in the year	6,438	13,051	11,712	25,492	12	-	56,705
Revaluation Increase/(Decrease) To Revaluation Reserve	(832)	-	-	-	(1,450)	-	(2,282)
Revaluation Increase/(Decrease) To CIES	(614)	-	-	-	(3,644)	-	(4,258)
Transfers	5,564	861	795	(14,661)	7,268	-	(173)
Disposals	(17,008)	(5,297)	(1,502)	(31)	(930)	-	(24,768)
<b>Gross book value (GBV) at 31 March 2022</b>	<b>452,289</b>	<b>93,324</b>	<b>270,645</b>	<b>54,174</b>	<b>6,741</b>	<b>1,014</b>	<b>878,187</b>
<b>Cumulative depreciation at 31 March 2021</b>	<b>(61,413)</b>	<b>(57,192)</b>	<b>(126,086)</b>	<b>(774)</b>	<b>(60)</b>	<b>-</b>	<b>(245,525)</b>
Depreciation for the year	(14,281)	(10,419)	(8,706)	-	(116)	-	(33,522)
Revaluation Written Out To Revaluation Reserve	5,080	-	-	-	831	-	5,911
Revaluation Written Out To CIES	-	-	-	-	14	-	14
Impairment Losses Recognised In Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses Recognised In CIES	(590)	(170)	(1,039)	(184)	(12)	-	(1,995)
Transfers	962	-	-	-	(789)	-	173
Disposals	7,032	5,271	1,502	31	6	-	13,842
<b>Cumulative depreciation at 31 March 2022</b>	<b>(63,210)</b>	<b>(62,510)</b>	<b>(134,329)</b>	<b>(927)</b>	<b>(126)</b>	<b>0</b>	<b>(261,102)</b>
<b>Net book value at 31 March 2022</b>	<b>389,079</b>	<b>30,814</b>	<b>136,316</b>	<b>53,247</b>	<b>6,615</b>	<b>1,014</b>	<b>617,085</b>
<b>Net book value at 31 March 2021</b>	<b>397,328</b>	<b>27,517</b>	<b>133,554</b>	<b>42,600</b>	<b>5,425</b>	<b>1,014</b>	<b>607,438</b>

\* VPFE – Vehicles, Plant, Furniture and Equipment

# Notes to the Core Financial Statements

## Comparative Movements in 2020/21

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
<b>Gross book value (GBV) at 31 March 2020</b>	<b>425,074</b>	<b>71,006</b>	<b>247,787</b>	<b>27,343</b>	<b>4,835</b>	<b>1,036</b>	<b>777,081</b>
Acquisitions & Recognition in the year	5,277	15,339	9,839	53,825	125	-	<b>84,405</b>
Revaluation Increase/(Decrease) To Revaluation Reserve	236	-	(164)	-	(165)	(22)	<b>(115)</b>
Revaluation Increase/(Decrease) To CIES	(3,912)	-	(540)	-	(56)	-	<b>(4,508)</b>
Transfers	32,812	721	2,718	(37,509)	1,258	-	<b>0</b>
Disposals	(746)	(2,357)	-	(285)	(512)	-	<b>(3,900)</b>
<b>Gross book value (GBV) at 31 March 2021</b>	<b>458,741</b>	<b>84,709</b>	<b>259,640</b>	<b>43,374</b>	<b>5,485</b>	<b>1,014</b>	<b>852,963</b>
<b>Cumulative depreciation at 31 March 2020</b>	<b>(50,955)</b>	<b>(49,252)</b>	<b>(117,845)</b>	<b>(1,017)</b>	<b>(45)</b>	-	<b>(219,114)</b>
Depreciation for the year	(13,884)	(8,965)	(8,521)	-	(60)	-	<b>(31,430)</b>
Revaluation Written Out To Revaluation Reserve	2,657	-	70	-	517	-	<b>3,244</b>
Revaluation Written Out To CIES	882	-	528	-	116	-	<b>1,526</b>
Impairment Losses Recognised In Revaluation Reserve	(101)	-	-	-	-	-	<b>(101)</b>
Impairment Losses Recognised In CIES	(493)	(256)	(318)	(42)	(124)	-	<b>(1,233)</b>
Transfers	481	-	-	-	(481)	-	<b>-</b>
Disposals	-	1,281	-	285	17	-	<b>1,583</b>
<b>Cumulative depreciation at 31 March 2021</b>	<b>(61,413)</b>	<b>(57,192)</b>	<b>(126,086)</b>	<b>(774)</b>	<b>(60)</b>	-	<b>(245,525)</b>
<b>Net book value at 31 March 2021</b>	<b>397,328</b>	<b>27,517</b>	<b>133,554</b>	<b>42,600</b>	<b>5,425</b>	<b>1,014</b>	<b>607,438</b>
<b>Net book value at 31 March 2020</b>	<b>374,119</b>	<b>21,754</b>	<b>129,942</b>	<b>26,326</b>	<b>4,790</b>	<b>1,036</b>	<b>557,967</b>

The Council had no investment properties in 2021/22

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 2022 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 £60.990m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2022 £'000
Infrastructure & Environment	33,428
Education & Lifelong Learning	3,760
Strategic Commissioning & Partnerships	21,456
Resilient Communities	1,538
Social Work & Practice	809
<b>Total</b>	<b>60,990</b>

## 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 2021/22 the fixed assets relating to Social Work, Resources 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 Strategy Manager, N.Curtis 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
- Infrastructure flood works have been depreciated over 40 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 2021 – Social Work, Resources and Surplus Properties
- 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

Education & Lifelong Learning Properties will be revalued as at 1 April 2022 with the resulting adjustments incorporated into the 2022/23 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	410,452	93,324	270,751	54,174	15,693	1,036	<b>845,430</b>
New Certified Valuation							
1st April 2021	3,634	-	-	-	(4,249)	-	<b>(615)</b>
1st April 2020	(137)	-	(106)	-	412	(22)	<b>147</b>
1st April 2019	681	-	-	-	(1,155)	-	<b>(474)</b>
1st April 2018	1,194	-	-	-	218	-	<b>1,412</b>
1st April 2017	36,465	-	-	-	(4,178)	-	<b>32,286</b>
<b>Gross book value (GBV) at 31 March 2021</b>	<b>452,289</b>	<b>93,324</b>	<b>270,645</b>	<b>54,174</b>	<b>6,741</b>	<b>1,014</b>	<b>878,187</b>

# 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 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
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	-	-	-
Cost or Valuation at 31 March 2022	161	771	82	1,014	1,014

One Heritage asset was revalued with no movement during 2021/22.

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 Services of the Infrastructure & Environment 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.

2020/21 £'000		2021/22 £'000
1,415	Gross book value (GBV) at 31 March	2,591
1,415	Revised Gross book value (GBV) at 31 March	2,591
1,176	Expenditure in the year	98
2,591	Gross book value (GBV) at 31 March	2,689
(1,375)	Cumulative amortisation at 31 March	(1,409)
(1,375)	Revised Cumulative amortisation at 31 March	(1,409)
(34)	Amortisation for the year	(398)
-	- Impairment Losses Recognised in CIES	-
(1,409)	Cumulative amortisation at 31 March	(1,808)
1,182	Net book value at 31 March	882

There were no revaluations of intangible assets in 2020/21 or 2021/22

### Note 15 Assets Held for Sale

The Council had no assets held for sale in 2020/21 or 2021/22.

### 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 also been recognised as a net asset on the Balance Sheet.

The Authority makes an agreed payment each year, which is increased each year by inflation, and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2022 are as follows:

	Payments for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2022/23	6,945	4,776	3,431	15,152
Payable within two to five years	30,028	17,695	14,323	62,046
Payable within six to ten years	45,802	21,460	17,273	84,535
Payable within eleven to fifteen years	56,333	23,535	13,370	93,238
Payable within sixteen to twenty years	26,966	14,771	9,604	51,340
Payable within twenty one to twenty five years	2,212	4,700	3,906	10,819
<b>Total</b>	<b>168,286</b>	<b>86,937</b>	<b>61,907</b>	<b>317,130</b>

## 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 58 and 59.

### 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:

2020/21 £'000		2021/22 £'000
	Net Asset Value	
111,289	Land and buildings	108,107
<b>111,289</b>		<b>108,107</b>

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 2020/21 £'000		Land & Buildings 2021/22 £'000
	<b>Finance Lease Liabilities</b>	
5,021	Not later than 1 year	4,776
18,523	Later than 1 year and not later than 5 years	17,695
70,592	Later than 5 years	64,466
	<b>Finance Costs Payable in Future Years</b>	
3,202	Not later than 1 year	3,431
13,714	Later than 1 year and not later than 5 years	14,323
45,875	Later than 5 years	44,153
<b>156,926</b>	<b>Minimum Lease Payments</b>	<b>148,844</b>

The contingent rental figure, recognised as an expense in 2021/22 in respect of the Council's PPP arrangements, was £2.457m (2020/21 £2.069m).

# Notes to the Core Financial Statements

## Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

2020/21 £'000		2021/22 £'000
308	Not later than 1 year	308
1,233	Later than 1 year and not later than 5 years	1,407
1,105	Later than 5 Years	796
<b>2,645</b>	<b>Total</b>	<b>2,511</b>

## 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:

2020/21 £'000		2021/22 £'000
1,696	Not later than one year	1,622
1,174	Later than one year and not later than five years	1,138
2,690	Later than five years	2,525
<b>5,560</b>	<b>Total</b>	<b>5,285</b>

# 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.

2020/21		2021/22	
£'000		£'000	
313,402	Opening capital financing requirement		350,556
	<b>Capital Investment</b>		
	- Consent to Borrow	-	
	- Subordinated Debt	-	
86,115	Property, plant and equipment	59,388	
1,176	Intangible assets	98	59,486
	<b>Sources of Finance</b>		
(2,030)	Capital Receipts	(524)	
(35,452)	Government grants and other contributions	(46,431)	
	- NHT Repayment of Principal	(5,612)	
(1)	Subordinated Debt Repayment	(1)	
(12,654)	Loans fund repayments	(14,693)	(67,261)
<b>350,556</b>	<b>Closing Capital Financing Requirement</b>		<b>342,781</b>

2020/21		2021/22	
£'000		£'000	
	<b>Explanation of Movements in Year</b>		
	Increase in underlying need to borrow (supported by government financial assistance)		-
-			
37,154	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)		(7,775)
<b>37,154</b>	<b>Increase/(Decrease) in capital financing requirement</b>		<b>(7,775)</b>

## Note 19 Termination Benefits

During 2021/22 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 4 employees, incurring expenditure of £0.104m - 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.

2020/21 £'000	Comprehensive Income and Expenditure Statement	2021/22 £'000
	<i>Cost of Services</i>	
25,513	Current Service Costs	41,744
0	Past Service Costs, including curtailments	38
	<i>Financing and Investment Income and Expenditure</i>	
3,378	Net Interest Expense	4,573
<b>28,891</b>	<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>46,355</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<b>Remeasurement of the net defined benefit liability comprising:-</b>	
(103,083)	Return on plan assets (excluding the amount included in the net interest expense)	(21,985)
183,195	Actuarial (gains) and losses arising on changes in financial assumptions	(62,099)
(23,777)	Actuarial (gains) and losses arising on changes in demographic assumptions	(5,233)
3,505	Other	2,134
<b>59,840</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(87,183)</b>
	<i>Movement in Reserves Statement</i>	
14,222	Reversal of net charges made for retirement benefits in accordance with the Code	30,998
	Actual amount charged against the General Fund Balance for pensions in the year	
13,311	Employers' contributions payable to the scheme	13,983
1,358	Retirement benefits payable to pensioners	1,374
-	Effect Of Business Combinations & Disposals	-

## 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:-

2020/21 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2021/22 £'000
961,716	Present value of the defined benefit obligation	936,561
(746,050)	Fair value of plan assets	(777,080)
215,666	Sub total	159,481
<b>215,666</b>	<b>Net liability arising from defined benefit obligation</b>	<b>159,481</b>

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

2020/21 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2021/22 £'000
635,319	<b>Opening Fair Value of Scheme Assets</b>	746,050
14,524	Interest Income	14,853
	<b>Remeasurement (gains) and losses:-</b>	
103,083	Return on plan assets, excluding the amount included in the net interest expense	21,985
	Other	
13,311	Employer Contributions including unfunded pensions	13,983
4,426	Contributions by Scheme Participants	4,614
(24,613)	Estimated Benefits Paid	(24,405)
-	Effect Of Business Combinations & Disposals	
<b>746,050</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>777,080</b>



# Notes to the Core Financial Statements

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2020/21 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2021/22 £'000
776,923	<b>Opening Defined Benefit Obligation</b>	961,716
25,513	Current Service Cost	41,744
17,902	Interest Cost	19,426
4,426	Contributions by Scheme Participants	4,614
-	Effect Of Business Combinations & Disposals	-
	<b>Remeasurement (gains) and losses:-</b>	
159,418	Actuarial (gains)/losses arising from changes in financial assumptions	(67,332)
3,505	Other	2,134
-	Past Service Cost	38
(24,613)	Benefits Paid	(24,405)
(1,358)	Unfunded Pension Payments	(1,374)
<b>961,716</b>	<b>Closing Defined Benefit Obligation</b>	<b>936,561</b>

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 2022.

### 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.

2020/21 £'000	Local Government Pension Scheme assets comprised:	2021/22 £'000
13,613	Cash and cash equivalents	29,861
	<b>Equity Instruments</b>	
	<i>By industry type</i>	
38,362	Consumer	70,720
37,667	Manufacturing	41,948
44,931	Energy and utilities	4,134
37,265	Financial Institutions	33,953
13,112	Health and Care	20,405
17,471	Information Technology	19,830
2,582	Other	2,552
<b>191,390</b>		<b>193,542</b>
	<b>Investment Funds - Quoted in Active Market</b>	
147,679	Managed Fund - UK Equities Passive	116,282
82,460	Managed Fund - Property	118,962
155,499	Managed Fund - Bonds	156,690
<b>385,638</b>		<b>391,934</b>
	<b>Investment Funds - Not Quoted</b>	
<b>155,409</b>		<b>161,744</b>
<b>746,050</b>	<b>Total Assets</b>	<b>777,080</b>

## Notes to the Core Financial Statements

The risks relating to direct equity instruments in the scheme are also analysed by company size below:

2020/21 £'000	Fair Value of Scheme Assets	2021/22 £'000
191,390	<b>Equity instruments:</b> <i>By company size</i> Large capitalisation	193,542

### 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:

2020/21	Basis for Estimating Assets and Liabilities	2021/22
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
20.90	Men	20.70
23.50	Women	23.30
	- longevity at 65 for future pensioners (years)	
21.80	Men	21.60
25.40	Women	25.20
3.3%	Rate of inflation - RPI	3.7%
2.4%	Rate of inflation - CPI	3.0%
3.6%	Rate of increase in salaries	3.9%
2.9%	Rate of increase in pensions	3.2%
2.0%	Rate for discounting scheme liabilities	2.7%

The Scheme assets consist of the following categories by proportion and the value of assets held:

2020/21		Category Analysis of the Scheme Assets as at 31 March 2021	2021/22	
%	£'000		%	£'000
45	339,069	Equities	40	309,823
-	-	Gilts	-	-
21	155,499	Other Bonds	20	156,690
11	82,460	Property	15	118,962
2	13,613	Cash	4	29,861
13	95,746	Multi-Asset Fund	12	92,180
-	-	Private Credit	-	-
8	59,663	Infrastructure	9	69,564
<b>100</b>	<b>746,050</b>	<b>Total</b>	<b>100</b>	<b>777,080</b>

## 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
Adjustment to real discount rate - 0.1% decrease	2%
Adjustment to long term salary increase - 0.1% increase	0%
Adjustment to pension increase rate - 0.1% increase	2%
Adjustment to mortality rating assumption - 1 year increase	4%

### 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 2021/22 the Council paid £11.5m to teachers' pensions in respect of teachers' retirement benefits, representing 23% of pensionable pay for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 (£11.4m and 23% in 2020/21). 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 2021/22 these amounted to £0.709m representing 1.41% of pensionable pay (£0.719m and 1.45% in 2020/21).

### 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 2022 there were 12,178 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, Treasury & Investments Department, Council Headquarters, Newtown St Boswells, TD6 0SA.

## Notes to the Core Financial Statements

### Note 23 Events After the Balance Sheet Date

There were no events to report after the balance sheet date.

### Note 24 Inventories

2020/21 £'000		2021/22 £'000
952	Balance outstanding at start of year	1,645
693	Movement during year	(200)
1,645	Balance outstanding at year-end	1,445

### 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
<b>Balance at 1 April 2021</b>	(61)	(8)	-	(3,503)	(3,572)
Additional charges to provisions	(38)			(123)	(161)
Payments made or released	49			147	196
<b>Balance at 31 March 2022</b>	<b>(50)</b>	<b>(8)</b>	<b>-</b>	<b>(3,479)</b>	<b>(3,537)</b>
Within 12 Months	(50)	(8)	-	(90)	(148)
Over 12 months	-	-	-	(3,389)	(3,389)
<b>Total</b>	<b>(50)</b>	<b>(8)</b>	<b>-</b>	<b>(3,479)</b>	<b>(3,537)</b>

Provision for contractual claims is the anticipated cost for remedial works relating to SBc Contracts.

Equal Pay Provision - Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay.

Provision for asset decommissioning reflect the Council's liability for restoration and ongoing maintenance in respect of the Langlee landfill site. This has been provided for based on the net present value of estimated future costs.

# Notes to the Core Financial Statements

## Note 26 Contingent Liabilities

The following contingent liabilities are noted:

- The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £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 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.

# Notes to the Core Financial Statements

## Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2021/22. The table below includes £4.074m COVID-19 grant funding credited to services in 2021/22.

Restated 2020/21 £'000		2021/22 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(11,545)	General Capital Grant	(34,187)
(18,818)	Other Grants	(7,984)
(534)	Developer Contributions	(351)
<b>(30,896)</b>	<b>Total</b>	<b>(42,522)</b>
	<b>Credited to Services</b>	
(1,032)	Infrastructure & Environment	(2,005)
(2,123)	Strategic Commissioning & Partnerships	(2,888)
(9,189)	Social Work & Practice	(4,303)
(15,429)	Education & Lifelong Learning	(17,581)
(24,970)	Resilient Communities	(22,757)
(1,356)	Finance & Corporate Governance	(716)
(107)	People Performance & Change	(40)
<b>(54,206)</b>		<b>(50,292)</b>

## Note 29 Financial Instruments

Scottish Borders Council have taken into consideration the requirements of IFRS 9 – Financial Instruments and, based on the financial instruments held, do not consider there to be any impact on these Financial Statements or prior year figures.

A financial instrument is any contract which gives rise to a financial asset within one entity and a financial liability within another. The term 'financial instrument' covers both financial liabilities and financial asset.

### Fair Value Hierarchy

Under IFRS 13 (Fair Value Measurement), the authority is required to maximise the use of relevant observable inputs and minimise the use of unobservable inputs. To achieve this objective, local authorities are required to follow the fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into the three levels as listed below.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

## Notes to the Core Financial Statements

### Fair Value Hierarchy For Financial Assets And Liabilities That Are Not Measured At Fair Value

	31st March 2022			
	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
<b>Financial Liabilities</b>				
Financial Liabilities held at amortised cost:				
PWLB debt		(291,309)		(291,309)
Market Debt		(582)		(582)
Other debt		(62,518)		(62,518)
<b>Total</b>	-	<b>(354,409)</b>	-	<b>(354,409)</b>

	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
<b>Financial Liabilities</b>				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(305,961)	-	(305,961)
Market Debt	-	(587)	-	(587)
Other debt	-	(84,671)	-	(84,671)
<b>Total</b>	-	<b>(391,219)</b>	-	<b>(391,219)</b>

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above, have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value are shown at their carrying value since this is a reasonable approximation of their value. These are short term assets and liabilities such as accounts payables and receivables.

# Notes to the Core Financial Statements

## Financial Instruments - Balances

The following categories of financial instrument are carried on the Council's Balance Sheet

	Long Term		Current	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
<b>Loans and Receivables</b>				
Cash and Cash Equivalents	-	-	27,417	45,918
Debtors	6,711	1,106	43,698	48,692
<b>Total Loans and Receivables</b>	<b>6,711</b>	<b>1,106</b>	<b>71,115</b>	<b>94,610</b>
<b>Borrowings</b>				
Bank Overdraft	-	-	-	-
Financial Liabilities (principal amount)	(192,280)	(210,490)	(25,284)	(1,778)
Accrued interest	-	-	(3,229)	(3,058)
<b>Total Borrowings</b>	<b>(192,280)</b>	<b>(210,490)</b>	<b>(28,513)</b>	<b>(4,836)</b>
<b>Other Liabilities</b>				
PPP and finance lease liabilities	(89,115)	(82,161)	(5,021)	(4,776)
Bonds	-	-	(1,732)	(1,573)
<b>Total other long-term liabilities</b>	<b>(89,115)</b>	<b>(82,161)</b>	<b>(6,753)</b>	<b>(6,349)</b>
<b>Creditors</b>				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(43,965)	(53,538)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(43,965)</b>	<b>(53,538)</b>

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 2021			31 March 2022	
£'000	%		£'000	%
(36,193)	15	Bonds and Mortgages	(36,180)	17
(156,087)	72	Public Works Loan Board	(174,310)	81
<b>(192,280)</b>	<b>87</b>	<b>Long term borrowing (&gt; 1 year)</b>	<b>(210,490)</b>	<b>98</b>
(28,513)	13	Short Term Borrowing repayable within 12 months	(4,836)	2
<b>(220,793)</b>	<b>100</b>	<b>Total Borrowing</b>	<b>(215,326)</b>	<b>100</b>



## Notes to the Core Financial Statements

### Analysis of Borrowing by Maturity.

2020/21 £'000		2021/22 £'000
(28,513)	Less than 1 year	(4,836)
(1,778)	Between 1 and 2 years	(572)
(27,047)	Between 2 and 7 years	(26,463)
(7,500)	Between 7 and 15 years	(27,500)
(155,955)	More than 15 years	(155,955)
<b>(220,793)</b>	<b>Total</b>	<b>(215,326)</b>

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	2021/22		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Total
	£'000	£'000	£'000
Interest expense	10,144	-	10,144
<b>Interest payable and similar charges</b>	<b>10,144</b>	<b>-</b>	<b>10,144</b>
Interest Income	-	(227)	(227)
<b>Interest and investment income</b>	<b>-</b>	<b>(227)</b>	<b>(227)</b>
<b>Net (gain) / loss for the year</b>	<b>10,144</b>	<b>(227)</b>	<b>9,917</b>

	2020/21		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Total
	£'000	£'000	£'000
Interest expense	11,943	-	11,943
<b>Interest payable and similar charges</b>	<b>11,943</b>	<b>-</b>	<b>11,943</b>
Interest Income	-	(250)	(250)
<b>Interest and investment income</b>	<b>-</b>	<b>(250)</b>	<b>(250)</b>
<b>Net (gain) / loss for the year</b>	<b>11,943</b>	<b>(250)</b>	<b>11,693</b>

## 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 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(156,087)	(305,961)	(174,310)	(291,309)
Other debt	(64,706)	(85,258)	(41,016)	(63,100)
<b>Total debt</b>	<b>(220,793)</b>	<b>(391,219)</b>	<b>(215,326)</b>	<b>(354,409)</b>
Creditors	(50,718)	(50,718)	(59,887)	(59,887)
<b>Total financial liabilities</b>	<b>(271,511)</b>	<b>(441,937)</b>	<b>(275,213)</b>	<b>(414,296)</b>

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 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Loans and Receivables</b>				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	27,417	27,417	45,918	45,918
Debtors	43,698	43,698	48,692	48,692
<b>Total loans and receivables</b>	<b>71,115</b>	<b>71,115</b>	<b>94,610</b>	<b>94,610</b>

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 2021/22, which incorporates the prudential indicators, was approved by the Council on 19 March 2021. The key issues within the strategy were:

- The Authorised Limit for 2021/22 was set at £531.1m. This is the maximum limit of external borrowings or other long-term liabilities
- The Operational Boundary was expected to be £442.6m. 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 £442.6m and £154.9m 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 2021/22 was approved by the Council on 19 March 2021 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 2022 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 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 19 March 2021:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31 March 2021 £'000	Actual 31 March 2022 £'000
Less than one year			79,540	20	28,513	3,058
Between one and two years			79,540	20	1,778	0
Between two and seven years			79,540	20	27,047	0
Between seven and fifteen years			79,540	20	7,500	0
More than fifteen years	79,540	20	397,700	100	155,955	0
<b>Total</b>					<b>220,793</b>	<b>3,058</b>

### 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	220
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)	56,689

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 Council's short term debtor and creditor balances can be categorised as follows:

### Debtors

2020/21 £'000		2021/22 £'000
19,859	Trade Receivables	18,033
3,912	Prepayments	9,109
31,874	Other Receivable Amounts	34,080
<b>55,646</b>		<b>61,222</b>

### Creditors

2020/21 £'000		2021/22 £'000
(16,670)	Trade Payables	(19,593)
(34,048)	Other Payables	(40,294)
<b>(50,718)</b>		<b>(59,887)</b>

### 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:

2020/21 £'000		2021/22 £'000
632	Less Than 2 Months	1,011
791	2 To 4 Months	525
2,689	4 To 6 Months	173
1,092	6 Months To 1 Year	2,022
23,388	More Than 1 Year	25,667
<b>28,592</b>		<b>29,396</b>

## 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 2021 £'000	Transfers between reserves and funds £'000	Gains or Losses for the Year £'000	Balance as at 31 March 2022 £'000
<b>Usable Reserves</b>				
General Fund Balances	(36,441)	(22,009)	6,457	(51,992)
Capital Fund	(9,929)	(887)	-	(10,816)
Property Maintenance Fund	(362)	310	-	(51)
Insurance Fund	(1,532)	(90)	-	(1,623)
<b>Unusable Reserves</b>				
Capital Adjustment Account	(152,904)	(16,597)	-	(169,501)
Financial Instruments Adjustment Account	6,122	(308)	-	5,814
Revaluation Reserve	(111,272)	8,718	(3,629)	(106,184)
Pensions Reserve	215,666	30,998	(87,183)	159,481
Employee Statutory Adjustment Account	6,687	(135)	-	6,552
<b>Total</b>	<b>(83,965)</b>	<b>0</b>	<b>(84,355)</b>	<b>(168,320)</b>



# 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 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	
<b>Total in year adjustments</b>	<b>(3,068)</b>	<b>(385)</b>	<b>(361)</b>	<b>(136)</b>	<b>(3,949)</b>	<b>3,950</b>	<b>1</b>	

# Notes to the Core Financial Statements

## Adjustments between accounting basis & funding basis under regulations 2021/22

	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	(33,920)	-	-	-	(33,920)	33,920	-	12 & 14
Impairment Losses (charged to CI&ES)	(1,995)	-	-	-	(1,995)	1,995	-	
Revaluation Losses	(4,244)	-	-	-	(4,244)	4,244	-	
Capital grants and contributions applied	42,522	-	-	-	42,522	(42,522)	-	28
Employee Statutory Adjustments	135	-	-	-	135	(135)	-	
Profit/(Loss) on disposal of assets	(10,196)	(730)	-	-	(10,926)	10,926	-	
Revenue Exp Funded From Capital under Statute	(2,683)	-	-	-	(2,683)	2,683	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	308	-	-	-	308	(308)	-	
Net retirement charges per IAS 19	(44,981)	-	-	-	(44,981)	44,981	-	
Loans Fund principal repayments and Statutory premia	14,693	-	-	-	14,693	(14,693)	-	
Capital Expenditure charged to General Fund balance	2,015	-	-	-	2,015	(2,015)	-	
Employers contribution payable to Pension Fund	13,983	-	-	-	13,983	(13,983)	-	
Net Transfers to or (from) other reserves	2,356	(157)	311	(91)	2,419	(2,419)	-	
<b>Total in year adjustments</b>	<b>(22,008)</b>	<b>(887)</b>	<b>311</b>	<b>(91)</b>	<b>(22,675)</b>	<b>22,675</b>	<b>-</b>	

# 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 2020/21 £'000	Analysis as at 31 March	2021/22 £'000
	<b>Earmarked Balances of the General Fund</b>	
(1,220)	Education & Lifelong Learning - Devolved School Management	(1,599)
	<b>Specific Departmental Reserves</b>	
(3,222)	Infrastructure & Environment	(4,573)
(1,809)	Strategic Commissioning & Partnerships	(6,410)
(83)	Social Work & Practice	(3,096)
(2,200)	Education & Lifelong Learning	(7,325)
(1,538)	Resilient Communities	(3,301)
(15,380)	Finance & Corporate Governance	(10,498)
(130)	People Performance & Change	(387)
(2,027)	Allocated Reserves - Financial Plan	(4,954)
(27,609)		(42,143)
(8,832)	Non-Earmarked Balances of the General Fund	(9,850)
<b>(36,441)</b>	<b>Total General Fund Reserve</b>	<b>(51,992)</b>

## 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

2020/21		2021/22
£'000	Reconciliation to General Fund Surplus	£'000
(14,194)	<b>Net (Surplus) or deficit on the provision of services</b>	6,457
	<b>Adjustments to (surplus) or deficit on the provision of services for non cash movements</b>	
(31,429)	Depreciation	(33,521)
(4,216)	Impairment & Revaluation Loss through I & E	(6,239)
(34)	Amortisation of intangible assets	(398)
(14,222)	Movement in pension liability	(30,998)
(401)	Gain/Loss on carrying amounts of assets disposed	(10,196)
693	Net movement in inventories charged to I & E	(200)
(2,736)	Net movement in debtors charged to I & E	6,695
1,003	Net movement in creditors charged to I & E	(10,705)
150	Net movement in provisions charged to I & E	(112)
<b>(51,192)</b>		<b>(85,674)</b>
	<b>Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities</b>	
30,896	Capital grants received	42,522
168	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	787
<b>31,064</b>		<b>43,309</b>
<b>(34,322)</b>	<b>Net Cash Outflow / (Inflow) from Operating Activities</b>	<b>(35,908)</b>

## Note 33

### Impairment & Revaluation Losses

During 2021/22, Scottish Borders Council recognised a net impairment and revaluation loss of £6.239m within the Net Cost of Services. This includes a reversal of £0.723m 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:

2020/21		2021/22
£'000		£'000
30	Cash held by officers	20
2,387	Bank current accounts	398
25,000	Short term deposits	45,500
<b>27,417</b>	<b>Total</b>	<b>45,918</b>

# 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.

2020/21			2021/22	
£'000	£'000		£'000	£'000
	(75,122)	Gross Charges Levied	(75,705)	
5,925		Less: Council Tax Reduction Scheme	5,463	
5,925			(70,242)	
8,175		Discounts and Exemptions	8,407	
807		Allowance for Impairment	812	
-		Miscellaneous		
	14,907			(61,023)
	(60,215)			(61,023)
	(60,215)	<b>Total Income Credited to the Comprehensive Income &amp; Expenditure Statement</b>		<b>(61,023)</b>

## Notes to the Council Tax Income Account

### Note 1 Calculation of Council Tax base at 1 April 2021

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 2020/21	Number of Properties 2021/22	Proportion	2020/21 £	2021/22 £
A	16,480	16,507	240/360	835.94	835.94
B	12,748	12,755	280/360	975.26	975.26
C	7,148	7,227	320/360	1,114.59	1,114.59
D	6,084	6,182	360/360	1,253.91	1,253.91
E	6,522	6,581	473/360	1,647.50	1,647.50
F	4,946	5,021	585/360	2,037.60	2,037.60
G	4,578	4,630	705/360	2,455.57	2,455.57
H	480	487	882/360	3,072.08	3,072.08
<b>Total</b>	<b>58,986</b>	<b>59,390</b>			

## 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 2021/22 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.

2020/21			2021/22	
£'000	£'000		£'000	£'000
	(52,679)	Gross Rates Levied & Contribution in Lieu		(50,282)
	(3,952)	Prior Year Adjustments		-
27,708		Less: Reliefs and Other Deductions	23,377	
253		Write-offs of uncollectable debts & allowance for impairment	322	
-		Interest paid on overpaid rates	-	
	27,960			23,698
	(28,671)			(26,583)
	<b>(28,671)</b>	<b>Net Non-Domestic Rate Income</b>		<b>(26,583)</b>
	-	Adjustment to Previous Years National Non-Domestic Rates		-
	<b>(28,671)</b>	<b>Contribution to National Pool</b>		<b>(26,583)</b>
	23,388	Distribution received from National Pool		26,668
	<b>(23,388)</b>	<b>Income Credited to the Comprehensive Income &amp; Expenditure Statement</b>		<b>(26,668)</b>

# Supplementary Financial Statements

## Notes to the Non-Domestic Rate Income Account

### Note 1 Rateable Subjects at 1 April 2021

Classification	Number	Rateable Value £'000
Shops	1,250	19,917
Public Houses	78	1,380
Offices including Banks	970	8,115
Hotels etc	125	3,781
Industrial Factories, Warehouses, Stores	2,203	27,336
Leisure Entertainment, Caravans, Hol. Sites	1,239	6,512
Garages and Petrol Stations	213	2,356
Cultural	49	547
Sporting Subjects	1,118	1,978
Education and Training	99	10,532
Public Service Subjects	428	5,375
Communications (non Formula)	4	15
Quarries, Mines etc	12	592
Petrochemical	5	1,304
Religious	286	1,227
Health Medical	93	4,023
Other	428	2,010
Care Facilities	84	1,907
Advertising	7	12
Undertakings	32	5,016
<b>Total</b>	<b>8,723</b>	<b>103,935</b>

### Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2021/22 was:

49.0p 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 1 April 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

2020/21 Total £'000		Charitable £'000	Other £'000	2021/22 Total £'000
	<b>Income</b>			
(5)	Donations & Legacies	(3)	(12)	(15)
(105)	Investments	(79)	(54)	(133)
(18)	Charitable Activities	-	(28)	(28)
(313)	Unrealised Gain On Investments	-	-	-
-	- Recognition Of Fixed Assets & Investments	-	-	-
-	- Revaluation Of Fixed Assets & Investments	(221)	(34)	(255)
	<b>Expenditure</b>			
145	Raising Funds	128	101	229
33	Charitable Activities	33	47	80
4	Other : Governance Costs	3	1	4
-	- Unrealised Loss On Investments	1	1	2
<b>(259)</b>	<b>(Surplus) / Deficit for the Year</b>	<b>(138)</b>	<b>22</b>	<b>(116)</b>
(1,195)	(Surplus) brought forward	(727)	(563)	(1,290)
(145)	Funding (brought forward/carried forward) to Revaluation Reserve	93	(56)	37
309	Transfer to Capital Reserve	(1)	(1)	(2)
<b>(1,290)</b>	<b>(Surplus) carry forward</b>	<b>(773)</b>	<b>(598)</b>	<b>(1,371)</b>

### Balance Sheet

2020/21 Total £'000		Charitable £'000	Other £'000	2021/22 Total £'000
	<b>Non-current Assets</b>			
1,936	Tangible Fixed Assets	402	1,570	1,972
2,058	Investments	1,022	1,036	2,058
-	- Long term Loan	-	-	-
	<b>Current Assets</b>			
483	Short Term Investments	325	243	568
14	Sundry Debtors	5	5	10
	<b>Current Liabilities</b>			
-	- Sundry Creditors	-	(1)	(1)
<b>4,491</b>	<b>Net Assets</b>	<b>1,754</b>	<b>2,853</b>	<b>4,607</b>
	<b>Financed by</b>			
(1,290)	Revenue Reserve	(773)	(598)	(1,371)
(1,335)	Capital Reserve	(631)	(702)	(1,333)
(1,866)	Revaluation Reserve	(350)	(1,553)	(1,903)
<b>(4,491)</b>		<b>(1,754)</b>	<b>(2,853)</b>	<b>(4,607)</b>

## 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 2022, for each of the funds. The accounting policies applied are those as set out in pages 52 to 61.

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

2020/21 Total £'000	2021/22												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	
<b>Income</b>													
(3) Donations & Legacies	-	-	-	-	(1)	-	-	-	-	-	(1)	(1)	(3)
(120) Investments	-	(2)	-	(8)	(23)	-	(49)	(14)	(13)	(1)	(26)	(12)	(148)
(287) Charitable Activities	-	-	-	-	(102)	-	-	-	(11)	-	(55)	(64)	(232)
(443) Unrealised Gain On Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Revaluation Of Fixed Assets	-	-	-	-	173	-	-	-	(12)	-	(2)	(5)	154
- Recognition Of Fixed Assets & Investments	-	-	(50)	-	(37)	-	-	(11)	(590)	-	(8,133)	(1,171)	(9,992)
<b>(853)</b>	<b>-</b>	<b>(2)</b>	<b>(50)</b>	<b>(8)</b>	<b>10</b>	<b>-</b>	<b>(49)</b>	<b>(25)</b>	<b>(626)</b>	<b>(1)</b>	<b>(8,217)</b>	<b>(1,253)</b>	<b>(10,221)</b>
<b>Expenditure</b>													
610 Raising Funds	10	-	3	56	151	31	12	61	184	4	351	293	1,156
92 Charitable Activities	-	-	-	-	30	-	22	2	2	-	11	10	77
54 Other: Governance Costs	-	1	-	3	13	-	4	2	11	-	9	12	55
0 Unrealised Loss On Investments	-	-	-	-	-	-	1	-	-	-	1	1	3
<b>756</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>59</b>	<b>194</b>	<b>31</b>	<b>39</b>	<b>65</b>	<b>197</b>	<b>4</b>	<b>372</b>	<b>316</b>	<b>1,291</b>
<b>(97) (Surplus) / Deficit carry forward</b>	<b>10</b>	<b>(1)</b>	<b>(47)</b>	<b>51</b>	<b>204</b>	<b>31</b>	<b>(10)</b>	<b>40</b>	<b>(429)</b>	<b>3</b>	<b>(7,845)</b>	<b>(937)</b>	<b>(8,930)</b>

# Common Good Funds

## Balance Sheet

2020/21	Total £'000	2021/22												
		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
	<b>Non-current Assets</b>													
13,019	Tangible Assets	256	-	49	574	4,165	452	517	828	1,716	22	8,614	4,717	21,910
2,857	Investments	-	17	-	161	460	-	953	282	251	10	508	260	2,902
24	Long Term Loan to Third Party	-	-	-	-	-	-	5	-	-	-	-	-	5
	<b>Current Assets</b>													
57	Sundry Debtors	-	-	-	-	23	-	4	2	10	-	12	8	59
430	Short Term Investments	-	2	-	16	141	-	100	37	16	9	79	57	457
	<b>Current Liabilities</b>													
(28)	Sundry Creditors	-	-	-	-	(12)	-	-	-	(11)	-	(9)	(12)	(44)
<b>16,359</b>	<b>Net Assets</b>	<b>256</b>	<b>19</b>	<b>49</b>	<b>751</b>	<b>4,777</b>	<b>452</b>	<b>1,579</b>	<b>1,149</b>	<b>1,982</b>	<b>41</b>	<b>9,204</b>	<b>5,030</b>	<b>25,289</b>
	<b>Financed by</b>													
(3,980)	Restricted Income Funds	(122)	(19)	(1)	(330)	(746)	(135)	(1,065)	(321)	(269)	(37)	(640)	(334)	(4,019)
(12,379)	Revaluation Reserve	(134)	-	(48)	(421)	(4,031)	(317)	(514)	(828)	(1,713)	(4)	(8,564)	(4,696)	(21,270)
<b>(16,359)</b>	<b>Total Reserves</b>	<b>(256)</b>	<b>(19)</b>	<b>(49)</b>	<b>(751)</b>	<b>(4,777)</b>	<b>(452)</b>	<b>(1,579)</b>	<b>(1,149)</b>	<b>(1,982)</b>	<b>(41)</b>	<b>(9,204)</b>	<b>(5,030)</b>	<b>(25,289)</b>

# Group Accounts

## Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 112 to 118.

The Group Accounts for 2020/21 have been restated to reflect the change in the Council's management reporting structure during 2021/22.

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 107 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 1 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 2020/21 and 2021/22. 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 2020/21 and 2021/22. 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 6 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 1 April 2016.

The Board's draft Comprehensive Income & Expenditure Statement show gross expenditure of £216.182m and income of £232.540m for the year of which £88.298m and £80.120m 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 £26.598m for 2021/22.

The financial statements for the Scottish Borders Health and Social Care Partnership are available from the Council Headquarters.

# Group Movement In Reserves Statement

## 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
<b>Balance at 01/04/2020</b>	(30,121)	(10,762)	<b>(40,883)</b>	(96,386)	(12,645)	<b>(109,031)</b>	<b>(149,914)</b>

## Movement in reserves during 2020/21

Total Comprehensive Income & Expenditure	(14,194)	(5,076)	<b>(19,270)</b>	56,736	2,189	<b>58,925</b>	<b>39,655</b>
Adjustments between accounting basis & funding basis under regulations	(3,949)	(586)	<b>(4,535)</b>	3,950	586	<b>4,536</b>	<b>1</b>
<b>Increase or Decrease in 2020/21</b>	<b>(18,143)</b>	<b>(5,662)</b>	<b>(23,805)</b>	<b>60,686</b>	<b>2,775</b>	<b>63,461</b>	<b>39,656</b>
<b>Balance at 31/03/2021 carried forward</b>	<b>(48,264)</b>	<b>(16,424)</b>	<b>(64,689)</b>	<b>(35,700)</b>	<b>(9,870)</b>	<b>(45,570)</b>	<b>(110,259)</b>

## Movement in reserves during 2021/22

	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
<b>Balance at 01/04/2021</b>	(48,264)	(16,424)	<b>(64,689)</b>	(35,700)	(9,870)	<b>(45,570)</b>	<b>(110,259)</b>

## Movement in reserves during 2021/22

Total Comprehensive Income & Expenditure	6,457	(6,393)	<b>64</b>	(90,812)	(10,735)	<b>(101,547)</b>	<b>(101,483)</b>
Adjustments between accounting basis & funding basis under regulations	(22,675)	(1,165)	<b>(23,840)</b>	22,675	1,165	<b>23,840</b>	<b>-</b>
<b>Increase or Decrease in 2021/22</b>	<b>(16,217)</b>	<b>(7,558)</b>	<b>(23,775)</b>	<b>(68,137)</b>	<b>(9,570)</b>	<b>(77,707)</b>	<b>(101,483)</b>
<b>Balance at 31/03/2022 carried forward</b>	<b>(64,482)</b>	<b>(23,982)</b>	<b>(88,464)</b>	<b>(103,838)</b>	<b>(19,440)</b>	<b>(123,278)</b>	<b>(211,742)</b>

# Group Comprehensive Income and Expenditure Statement

Restated 2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
88,573	(17,914)	70,659	Infrastructure & Environment	91,219	(15,845)	75,374
49,488	(7,587)	41,901	Strategic Commissioning & Partnerships	48,963	(5,860)	43,103
135,188	(82,934)	52,254	Social Work & Practice	141,806	(79,852)	61,954
112,841	(21,333)	91,507	Education & Lifelong Learning	119,791	(21,208)	98,583
41,228	(26,480)	14,747	Resilient Communities	40,906	(24,405)	16,501
17,874	(3,357)	14,517	Finance & Corporate Governance	39,491	(26,175)	13,316
8,089	(236)	7,853	People Performance & Change	9,164	(652)	8,511
1,824	-	1,824	Non-Distributed Costs	6,443	-	6,443
756	(290)	466	Common Good	1,288	(235)	1,053
182	(23)	159	Trust Funds	313	(43)	270
-	(3,249)	(3,249)	Share of Operating Results Of Associates & Joint Ventures	-	(8,178)	(8,178)
<b>456,041</b>	<b>(163,404)</b>	<b>292,637</b>	<b>Services provided by the Council</b>	<b>499,384</b>	<b>(182,454)</b>	<b>316,930</b>
<b>456,041</b>	<b>(163,404)</b>	<b>292,637</b>	<b>Net Cost of Services</b>	<b>499,384</b>	<b>(182,454)</b>	<b>316,930</b>
2,099	(2,100)	(1)	Roads Trading Operation (Surplus)/Deficit (External)	5,427	(5,170)	257
			<b>Other Operating Expenditure</b>			
2,316	(1,915)	401	(Gain)/Loss on Disposal of Assets	10,926	(730)	10,196
			<b>Financing &amp; Investment Income and Expenditure</b>			
11,943	-	11,943	Interest Payable & Similar Charges	10,144	-	10,144
-	(365)	(365)	Interest Receivable & Similar Income	-	(398)	(398)
17,902	(14,524)	3,378	Net Interest Expense on the Net Defined Benefit Liability	19,426	(14,853)	4,573
-	-	-	Share Of Associates & Joint Ventures Interest Payable	-	-	-
			<b>Taxation and Non-Specific Grant Income</b>			
-	(211,566)	(211,566)	Revenue Support Grant	-	(211,149)	(211,149)
-	(23,388)	(23,388)	Non-Domestic Rates Pool for Scotland	-	(26,668)	(26,668)
-	(60,215)	(60,215)	Council Tax	-	(61,023)	(61,023)
-	(30,896)	(30,896)	Capital Grants and Contributions	-	(42,522)	(42,522)
		<b>(18,072)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>339</b>

## Group Comprehensive Income and Expenditure Statement

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		(18,072)	<b>(Surplus)/Deficit on Provision of Services</b>			<b>339</b>
		(3,170)	(Surplus)/Deficit on revaluation of Non Current Assets			(3,730)
		(829)	Any Other (Gains) Or Losses			(7,722)
		61,725	Actuarial (gains)/losses on pension assets/liabilities			(90,370)
		57,727	<b>Other Comprehensive Income and Expenditure</b>			(101,822)
		<b>39,654</b>	<b>Total Comprehensive (Income)/Expenditure</b>			<b>(101,483)</b>



# Group Balance Sheet

Restated 2020/21 £'000		2021/22 £'000
422,196	Property Plant and Equipment	414,921
27,545	Other Land and Buildings	30,823
133,554	Vehicle, Plant, Furniture & Equipment	136,316
5,425	Infrastructure	6,615
42,600	Surplus Assets	53,247
1,039	Assets Under Construction	1,039
1,182	Heritage Assets	882
4,914	Intangible Assets	4,960
5,120	Long Term Investments	13,298
1,123	Investments In Associates & Joint Ventures	1,110
	Long Term Debtors	
<b>644,698</b>	<b>Long Term Assets</b>	<b>663,211</b>
0	Intangible Assets - Current	-
1,673	Inventories	1,507
56,207	Short Term Debtors	61,799
(11,948)	less Impairment of Receivables	(12,530)
30,086	Cash and Cash Equivalents	48,601
<b>76,017</b>	<b>Current Assets</b>	<b>99,377</b>
-	Bank Overdrafts	-
(18,231)	Short Term Borrowing	(4,836)
(51,976)	Short Term Creditors	(61,219)
(134)	Provisions	(148)
<b>(70,341)</b>	<b>Current Liabilities</b>	<b>(66,203)</b>
(202,562)	Long Term Borrowing	(210,490)
(89,115)	Deferred Liabilities	(82,161)
(3,438)	Provisions	(3,389)
(23,348)	Capital Grants Receipts in Advance	(25,391)
<b>(318,463)</b>	<b>Long Term Liabilities</b>	<b>(321,429)</b>
331,911	<b>Net Assets excluding pension liability</b>	374,956
(221,652)	Pension Liability	(163,214)
<b>110,259</b>	<b>Net Assets/(Liabilities) including pension liability</b>	<b>211,742</b>

## Group Balance Sheet

Restated 2021/22 £'000	Financed By:	2021/22 £'000
	<b>Useable Reserves</b>	
(9,929)	Capital Fund	(10,816)
(36,441)	General Fund Balance	(51,992)
(362)	Property Maintenance Fund	(51)
(1,532)	Insurance Fund	(1,623)
(16,424)	Share of Group Entities Usable Reserves	(23,982)
	<b>Unusable Reserves</b>	
(152,904)	Capital Adjustment Account	(169,501)
6,122	Financial Instruments Adjustment Account	5,814
(111,272)	Revaluation Reserve	(106,184)
215,666	Pension Reserve	159,481
6,687	Employee Statutory Adjustment Account	6,552
(9,870)	Share of Group Entities Unusable Reserves	(19,440)
<b>(110,259)</b>	<b>Total Reserves</b>	<b>(211,742)</b>

The unaudited accounts were issued on 27 June 2022.

**David Robertson CPFA**  
**Director - Finance & Corporate Governance**

# Group Cash Flow Statement

Restated 2020/21 £'000		2021/22	
		£'000	£'000
(18,072)	<b>Net (Surplus) or deficit on the provision of services</b>		(29,639)
3,249	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	-	
(51,177)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(50,031)	
31,064	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	43,309	
<b>(34,936)</b>	<b>Net Cash Flows From Operating Activities</b>		<b>(36,361)</b>
	<b>Investing Activities</b>		
51,967	Purchase of PP&E, investment property and intangible assets	58,730	
(1,915)	Proceeds from PP&E, investment property and intangible assets	(730)	
195	Purchase/(Disposal) of short & long term investments	162	
(23,771)	Other Items which are Investing Activities	(51,992)	
<b>26,476</b>	<b>Net Cash Flows from Investing Activities</b>		<b>6,170</b>
	<b>Financing Activities</b>		
(15,031)	Cash received from loans & other borrowing	(9,736)	
5,591	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	7,198	
769	Repayments of short and long term borrowing	15,000	
(168)	Other items which are financing activities	(787)	
<b>(8,839)</b>	<b>Net Cash Flows from Financing Activities</b>		<b>11,675</b>
<b>(17,299)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>(18,516)</b>
12,787	Cash and Cash Equivalents at the beginning of the reporting period		30,085
30,086	Cash and Cash Equivalents at the end of the reporting period		48,601
<b>(17,299)</b>	<b>Movement</b>		<b>(18,516)</b>

## 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 52 to 61.

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 2020/21 £'000		2021/22 £'000
	<b>Reconciliation to General Fund Surplus</b>	
(18,072)	<b>Net (Surplus) or deficit on the provision of services</b>	339
3,249	<b>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</b>	8,178
	<b>Adjustments to (surplus) or deficit on the provision of services for non cash movements</b>	
(32,418)	Depreciation	(35,074)
(4,216)	Impairment & Revaluation Loss through I & E	(6,239)
(34)	Amortisation of intangible assets	(398)
(14,665)	Movement in pension liability	(31,932)
(401)	Gain/Loss on carrying amounts of assets disposed	(10,196)
663	Net movement in inventories charged to I & E	(167)
(2,710)	Net movement in debtors charged to I & E	6,745
2,454	Net movement in creditors charged to I & E	(10,813)
150	Net movement in provisions charged to I & E	(112)
<b>(51,177)</b>		<b>(88,186)</b>
	<b>Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities</b>	
30,896	Capital grants received	42,522
168	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	787
<b>31,064</b>		<b>43,309</b>
<b>(38,185)</b>	<b>Net Cash Outflow / (Inflow) from Operating Activities</b>	<b>(44,538)</b>

### Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The surplus of £84.35m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group surplus of £101.48m. The net asset position of the Council's single entity Balance Sheet of £168.32m becomes £211.74m on group consolidation. Overall, the Group Balance Sheet position has increased by £101.48m from 2020/21 largely as a result of the decrease in pension liability.

## Glossary of Terms

We recognise that financial statements by their nature need to include some technical terms and the purpose of this section is to explain some of the more important ones.

**Aggregate External Finance (AEF):** this is the term given to the total of funding provided by the Scottish Government. It comprises three parts, which are explained below;

- **Revenue Support Grant (RSG):** this is the largest part of AEF. It is a block grant which helps finance the overall cost of Council services.
- **Non-Domestic Rate Income (NDRI):** local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.
- **Specific Grants:** the final part of AEF. As the name suggests these grants are paid to support specific services/activities and can enable the Scottish Government to more directly influence service provision than with a block grant.

**Amortisation:** similar to depreciation but applied to intangible assets i.e. the measurement of the value of an asset used during the year.

**Budget:** the budget sets out what the Council intends to spend and how it will be paid for. Budgets are prepared and approved before the start of a financial year for both revenue and capital expenditure. Each financial year budget is part of a 5 year Revenue or a 10 year Capital Financial Plan.

**Capital Adjustment Account:** provides a balancing mechanism between the different rates at which assets are depreciated and financed.

**Capital Borrowing:** this is the element of the Capital Programme not financed by capital and revenue resources (i.e. capital receipts, capital grants and revenue contributions). The capital expenditure will give rise to a borrowing need; however it is important to note that the need may not result in actual external borrowing, and the decision may be taken to finance borrowing from within the Council.

**Capital Expenditure:** spending on assets of lasting value, whose useful life exceeds the current year. Examples are schools, major road works, improving social work and leisure facilities. Capital expenditure is financed principally from borrowing but can also be funded by capital receipts, grants and revenue contributions (CFCR).

**Capital Financed 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 12<sup>th</sup> 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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**UNAUDITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**SCOTTISH BORDERS COUNCIL  
COMMON GOOD FUNDS**

Charity Registration Number: SC031538

FOR THE YEAR TO 31 MARCH 2022

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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.

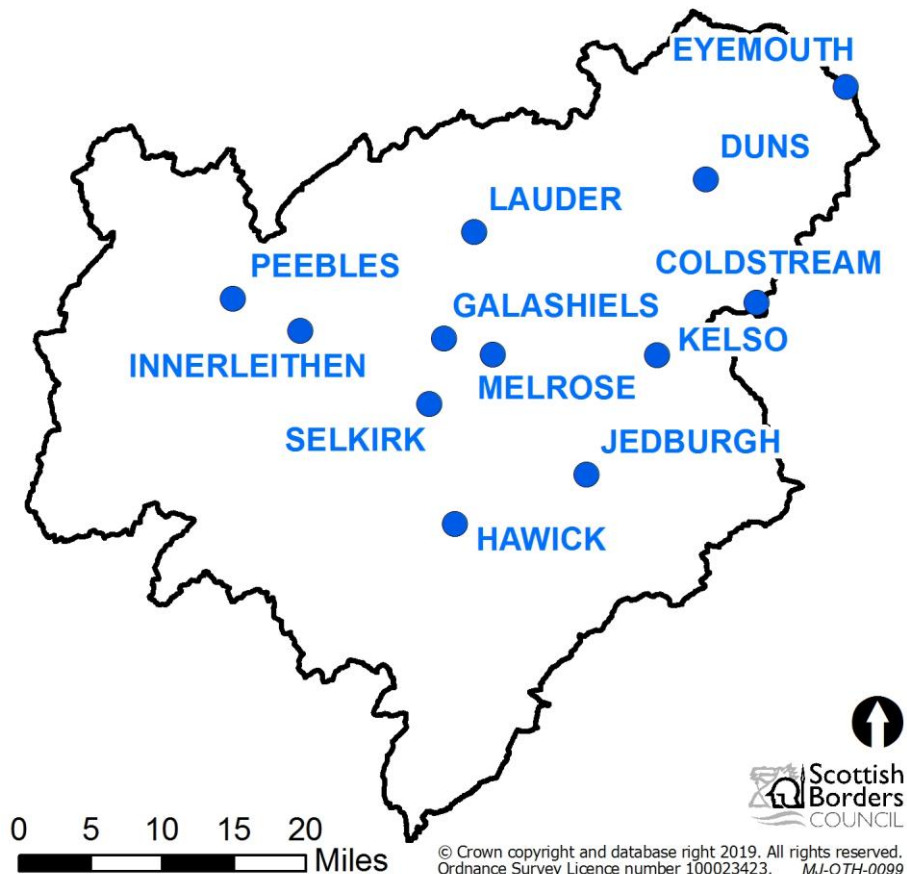
## TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the Financial Statements for the year ended 31 March 2022.

### Structure

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

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



b) Each fund is administered by a Sub-Committee of Elected Members representing the Council wards in which each Burgh is situated.

## Charitable Purpose

- The charitable purposes of the Common Good Funds are that, subject to their legal responsibilities in terms of any assets held by the charities, the **funds are operated for the common good of the residents** of the aforesaid former Burghs and may be used to **provide advancement of citizenship or community development**.
- In respect of those funds which have land and property, the Trustees recognise their obligations to ensure that these assets are maintained.

## Summary of the Main Activities

- The Charity has taken steps to ensure that the **assets of the Funds are properly managed and accounted for**. Quarterly budget monitoring reports have been prepared for consideration by the Trustees forming the Working Group for each individual Burgh and the minutes of these meetings reported to the full Council in terms of the Code of Governance.
- Maintenance work has been approved and carried out on fixed assets and responses made to applications for financial assistance as detailed in the Notes to the Financial Statements on page 15.
- A number of the individual funds have made donations to eligible beneficiaries in their Burghs with a total of £76,714 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 2022, the reserves of the Common Good Funds amounted to:

- Restricted Income Funds - £4,019k
- Revaluation Reserves - £21,270k

### 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 2022 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	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		

Due to Local Government elections on 5 May 2022, the Trustees for the year to 31 March 2023 will change.

**Chief Executive** - Netta Meadows

**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](http://www.scotborders.gov.uk).

**Euan Jardine**  
**Trustee**  
**Scottish Borders Council Common Good Funds**  
**27 June 2022**

## 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 2022**

2020/21 £'000		2021/22 £'000	Notes
	<b>Income from:</b>		
3	Donations and legacies	3	1
120	Investments	148	2
287	Charitable activities	232	3
<b>410</b>	<b>Total Income</b>	<b>383</b>	
	<b>Expenditure on:</b>		
(610)	Raising funds	(1,156)	
(92)	Charitable activities	(77)	
(54)	Other: governance costs	(55)	5
<b>(756)</b>	<b>Total Expenditure</b>	<b>(1,288)</b>	4
443	Gains / (losses) on investment assets – unrealised	(3)	7, 12
<b>97</b>	<b>Net Income / (Expenditure)</b>	<b>(908)</b>	
	<b>Other Recognised Gains / (Losses)</b>		
0	(Loss) on Revaluation of Fixed Assets	(154)	6
0	Recognition of Assets	9,992	6
<b>97</b>	<b>Net Movement in Funds</b>	<b>8,930</b>	
	<b>Reconciliation of Funds</b>		
16,262	Total funds brought forward	16,359	
<b>16,359</b>	<b>Total Funds Carried Forward</b>	<b>25,289</b>	12, 13

## BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£'000	£'000		£'000	£'000	
		<b>Long Term Assets</b>			
12,994		Tangible fixed assets:			6
25		- Land & buildings	21,885		
		- Heritage assets	25		
2,857		Investments	2,902		7
24		Long term loan to third party	5		8
	<b>15,900</b>	<b>Total Long Term Assets</b>		<b>24,817</b>	
		<b>Current Assets</b>			
57		Debtors	59		9
430		Short term investment in SBC loans fund	457		10
	<b>487</b>	<b>Total Current Assets</b>		<b>516</b>	
		<b>Current Liabilities</b>			
		Creditors:			
	(28)	Amounts falling due within 1 year		(44)	11
	<b>459</b>	<b>Net Current Assets</b>		<b>472</b>	
	<b>16,359</b>	<b>Total Net Assets</b>		<b>25,289</b>	
		<b>The Funds of the Charity</b>			
	(3,980)	Restricted income funds		(4,019)	12
	(12,379)	Revaluation reserve		(21,270)	13
	<b>(16,359)</b>	<b>Total Charity Funds</b>		<b>(25,289)</b>	

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 27 June 2022.

**David Robertson CPFA**  
**Director – Finance & Corporate Governance**

## CASH FLOW STATEMENT as at 31 March 2022

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 2021			as at 31 March 2022		Notes
£'000	£'000		£'000	£'000	
		<b>Cash Flows from Operating Activities</b>			
	(43)	<b>Net cash provided by / (used in) operating activities</b>		(94)	14
		<b>Cash flows from Investing Activities</b>			
120		Dividends and Interest	148		
0		(Purchase) of tangible fixed assets	0		
(79)		(Purchase)/Disposal of investments	(48)		
(29)		Movement in short term investments	(25)		
	12	<b>Net Cash Flows from Investing Activities</b>		75	
		<b>Cash flows from Financing Activities</b>			
31		Cash Received from Loans	19		
	31	<b>Net Cash Flows from Financing Activities</b>		19	
	0	<b>Net Movement in Cash</b>		0	

## ACCOUNTING POLICIES

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

### Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

### Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

### Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

### Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when the activity they relate to takes place, regardless of when applications are approved.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

## Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

## Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

## Tangible Fixed Assets and Depreciation

Tangible fixed assets, comprising land & buildings and heritage assets, with a value greater than £5,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Where purchased, Heritage assets are held at acquisition cost, and for donations the initial valuation is used as the deemed cost, removing the need for subsequent valuations. These Heritage assets are deemed to have indeterminable lives and accordingly depreciation is not charged.

Land is held at current valuation and is not depreciated. All land and buildings are subject to revaluation every five years, with the last revaluation being undertaken in 2019/20. Depreciation is charged on all tangible fixed assets other than land and heritage assets at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Following the recent Angus Council judgement whereby any public asset built on Common Good land remains the property of the Common Good, a number of buildings have been re-classified as Common Good assets with effect from 1 April 2021; these were previously treated as Council assets.

## 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

2020/21 £'000		2021/22 £'000
0	Coldstream	0
0	Duns	0
0	Eyemouth	0
0	Galashiels	0
1	Hawick	1
0	Innerleithen	0
0	Jedburgh	0
0	Kelso	0
1	Lauder	0
0	Melrose	0
0	Peebles	1
1	Selkirk	1
<b>3</b>		<b>3</b>

### 2 Income from Investments

2020/21 £000		2021/22 £'000
1	Bank Interest Receivable from SBC Loans Fund	1
119	Income from Investment Portfolio	147
<b>120</b>		<b>148</b>

Following a prior year drop in the income from the Aegon Investment Fund due to the impact of Covid-19, dividend income has returned to pre-pandemic levels in the current year.

### 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 £61k causing a large increase in the prior year.

2020/21 £'000		2021/22 £'000
0	Coldstream	0
0	Duns	0
0	Eyemouth	0
1	Galashiels	0
164	Hawick	102
0	Innerleithen	0
0	Jedburgh	0
0	Kelso	0
10	Lauder	11
0	Melrose	0
48	Peebles	55
64	Selkirk	64
<b>287</b>		<b>232</b>

## 4 Analysis of Charitable Expenditure

2020/21 Total		Activities Undertaken Directly	Support and Governance Costs	Property Cost & Depreciation	2021/22 Total
£'000		£'000	£'000	£'000	£'000
10	Coldstream	0	0	10	10
1	Duns	0	1	0	1
0	Eyemouth	0	0	3	3
61	Galashiels	0	3	56	59
245	Hawick	30	13	151	194
31	Innerleithen	0	0	31	31
19	Jedburgh	22	4	12	38
66	Kelso	2	2	61	65
56	Lauder	2	11	184	197
3	Melrose	0	0	4	4
89	Peebles	11	9	351	371
175	Selkirk	10	12	293	315
<b>756</b>		<b>77</b>	<b>55</b>	<b>1,156</b>	<b>1,288</b>

## 5 Governance Costs

Governance costs are comprised of a recharge from SBC and reflect the cost of the proportionate administration, finance, and legal time spent on Common Good funds. The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the Common Good Funds, recognised under Governance Costs. This fee amounted to £3,500 in 2021/22. 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 2021 Total		As at 31 March 2022			
		Asset Additions	Gain/(Loss) on Revaluation of Assets	Depreciation	Total
£'000		£'000	£'000	£'000	£'000
266	Coldstream	0	0	(10)	256
0	Duns	0	0	0	0
2	Eyemouth	50	0	(3)	49
628	Galashiels	0	0	(54)	574
4,365	Hawick	37	(173)	(64)	4,165
483	Innerleithen	0	0	(31)	452
529	Jedburgh	0	0	(12)	517
878	Kelso	11	0	(61)	828
1,269	Lauder	590	12	(155)	1,716
25	Melrose	0	0	(3)	22
781	Peebles	8,133	2	(302)	8,614
3,793	Selkirk	1,171	5	(252)	4,717
<b>13,019</b>		<b>9,992</b>	<b>(154)</b>	<b>(947)</b>	<b>21,910</b>

Following the recent Angus Council judgement whereby any public asset built on Common Good land remains the property of the Common Good, a number of buildings have been re-classified as Common Good assets with effect from 1 April 2021 amounting to £9,992k.

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

As at 31 March 2021		As at 31 March 2022		
Total		Land & Buildings at Net Book Value	Heritage Assets	Total Long Term Assets
£'000		£'000	£'000	£'000
266	Coldstream	256	0	256
0	Duns	0	0	0
2	Eyemouth	49	0	49
628	Galashiels	574	0	574
4,365	Hawick	4,162	3	4,165
483	Innerleithen	452	0	452
529	Jedburgh	517	0	517
878	Kelso	809	19	828
1,269	Lauder	1,716	0	1,716
25	Melrose	22	0	22
781	Peebles	8,612	2	8,614
3,793	Selkirk	4,716	1	4,717
<b>13,019</b>		<b>21,885</b>	<b>25</b>	<b>21,910</b>

## 7 Investments

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

At 31 March 2022 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is a small unrealised loss for the 12 month period of these accounts. Investment amounts and unrealised losses on these investments at 31 March 2022, per Common Good Fund are detailed below:

As at 31 March 2021		As at 31 March 2022		
Total Investment		Additional Investments / (Disinvestment)	Aegon Unrealised (Loss)	Total Investment
£'000		£'000	£'000	£'000
0	Coldstream	0	(0)	0
17	Duns	0	(0)	17
0	Eyemouth	0	(0)	0
161	Galashiels	0	(0)	161
460	Hawick	0	(0)	460
0	Innerleithen	0	(0)	0
953	Jedburgh	1	(1)	953
267	Kelso	15	(0)	282
251	Lauder	0	(0)	251
10	Melrose	0	(0)	10
508	Peebles	1	(1)	508
230	Selkirk	31	(1)	260
<b>2,857</b>		<b>48</b>	<b>(3)</b>	<b>2,902</b>

## 8 Long Term Loan to Third Party

Balance at 31 March 2021 £'000		Advances paid out £'000	Repayments received £'000	Balance at 31 March 2022 £'000
14	Jedburgh	0	(9)	5
10	Peebles	0	(10)	0
<b>24</b>		<b>0</b>	<b>(19)</b>	<b>5</b>

## 9 Debtors

2020/21 £'000		2021/22 £'000
40	Trade debtors	44
10	Prepayments and accrued income	14
7	Other debtors	1
<b>57</b>		<b>59</b>

## 10 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

## 11 Creditors: amounts falling due within 1 year

2020/21 £'000		2021/22 £'000
0	Grants payable	0
28	Accruals and deferred income	44
<b>28</b>		<b>44</b>

## 12 Restricted Income Funds

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

Balance at 31 March 2021 £'000		SOFA (Surplus) / Loss	Unrealised movement on investment assets	Balance at 31 March 2022 £'000
(122)	Coldstream	0	(0)	(122)
(18)	Duns	(1)	(0)	(19)
(1)	Eyemouth	0	(0)	(1)
(327)	Galashiels	(3)	(0)	(330)
(750)	Hawick	4	(0)	(746)
(135)	Innerleithen	0	(0)	(135)
(1,043)	Jedburgh	(21)	(1)	(1,065)
(311)	Kelso	(10)	(0)	(321)
(287)	Lauder	18	(0)	(269)
(37)	Melrose	0	(0)	(37)
(628)	Peebles	(11)	(1)	(640)
(321)	Selkirk	(12)	(1)	(334)
<b>(3,980)</b>		<b>(36)</b>	<b>(3)</b>	<b>(4,019)</b>

## 13 Revaluation Reserve

Balance at 31 March 2021 £'000		SOFA (Surplus) / Loss £'000	Balance at 31 March 2022 £'000
(144)	Coldstream	10	(134)
0	Duns	0	0
(1)	Eyemouth	(47)	(48)
(475)	Galashiels	54	(421)
(4,231)	Hawick	200	(4,031)
(348)	Innerleithen	31	(317)
(526)	Jedburgh	12	(514)
(878)	Kelso	50	(828)
(1,266)	Lauder	(447)	(1,713)
(7)	Melrose	3	(4)
(731)	Peebles	(7,833)	(8,564)
(3,772)	Selkirk	(924)	(4,696)
<b>(12,379)</b>		<b>(8,891)</b>	<b>(21,270)</b>

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

2020/21 £'000		2021/22 £'000
<b>97</b>	<b>Net income/(expenditure) for the year ended 31 March</b>	<b>8,930</b>
	<i>Adjustments for:</i>	
441	Depreciation charges	947
(443)	(Gains) / losses on Investments	3
(120)	Dividends and interest	(148)
1	(Increase) / decrease in debtors	(3)
(19)	Increase / (decrease) in creditors	16
0	Other non-cash item (revaluation/recognition of fixed asset)	(9,839)
<b>(43)</b>	<b>Net cash provided by / (used in) operating activities</b>	<b>(94)</b>

## 15 Contingent Assets

The charity granted a secured grant to Jedburgh Golf Club in 2004 to purchase land. The grant is to be written down over 20 years. If during this period the land is sold the balance of the remaining funds are to be returned to the charity.

## 16 Related Party Transactions

Due to the nature of the operations and composition of the Common Good Funds (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	546
Service Charge paid for central administrative support	51,295

**INDEPENDENT AUDITOR'S REPORT**

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

## ADDITIONAL INFORMATION

### Contact Details

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

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







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

Charity Registration Number: SC044765

FOR THE YEAR TO 31 MARCH 2022

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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 administered by the Communities & Partnership Team, and features on the Scottish Borders Council website and each of the 5 Area Partnership Funding Information Tables 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 2022.

### Structure

Scottish Borders Council has delegated authority to the Director, Resilient Communities, for the following:

1. Approve applications for funding up to the value of £500 from the SBC Community Enhancement Trust and SBC Welfare Trust;
2. Approve applications for grants from £501 to £2,500 to the SBC Welfare Trust, subject to the agreement of at least 50% of the Members in the relevant Wards; and
3. Approve applications for grants from £501 to £5,000 to the SBC Community Enhancement Trust, subject to the agreement of at least 50% of the Members in the relevant Wards.

Grants over £5,000 require approval by the Executive Committee of Scottish Borders Council.

## Charitable Purpose

- The prevention or relief of poverty
- The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage or
- The advancement of health, including the advancement of education in health
- By among other things, the payment of grants and/or loans to such charities or other organisations or to such individuals who are deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purposes of either the prevention or relief of poverty or the relief of those in need or the advancement of health, as appropriate.

## Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity made 15 donations totalling £15,174 during the financial year to 31 March 2022.
- There is varied success in dispersion of the Trust - in some areas nearly all of the available funding has been awarded, and in others around 25%, despite ongoing promotion of the Trust.

## Plans for the Future

- This fund is administered by the Communities & Partnership Team, and features on the SBC website and each of the 5 Area Partnership Funding Information Tables in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to our communities:
  - [https://www.scotborders.gov.uk/info/20076/community\\_grants\\_and\\_funding](https://www.scotborders.gov.uk/info/20076/community_grants_and_funding)
- The Trust is also promoted at each of the 5 Area Partnerships held quarterly across the Scottish Borders.
- It is anticipated that due to the current cost of living crisis, that there may be more applications and awards made during 2022/23.

## 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 2022, the reserves of the SBC Welfare Trust amounted to:

- Restricted Income Funds - £804,063

### 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 2022 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	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		

Due to Local Government elections on 5 May 2022, the Trustees for the year to 31 March 2023 will change.

**Chief Executive** - Netta Meadows

**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](http://www.scotborders.gov.uk).

**Euan Jardine**  
**Trustee**  
**Scottish Borders Council Welfare Trust**  
**27 June 2022**

## 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 2022

2020/21 £		2021/22 £	Notes
	<b>Income From:</b>		
500	Donations and legacies	500	3
28,072	Investments	33,337	1
<b>28,572</b>	<b>Total Income</b>	<b>33,837</b>	
	<b>Expenditure on:</b>		
0	Raising funds	0	
(625)	Charitable activities	(15,174)	2
(500)	Other: Governance costs	(500)	3
<b>(1,125)</b>	<b>Total Expenditure</b>	<b>(15,674)</b>	
99,000	Gain / (loss) on investment assets	(636)	
<b>126,447</b>	<b>Net Income / (Expenditure)</b>	<b>17,527</b>	
	<b>Other Recognised Gains / (Losses)</b>		
0	Recognition of Investments	0	
<b>126,447</b>	<b>Net Movement in Funds</b>	<b>17,527</b>	
	<b>Reconciliation of Funds</b>		
660,089	Total funds brought forward	786,536	
<b>786,536</b>	<b>Total Funds Carried Forward</b>	<b>804,063</b>	8

## BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
626,213	626,213	<b>Fixed Assets</b>			
		Investments	626,205		4
				<b>626,205</b>	
2,250	160,323	<b>Current Assets</b>			
		Debtors	2,972		5
158,073		Short term investment in SBC loans fund	174,886		6
				<b>177,858</b>	
		<b>Current Liabilities</b>			
	0	Creditors:			
		Amounts falling due within 1 year		0	7
	<b>160,323</b>	<b>Net Current Assets</b>		<b>804,063</b>	
	<b>786,536</b>	<b>Total Net Assets</b>		<b>804,063</b>	
		<b>The Funds of the Charity</b>			
(786,536)		Restricted income funds	(804,063)		8
	<b>(786,536)</b>	<b>Total Charity Funds</b>		<b>(804,063)</b>	

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 27 June 2022.

**David Robertson CPFA**  
Director – Finance & Corporate Governance

## 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

2020/21 £		2021/22 £
144	Bank Interest Receivable	87
27,928	Income from Investment Portfolio	33,250
<b>28,072</b>		<b>33,337</b>

Following a prior year drop in the income from the Aegon Investment Fund due to the impact of Covid-19, dividend income has returned to pre-pandemic levels in the current year.

### 2 Charitable Activities

The charitable activities during 2021/22 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 2021/22. 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 2022 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is a small unrealised loss for the 12 month period of these accounts.

### 5 Debtors

2020/21 £		2021/22 £
2,250	Prepayments and accrued income	2,972
<b>2,250</b>		<b>2,972</b>

### 6 Short Term Investments in SBC Loans Fund

All surplus cash is invested on behalf of the charity with Scottish Borders Council

### 7 Creditors: amounts falling due within 1 year

2020/21 £		2021/22 £
0	Grants payable	0
<b>0</b>		<b>0</b>

## 8 Restricted Funds

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

The restrictions for each are shown in the table below. The purpose of these funds are:

- a) The prevention or relief of poverty
- b) The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage or
- c) The advancement of health, including the advancement of education in health

2020/21 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	Unrealised Gain/(Loss)	2021/22 Balance
£	£		£	£	£	£
242,100	Berwickshire	a&b	10,018	(2,648)	(195)	249,275
136,048	Galashiels & District	a&b	6,163	(5,091)	(120)	137,000
24,254	Hawick, Denholm & Hermitage	a&b	996	(826)	(19)	24,405
47,003	Jedburgh & District	a&b	1,942	(506)	(38)	48,401
9,848	Leaderdale & Melrose	a&b	406	(6)	(8)	10,240
8,101	Tweeddale East & West	a&b	334	(5)	(7)	8,423
825	Tweeddale East & West	Unrestrict'd	34	(0)	(1)	858
63,929	Mid & East Berwickshire	a&b	2,499	(1,031)	(49)	65,348
28,940	Hawick & Hermitage	c	1,197	(993)	(23)	29,121
630	Hawick & Hermitage	a&b	26	(0)	(1)	655
7,742	Hawick Denholm	a&b	321	(43)	(6)	8,014
23,905	Jedburgh & District	c	1,233	(1,018)	(18)	24,102
7,799	Kelso & District	a&b	322	(267)	(6)	7,848
96,327	Selkirkshire	a&b	3,974	(329)	(77)	99,895
18,148	Lauder	a&b	763	(633)	(15)	18,263
8,341	Melrose & District	a&b	350	(5)	(7)	8,679
62,244	Tweeddale	a&b	3,244	(2,273)	(45)	63,170
352	Bowden	a&b	15	(0)	(1)	366
<b>786,536</b>			<b>33,837</b>	<b>(15,674)</b>	<b>(636)</b>	<b>804,063</b>

## 9 Related Party Transactions

Due to the nature of the operations and composition of the SBC Welfare Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	87



**INDEPENDENT AUDITOR'S REPORT**

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

## ADDITIONAL INFORMATION

### Contact Details

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

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



**UNAUDITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**SCOTTISH BORDERS COUNCIL  
EDUCATION TRUST**

Charity Registration Number: SC044762

FOR THE YEAR TO 31 MARCH 2022

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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 2022/23 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 2022.

### Structure

Following the establishment of the Trust, Scottish Borders Council on 21 May 2015 approved the delegation of authority to the Director, Education & Lifelong Learning, for the following:

1. Make payments to individuals from educational trusts and SBC Education Trust according to set criteria.

## Charitable Purpose

- To advance and/or promote cultural exchange by, among other things, the payment of grants and/or loans, the award of bursaries, the award of prizes, payment towards cultural exchanges that further an educational purpose both within Scottish Borders area and further afield (including abroad), to such educational institutions, charities or other organisations or to such individuals deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purpose of the advancement of education and/or promotion of cultural exchange.

## Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity has not made any donations during the year to 31 March 2022.

## 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 Director, Education & Lifelong Learning, 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 2022, the reserves of the SBC Education Trust amounted to:

- Restricted Income Funds - £8,503

### 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 2022 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	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		

Due to Local Government elections on 5 May 2022, the Trustees for the year to 31 March 2023 will change.

**Chief Executive** - Netta Meadows

**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](http://www.scotborders.gov.uk).

**Euan Jardine**  
**Trustee**  
**Scottish Borders Council Education Trust**  
**27 June 2022**

## 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 2022

2020/21 £		2021/22 £	Notes
	<b>Income from:</b>		
500	Donations and legacies	500	3
502	Investments	556	1
<b>1,002</b>	<b>Total Income</b>	<b>1,056</b>	
	<b>Expenditure on:</b>		
0	Raising funds	0	
0	Charitable activities	0	2
(500)	Other : Governance costs	(500)	3
<b>(500)</b>	<b>Total Expenditure</b>	<b>(500)</b>	
802	Gain / (loss) on investment assets - unrealised	(5)	
<b>1,304</b>	<b>Net Income / (Expenditure)</b>	<b>551</b>	
	<b>Other Recognised Gains / (Losses)</b>		
0	Recognition of Investments	0	
<b>1,304</b>	<b>Net Movement in Funds</b>	<b>551</b>	
	<b>Reconciliation of Funds</b>		
6,648	Total funds brought forward	7,952	
<b>7,952</b>	<b>Total Funds Carried Forward</b>	<b>8,503</b>	7

## BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
5,074	5,074	<b>Fixed Assets</b>			
		Investments	5,074		4
				<b>5,074</b>	
18	2,878	<b>Current Assets</b>			
		Debtors	24		5
2,860		Short term investment in SBC loans fund.	3,405		6
		<b>Total Current Assets</b>		<b>3,429</b>	
	<b>7,952</b>	<b>Total Net Assets</b>		<b>8,503</b>	
	(7,952)	<b>The Funds of the Charity</b>			
		Restricted income funds		(8,503)	7
	<b>(7,952)</b>	<b>Total Charity Funds</b>		<b>(8,503)</b>	

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 27 June 2022.

**David Robertson CPFA**  
Director – Finance & Corporate Governance

## 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

2020/21 £		2021/22 £
3	Bank Interest Receivable	2
499	Income from Investment Portfolio	554
<b>502</b>		<b>556</b>

Following a prior year drop in the income from the Aegon Investment Fund due to the impact of Covid-19, dividend income has returned to pre-pandemic levels in the current year.

### 2 Charitable Activities

The charity has not provided any grants to eligible beneficiaries during the year to 31 March 2022.

### 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 2021/22. 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 2022 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is a small unrealised loss for the 12 month period of these accounts.

### 5 Debtors

2020/21 £		2021/22 £
18	Prepayments and accrued income	24
<b>18</b>		<b>24</b>

### 6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council.

## 7 Restricted Income Funds

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

2020/21 Balance	Restricted by Area	Income	Expendi- ture	Unrealised Gain/(Loss)	2021/22 Balance
£	£	£	£	£	£
2,365	Borders Wide	376	(178)	(1)	2,562
5,587	Peeblesshire	680	(322)	(4)	5,941
<b>7,952</b>		<b>1,056</b>	<b>(500)</b>	<b>(5)</b>	<b>8,503</b>

## 8 Related Party Transactions

Due to the nature of the operations and composition of the SBC Education Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	2



**INDEPENDENT AUDITOR'S REPORT**

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

## ADDITIONAL INFORMATION

### Contact Details

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

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



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**UNAUDITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**SCOTTISH BORDERS COUNCIL  
COMMUNITY ENHANCEMENT  
TRUST**

Charity Registration Number: SC044764

FOR THE YEAR TO 31 MARCH 2022

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## FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Community Enhancement Trust, the "Trust", which was established from 10 funds held by Scottish Borders Council. The purpose of the trust is as follows:

- a) The advancement of community development;
- b) The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets;
- c) The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; or
- d) The advancement of environmental protection or improvement.

During 2017/18 further work on the reorganisation of charity funds continued and on 21<sup>st</sup> December 2017, Scottish Borders Council approved the reorganisation, in consultation with OSCR, for a number of funds to be amalgamated into this Trust on 1<sup>st</sup> April 2018.

This fund is administered by the Communities & Partnership Team, and features on the Scottish Borders Council website and in each of the 5 Area Partnership Funding Information Tables 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 2022.

### Structure

Scottish Borders Council has delegated authority to the Director, Resilient Communities, for the following:

1. Approve applications for funding up to the value of £500 from the SBC Community Enhancement Trust and SBC Welfare Trust;
2. Approve applications for grants from £501 to £2,500 to the SBC Welfare Trust, subject to the agreement of at least 50% of the Members in the relevant Wards; and
3. Approve applications for grants from £501 to £5,000 to the SBC Community Enhancement Trust, subject to the agreement of at least 50% of the Members in the relevant Wards.

Grants over £5,000 require approval by the Executive Committee of Scottish Borders Council.

## Charitable Purpose

- The advancement of Community Development;
- The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets;
- The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; or
- The advancement of environmental protection or improvement.

## Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity made 6 donations totalling £4,105 during the financial year to 31 March 2022.
- There is varied success in the dispersion of this Trust across the Borders. In some areas all of the funding has been awarded, and in other areas there have been only a few applications - despite ongoing promotion of the Trust.

## Plans for the Future

- This fund is administered by the Communities & Partnership Team, and features on the SBC website and in each of the Area Partnership Funding Information Tables in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to our communities:
  - [https://www.scotborders.gov.uk/info/20076/community\\_grants\\_and\\_funding](https://www.scotborders.gov.uk/info/20076/community_grants_and_funding)
- The Fund is also promoted at each of the 5 Area Partnerships held quarterly across the Scottish Borders.
- It is anticipated that due to the current cost of living crisis, there may be more demand across all of the Borders during 2022/23.



## 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 2022, the reserves of the SBC Community Enhancement Trust amounted to:

- Restricted Income Funds - £212,148.

### Investments

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

## Reference and Administrative Information

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

### Trustees

The Trustees of this charity for the year to 31 March 2022 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	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		

Due to Local Government elections on 5 May 2022, the Trustees for the year to 31 March 2023 will change.

**Chief Executive** - Netta Meadows

**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](http://www.scotborders.gov.uk).

**Euan Jardine**  
**Trustee**  
**Scottish Borders Council Community Enhancement Trust**  
**27 June 2022**

## 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 2022

2020/21 £		2021/22 £	Notes
	<b>Income from:</b>		
500	Donations and legacies	500	3
7,619	Investments	9,181	1
20	Charitable activities	40	
<b>8,139</b>	<b>Total Income</b>	<b>9,721</b>	
	<b>Expenditure on:</b>		
0	Raising funds	0	
(579)	Charitable activities	(4,105)	2
(500)	Other : Governance Costs	(500)	3
<b>(1,079)</b>	<b>Total Expenditure</b>	<b>(4,605)</b>	
28,142	Gain / (loss) on investment assets - unrealised	(181)	
<b>35,202</b>	<b>Net Income / (Expenditure)</b>	<b>4,935</b>	
	<b>Other Recognised Gains / (Losses)</b>		
0	Recognition of Investments	0	
<b>35,202</b>	<b>Net Movement in Funds</b>	<b>4,935</b>	
	<b>Reconciliation of Funds</b>		
172,011	Total funds brought forward	207,213	
<b>207,213</b>	<b>Total Funds Carried Forward</b>	<b>212,148</b>	7

## BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
178,011	178,011	<b>Fixed Assets</b>			
		Investments	178,009	178,009	4
	29,202	<b>Current Assets</b>			
640		Debtors	845		5
28,562		Short term investment in SBC loans fund	33,294		6
				34,139	
	207,213	<b>Total Net Assets</b>		212,148	
		<b>The Funds of the Charity</b>			
(207,213)		Restricted income funds	(212,148)		7
	(207,213)	<b>Total Charity Funds</b>		(212,148)	

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 27 June 2022.

**David Robertson CPFA**  
Director – Finance & Corporate Governance

## 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

2020/21 £		2021/22 £
23	Bank Interest Receivable	15
7,596	Income from Investment Portfolio	9,166
<b>7,619</b>		<b>9,181</b>

Following a prior year drop in the income from the Aegon Investment Fund due to the impact of Covid-19, dividend income has returned to pre-pandemic levels in the current year.

### 2 Charitable Activities

The charitable activities during 2021/22 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 2021/22. 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 2022 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is a small unrealised loss for the 12 month period of these accounts.

### 5 Debtors

2020/21 £		2021/22 £
640	Prepayments and accrued income	845
<b>640</b>		<b>845</b>

### 6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council.

### 7 Restricted Income Funds

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

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

2020/21 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	Unrealised Gain / (Loss)	2021/22 Balance
£			£	£	£	£
1,843	Cheviot	Allerley Well Park	79	(4)	(2)	1,916
1,745	Borders Wide	b	73	(88)	(1)	1,729
22,816	Hawick, Denholm & Hermitage	b	992	(51)	(19)	23,738
37,653	Mid & East Berwickshire	b	1,929	(1608)	(36)	37,938
7,865	Hawick, Denholm & Hermitage	b&d	338	(17)	(6)	8,180
16,610	Berwickshire	Unrestricted	713	(566)	(13)	16,744
606	Berwickshire	Henderson Park & War Memorial	30	(2)	(1)	633
1,717	Selkirk	Unrestricted	83	(4)	(2)	1,794
18,474	Earlston	Unrestricted	818	(42)	(15)	19,235
1,178	Earlston	b	76	(4)	(1)	1,249
8,407	Galashiels & District	b	398	(20)	(7)	8,778
484	Hawick, Denholm & Hermitage	c	22	(1)	(1)	504
23,656	Hawick, Denholm & Hermitage	Unrestricted	1,148	(909)	(21)	23,874
255	Hawick Denholm	b	12	(1)	(0)	266
456	Hawick & Hermitage	b	22	(1)	(0)	477
1,892	Jedburgh & District	b	85	(4)	(2)	1,971
936	Kelso & District	b	44	(2)	(1)	977
1,657	Melrose	b	78	(4)	(1)	1,730
11,856	Selkirk & District	b	561	(29)	(11)	12,377
3,389	Selkirkshire	b	89	(4)	(1)	3,473
7,043	Tweeddale	b	317	(265)	(6)	7,089
386	Berwickshire	c	18	(1)	(0)	403
36,289	Lauder & District	b	1,796	(978)	(34)	37,073
<b>207,213</b>			<b>9,721</b>	<b>(4,605)</b>	<b>(181)</b>	<b>212,148</b>

## 8 Related Party Transactions

Due to the nature of the operations and composition of the SBC Community Enhancement Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	15

**INDEPENDENT AUDITOR'S REPORT**

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

## ADDITIONAL INFORMATION

### Contact Details

For further information on the SBC Community Enhancement Trust, please contact:

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



# **UNAUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

Charity Registration Number: SC019162

FOR THE YEAR TO 31 MARCH 2022

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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 2022.

### 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 2021/22 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.
- A project, led by the Trimontium Trust, which aimed to expand and improve the Trimontium Museum, located within the Ormiston Institute, has now been completed and opened its doors to visitors in August 2021.

### 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.



## 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 2022, the reserves of the Ormiston Trust for Institute amounted to:

- Restricted Income Funds - £411,883

### 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 2022 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

Tom Miers

Due to Local Government elections on 5 May 2022, the Trustees for the year to 31 March 2023 will change.

**Chief Executive** - Netta Meadows

**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](http://www.scotborders.gov.uk).

**David Parker**  
**Trustee**  
**Scottish Borders Council Ormiston Trust for Institute**  
**27 June 2022**

## 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 2022

2020/21 £		2021/22 £	Notes
	<b>Income from:</b>		
500	Donations and legacies	500	4
416	Investments	504	1
<b>916</b>	<b>Total Income</b>	<b>1,004</b>	
	<b>Expenditure on:</b>		
(55,000)	Raising funds	(128,333)	2
(416)	Charitable activities	(504)	3
(500)	Other : Governance costs	(500)	4
<b>(55,916)</b>	<b>Total Expenditure</b>	<b>(129,337)</b>	
	<b>Other Recognised Gains/(Losses)</b>		
0	Gains on Revaluation of Fixed Assets	221,000	
1,554	Gain / (loss) on investment assets - unrealised	(10)	
<b>(53,446)</b>	<b>Net Movement in Funds</b>	<b>92,657</b>	
	<b>Reconciliation of Funds</b>		
372,672	Total funds brought forward	319,226	
<b>319,226</b>	<b>Total Funds Carried Forward</b>	<b>411,883</b>	10, 11

## BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
		<b>Fixed Assets</b>			
309,000		Tangible assets	401,667		5
9,833		Investments	9,833		6
	<b>318,833</b>			<b>411,500</b>	
		<b>Current Assets</b>			
35		Debtors	46		7
519		Short term investment in SBC loans fund.	532		8
	<b>554</b>	<b>Total Current Assets</b>		<b>578</b>	
		<b>Current Liabilities</b>			
		Creditors:			
	<b>(161)</b>	Amounts falling due within 1 year		<b>(195)</b>	9
	<b>393</b>	<b>Net Current Assets</b>		<b>383</b>	
	<b>319,226</b>	<b>Total Net Assets</b>		<b>411,883</b>	
		<b>The Funds of the Charity</b>			
(61,824)		Restricted income funds	(61,814)		10
(257,402)		Revaluation reserve	(350,069)		11
	<b>(319,226)</b>	<b>Total Charity Funds</b>		<b>(411,883)</b>	

All income and expenditure transactions derive from continuing activities.

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

The unaudited accounts were issued on 27 June 2022.

**David Robertson CPFA**  
Director – Finance & Corporate Governance

## 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

2020/21		2021/22	
£		£	
1	Bank Interest Receivable		0
415	Income from Investment Portfolio		504
<b>416</b>			<b>504</b>

Following a prior year drop in the income from the Aegon Investment Fund due to the impact of Covid-19, dividend income has returned to pre-pandemic levels in the current year.

### 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 2021/22

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 2021/22. 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. Following completion of the recent building works to the Ormiston Institute building, an out of cycle revaluation has been carried out as at 1 April 2021.

The movement in the value of Tangible Fixed Assets has been driven by the following movements:

	Ormiston Trust Institute £	Greenyards Trust £	Total £
<b>Opening Balance at 1 April 2021</b>	<b>190,000</b>	<b>119,000</b>	<b>309,000</b>
Gain on revaluation of assets	221,000	0	221,000
Depreciation for year	(128,333)	0	(128,333)
<b>Closing Balance at 31 March 2022</b>	<b>282,667</b>	<b>119,000</b>	<b>401,667</b>

### 6 Investments

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



At 31 March 2022 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is a small unrealised loss for the 12 month period of these accounts.

## 7 Debtors

2020/21 £		2021/22 £
35	Prepayments and accrued income	46
<b>35</b>		<b>46</b>

## 8 Short term investment in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council.

## 9 Creditors: amounts falling due within 1 year

2020/21 £		2021/22 £
161	Grants payable	195
<b>161</b>		<b>195</b>

## 10 Restricted income funds

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

2020/21 Balance £	Trust Fund £	Income £	Expendi- ture £	Unrealised movement on investment assets £	2021/22 Balance £
55,790	Ormiston Trust Institute	388	(388)	(4)	55,786
6,034	Greenyards Trust	616	(616)	(6)	6,028
<b>61,824</b>		<b>1,004</b>	<b>(1,004)</b>	<b>(10)</b>	<b>61,814</b>

## 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:

	Ormiston Trust Institute £	Greenyards Trust £	Total £
<b>Opening Balance at 1 April 2021</b>	<b>138,402</b>	<b>119,000</b>	<b>257,402</b>
Gain on revaluation of assets	221,000	0	221,000
Depreciation for year	(128,333)	0	(128,333)
<b>Closing Balance at 31 March 2022</b>	<b>231,609</b>	<b>119,000</b>	<b>350,609</b>

## 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	0

**INDEPENDENT AUDITOR'S REPORT**

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

## ADDITIONAL INFORMATION

### Contact Details

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

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

**UNAUDITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**SCOTTISH BORDERS COUNCIL  
CHARITABLE TRUSTS**

Charity Registration Number: SC043896

FOR THE YEAR TO 31 MARCH 2022

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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 Director, Education & Lifelong Learning, 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 2022.

### 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 2022. 22 donations totalling £13,208 were made including contributions through area based Education Trusts for Further Education including course fees, residential trips and living 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 Director, Education & Lifelong Learning, 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 2022, the reserves of the SBC Charitable Trust Funds amounted to:

- Restricted Income Funds - £317,203

### Investments

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

## Reference and Administrative Information

<b>Charity Name</b>	Scottish Borders Council Charitable Trusts
<b>Charity registration number</b>	SC043896
<b>Business Address</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Trustees

The Trustees of this charity for the year to 31 March 2022 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	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		

Due to Local Government elections on 5 May 2022, the Trustees for the year to 31 March 2023 will change.

**Chief Executive** - Netta Meadows

**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](http://www.scotborders.gov.uk).

**Euan Jardine**  
**Trustee**  
**Scottish Borders Council Charitable Trusts**  
**27 June 2022**

## 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 2022

2020/21 £		2021/22 £	Notes
	<b>Income from:</b>		
500	Donations and legacies	500	3
25,089	Investments	35,514	1
<b>25,589</b>	<b>Total Income</b>	<b>36,014</b>	
	<b>Expenditure on:</b>		
(9,901)	Charitable activities	(13,208)	2
0	Raising funds	0	
(500)	Other : Governance Costs	(500)	3
<b>(10,401)</b>	<b>Total Expenditure</b>	<b>(13,708)</b>	
32,130	Gain / (loss) on investment assets - unrealised	(206)	
<b>47,318</b>	<b>Net Movement in Funds</b>	<b>22,100</b>	
	<b>Reconciliation of Funds</b>		
247,785	Total funds brought forward	295,103	
<b>295,103</b>	<b>Total Funds Carried Forward</b>	<b>317,203</b>	8

## BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
203,233		<b>Fixed Assets</b>			
		Investments	203,230		4
	<b>203,233</b>			<b>203,230</b>	
730		<b>Current Assets</b>			
		Debtors	964		5
91,140		Short term Investment in SBC loans fund	113,009		6
	<b>91,870</b>	<b>Total Current Assets</b>		<b>113,973</b>	
		<b>Current Liabilities</b>			
		Creditors:			
	0	Amounts falling due within 1 year		0	7
	<b>91,870</b>	<b>Net Current Assets</b>		<b>113,973</b>	
	<b>295,103</b>	<b>Total Net Assets</b>		<b>317,203</b>	
		<b>The Funds of the Charity</b>			
(295,103)		Restricted income funds	(317,203)		8
	<b>(295,103)</b>	<b>Total Charity Funds</b>		<b>(317,203)</b>	

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 27 June 2022.

**David Robertson CPFA**  
Director – Finance & Corporate Governance

## 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

2020/21 £		2021/22 £
79	Bank Interest Receivable from SBC Loans Fund	48
25,010	Income from Investment Portfolio	35,466
<b>25,089</b>		<b>35,514</b>

Following a prior year drop in the income from the Aegon Investment Fund due to the impact of Covid-19, dividend income has returned to pre-pandemic levels in the current year.

### 2 Charitable Activities

The charitable activities during 2021/22 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 2021/22. 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 2022 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is a small unrealised loss for the 12 month period of these accounts.

### 5 Debtors

2020/21 £		2021/22 £
730	Prepayments and accrued income	964
<b>730</b>		<b>964</b>

### 6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

### 7 Creditors: amounts falling due within 1 year

2020/21 £		2021/22 £
0	Grants payable	0
<b>0</b>		<b>0</b>

## 8 Restricted Funds

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

2020/21 Balance	Fund	Income	Expenditure	Unrealised Gain/(Loss)	2021/22 Balance
£		£	£	£	£
1,140	Andrew, Agnes & John Kyle	111	(1)	(1)	1,249
8,854	Berwickshire Educational Trust	889	(12)	(6)	9,725
368	C W Dunnet Award	37	(1)	(0)	404
1,050	Campbell Calderhead Prize	74	(1)	(1)	1,122
3,901	Col. Jem Richard Prize Fund	263	(4)	(2)	4,158
1,123	Coldstream Guards Prize	115	(2)	(1)	1,235
1,809	Dr Milne Memorial Fund	119	(2)	(1)	1,925
22,816	Geoffrey Simpson Bequest	2,390	(33)	(15)	25,158
671	Hans D Langmack Prize Fund	62	(1)	(0)	732
3,021	J Purves Bequest	284	(4)	(3)	3,298
28,632	J A S Henderson Memorial Scholarship	4,752	(7,066)	(14)	26,304
1,364	James Robertson Trust	97	(1)	(1)	1,459
1,774	Jane Grieve Endowment	122	(2)	(1)	1,893
2,296	Jean Kincaid Grieve Endowment	152	(2)	(1)	2,445
1,732	Jedburgh Public Library Fund	72	(1)	(1)	1,802
838	John Jamieson Prize Fund	55	(1)	(1)	891
705	Kelso Library Book Fund	29	(0)	(1)	733
809	Kennedy Medal Fund	56	(1)	(0)	864
1,896	Kenneth Cochrane Library Fund	78	(1)	(2)	1,971
5,684	F W Dobson VC	536	(767)	(4)	5,449
1,130	Mary Dickson Prize Fund	90	(1)	(1)	1,218
1,041	Mr & Mrs W F Johnstone Fund	65	(1)	(1)	1,104
1,236	Mrs Clelland Memorial Prize	81	(1)	(1)	1,315
3,949	Murray Medal Fund	306	(4)	(3)	4,248
298	Peebles Public Library	13	(0)	(0)	311
27,776	Peeblesshire Educational Trust	3,356	(447)	(21)	30,664
134,904	Roxburghshire Educational Trust	14,700	(3,452)	(93)	146,059
1,461	Special Air Service Reg. Fund	135	(2)	(1)	1,593
4,061	Selkirk Library Fund	168	(2)	(3)	4,224
12,521	Selkirkshire Educational Trust	1,838	(826)	(11)	13,522
14,622	Sir Walter Leitch Scholarship	4,865	(1,068)	(14)	18,405
1,621	Walter Geddes Prize Fund	104	(1)	(1)	1,723
<b>295,103</b>		<b>36,014</b>	<b>(13,708)</b>	<b>(206)</b>	<b>317,203</b>

## 9 Related Party Transactions

Due to the nature of the operations and composition of the SBC Charitable Trusts (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	48

**INDEPENDENT AUDITOR'S REPORT**

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

## ADDITIONAL INFORMATION

### Contact Details

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

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

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

**BRIDGE HOMES LLP**  
**Registration Number: SO304775**

FOR THE YEAR TO 31 MARCH 2022

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## MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2022.

### Reference and Administrative Information

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

### Designated Members

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

Scottish Borders Council

Scottish Future Trust Investments Ltd

Scottish Borders Council has two votes and Scottish Futures Trust has one vote as per the Members Agreement resulting in Scottish Borders Council having controlling share of the LLP.

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

**Auditor** KPMG LLP  
20 Castle Terrace  
Saltire Court  
Edinburgh  
EH1 2EG

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 prompted concerns regarding potentially adverse impact on 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. In order to enhance scrutiny of this potential risk, 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. Repairs performance and rental income collected have been closely monitored and remained at a high level, and have not been proven to be matters of concern.

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. The terms of The Local Authority Variant model means that Bridge Homes LLP tenants did not have the option to purchase. Eildon Housing Association has previously expressed a willingness to collaborate with the Council and Scottish Futures Trust to explore ways to transfer all of the the LLP's housing stock to the Association, thereby retaining the homes in the affordable housing sector in perpetuity, and enabling existing tenants to continue living in their homes.

Council Officers consequently met with their 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. The experience gained by Scottish Futures Trust and Scottish Government / More Homes Division and Housing Policy staff from previous LLP disposals helped progress the thinking regarding how best to progress the Bridge Homes LLP disposal.

Slippage in spend across the National and Scottish Borders Affordable Housing Supply Programmes [AHSP] early in 2021/22, presented the ideal opportunity to grant assist the disposal of Bridge Homes LLP housing stock to Eildon Housing Association.

Discussions between the stakeholders confirmed a willingness to agree a plan and process to transfer the houses to Eildon HA if it could be achieved by 31 March 2022. This was critical since this would ensure that the Association would secure AHSP grant to assist them purchase the homes.

The proposed disposal to the Association was agreed by the meeting of Scottish Borders Council on 16 December 2021, and subsequently by the Board of the LLP on 17 January 2022. This cleared the way for the disposal strategy to be successfully implemented, with the transfer to the Association settling on 25 March 2022 as planned.

Since settlement date, Scottish Futures Trust and Council staff have been working on progressing payment of a small number of residual outstanding invoices relating to activity and responsibilities prior to 25 March 2022. This has been assisted by Orchard and Shipman's cooperation with the ending of their managing agent role.

**David Robertson CPFA**  
**Designated Member**  
**Scottish Borders Council**  
**27 June 2022**

## 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 AND OTHER COMPREHENSIVE INCOME

### for the year ended 31 March 2022

2020/21		2021/22	Notes
£		£	
275,055	Turnover	247,983	1
(70,666)	Cost of Sales	(79,311)	2
<b>204,390</b>	<b>Gross Profit</b>	<b>168,672</b>	
(14,023)	Administrative Expenses	(16,285)	3
0	Revaluations	0	
<b>190,366</b>	<b>Operating Profit</b>	<b>152,387</b>	
(110,873)	Interest Payable & Similar Expenses	(109,640)	4
	Loss On Disposal of Property	(42,889)	
	Realised Gain on Property	282,262	
<b>79,493</b>	<b>Profit For The Financial Year Available For Discretionary Division Among Members</b>	<b>282,120</b>	<b>5</b>
140,000	<b>Other Comprehensive Income</b> Revaluation Gain/(Loss) on Property	0	
<b>219,493</b>	<b>Total Comprehensive Income</b>	<b>282,120</b>	

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

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

## BALANCE SHEET as at 31 March 2022

2020/21		2021/2022		Notes
£		£	£	
<b>7,877,889</b>	<b>Fixed Assets</b>			
	Property, Plant and Equipment		<b>0</b>	5
	<b>Current Assets</b>			
37,249	Debtors	67,508		6
298,710	Cash at Bank	321,822		
<b>335,959</b>		<b>389,330</b>		
	<b>Creditors</b>			
<b>(25,438)</b>	Amounts falling due within 1 year	<b>(36,062)</b>		7
<b>310,520</b>	<b>Net Current Assets</b>		<b>353,268</b>	
<b>8,188.409</b>	<b>Net Assets attributable to Members</b>		<b>353,268</b>	
	<b>Represented By:</b>			
<b>5,611,982</b>	Loans and Other Debts due to Members		<b>0</b>	8
	<b>Members' Other Interests</b>			9
894,002	Capital Account	2		
71,146	Profit and Loss Reserve	353,266		
1,611,279	Revaluation Reserve	0	<b>353,268</b>	
<b>8,188.409</b>	<b>Total Members' Interests</b>		<b>353,268</b>	

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

These financial statements were approved by the members and authorised for issue on XX June 2022 and are signed on their behalf by:

**David Robertson CPFA**  
Designated Member  
Scottish Borders Council  
27 June 2022

Company Registered Number: SO304775

## CASH FLOW STATEMENT for the year ended 31 March 2022

2020/21 £		2021/22 £
	<b>Reconciliation of Profit to Net Cash Flow from Operating Activities</b>	
79,493	Profit for the Financial Year	282,120
110,873	Adjustments to Profit for Non Cash Movements	(129,733)
15,625	(Increase)/Decrease in Debtors	(30,259)
(735)	Increase/(Decrease) in Creditors due within 1 year	10,624
<b>205,256</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>132,752</b>

2020/21 £		2021/22 £
	<b>Cash Flow Statement</b>	
	<b>Net Cash Inflow from Operating Activities</b>	<b>132,752</b>
<b>205,256</b>	<b>Investing Activities</b>	
	Disposal of Investment Properties	7,835,000
	<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>7,835,000</b>
	<b>Financing Activities</b>	
	Sales Proceeds Transferred	(1,329,000)
	Capital Repayment	(894,000)
	Loan Repayment	(5,611,982)
(110,873)	Interest Payable	(109,640)
<b>(110,873)</b>	<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>(7,944,640)</b>
<b>94,383</b>	<b>Increase/(Decrease) in Cash</b>	<b>23,112</b>
<b>94,383</b>	<b>Movement in Cash in Period</b>	<b>23,112</b>

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

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2022

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2021	894,002	71,146	1,611,279	5,611,982	<b>8,188,409</b>
Profit For The Year					
Available for Discretionary Division Among Members	0	282,120	0	0	<b>282,120</b>
Repaid to SBC	(894,000)			(5,611,982)	<b>(6,505,982)</b>
Revaluations	0	0	(1,611,279)	0	<b>(1,611,279)</b>
<b>Balance at 31 March 2022</b>	<b>2</b>	<b>353,266</b>	<b>0</b>	<b>0</b>	<b>353,268</b>

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2020	894,002	(8,344)	1,471,279	5,611,982	<b>7,968,917</b>
Profit For The Year					
Available for Discretionary Division Among Members	0	79,493	0	0	<b>79,493</b>
Revaluations	0	0	140,000	0	<b>140,000</b>
<b>Balance at 31 March 2021</b>	<b>894,002</b>	<b>71,146</b>	<b>1,611,279</b>	<b>5,611,982</b>	<b>8,188,409</b>

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

## 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 2019) issued by the CCAB (Consultative Committee of Accountancy Bodies).

### Going Concern

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

As at 31 March 2022, as a result of the sale of properties to Eildon Housing Association, the drawn down amounts under the facility agreement have been repaid.

The Members have undertaken a going concern assessment. The LLP is forecast to have adequate working capital to execute its operations over the next 12 months from the date of approval of the financial statements.

As such, the Members consider that the LLP has adequate resources to continue in existence for the foreseeable future. As a result, the Members continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Accruals of Income and Expenditure

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

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

### Turnover

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



### **Tangible Fixed Assets**

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

With the sale of the Properties, Bridge Homes no longer has fixed assets reported on the Balance Sheet as at 31<sup>st</sup> March 2022.

### **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).

### **Accounting estimates and judgments disclosure note**

The Annual Accounts no longer contain estimated figures that are based on assumptions made by Bridge Homes about the future or that are otherwise uncertain.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Turnover

2020/21 £		2021/22 £
275,055	Rental Income/Grant	247,983
<b>275,055</b>		<b>247,983</b>

### 2 Cost of Sales

2020/21 £		2021/22 £
68,314	Management Charges	76,606
669	Insurance	866
876	Landlord Registration	0
(152)	Other	879
960	Utilities	960
<b>70,666</b>		<b>79,311</b>

### 3 Administrative Expenses

2020/21 £		2021/22 £
543	Accountancy and Legal	685
13,480	Audit	15,600
<b>14,023</b>		<b>16,285</b>

### 4 Interest Payable & Similar Charges

2020/21 £		2021/22 £
49	Bank Charges	30
110,824	Interest Payable to Local Authority	109,610
<b>110,873</b>		<b>109,640</b>

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

2020/21 £		2021/22 £
7,737,889	NBV at 31 March 2021	7,877,889
0	Sale of Properties	(7,835,000)
140,000	Revaluation Losses charged to the Profit & Loss Account	(42,889)
	Revaluation Gains/(losses) charged to the Revaluation Reserve	0
<b>7,877,889</b>	NBV at 31 March 2022	<b>0</b>

**6 Debtors**

2020/21 £		2021/22 £
27,264	Unpaid Rental Income	56,282
9,985	Grant for Central Support Costs	10,184
0	Other Debtors/Prepayments	1,041
<b>37,249</b>		<b>67,508</b>

**7 Creditors: Amounts Falling Due Within One Year**

2020/21 £		2021/22 £
2,454	Management Charges	6,046
0	Repairs & Maintenance	6,832
0	Utilities	0
13,000	Audit	13,000
2,492	Accountancy	2,542
3,234	Legal Fees	3,299
4,259	Miscellaneous	4,344
<b>25,438</b>		<b>36,062</b>

**8 Loans & Other Debts Due To Members**

2020/21 £		2021/22 £
5,611,982	Loan from Local Authority	0

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

2020/21 £		2021/22 £
1	Initial Capital - Scottish Borders Council	1
1	Initial Capital – Scottish Futures Trust Investments Ltd	1
894,000	Capital Grant - Scottish Borders Council	0
<b>894,002</b>		<b>2</b>

## 10 Related Party Transactions

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

	Transaction  £	Debtor/ (Creditor) At 31 March 2022  £
<b>Loan</b>	(5,611,982)	0
<b>Capital Grant</b>	(894,002)	2
<b>Revenue Grant</b>	10,184	10,184
<b>Service Charge</b>	(10,184)	(10,184)
<b>Disposal Proceeds</b>	(1,329,017)	
<b>Loan Interest</b>	(109,610)	0
	<b>(7,944,611)</b>	<b>2</b>

## 11 Ultimate Controlling Party

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

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

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## CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

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



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# **MEMBERS' REPORT AND FINANCIAL STATEMENTS**

**LOWOOD TWEEDBANK LTD**

**Charity Registration Number: SC615148**

**For the year ended 31 March 2022**

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## Reference and Administrative Information

<b>Company Name</b>	Lowood Tweedbank Limited
<b>Company Registration Number</b>	SC615148
<b>Registered Office</b>	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

### Designated Members

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

Scottish Borders Council

### 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 2022

	2021/22	Notes
Turnover	42,643	1
Cost of Sales	(42,643)	2
<b>Gross Profit</b>	<b>0</b>	
<b>Operating Profit</b>	<b>0</b>	

## BALANCE SHEET as at 31 March 2022

	2021/2022		Notes
	£	£	
<b>Fixed Assets</b>		0	
<b>Current Assets</b>			
Debtors	1		3
Cash at Bank	37,055		
<b>Creditors</b>			
Amounts falling due within 1 year	(37,055)		4
<b>Net Current Assets</b>		<b>1</b>	
<b>Net Assets attributable to Members</b>		<b>1</b>	
<b>Represented By:</b>			
Capital Account	1		5
Profit and Loss Reserve	0		
<b>Total Members' Interests</b>		<b>1</b>	

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

For the financial year 2021/22 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 2021/22 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 27<sup>th</sup> June 2022.

**David Robertson CPFA  
Designated Member  
Scottish Borders Council  
27<sup>th</sup> June 2022**

**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

	2021/22 £
Rental Income	42,643
	<b>42,643</b>

### 2 Cost of Sales

	2021/22 £
Rental Income paid to Scottish Borders Council	(37,055)
Property Repairs and Maintenance Costs	(5,586)
Bank Charges	(2)
	<b>(42,643)</b>

### 3 Debtors

	2021/22 £
Unpaid Rental Income	0
Share Issue	1
	<b>1</b>

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

	2021/22 £
Unpaid Rental Income due to Scottish Borders Council	(37,055)
	<b>(37,055)</b>

### 5 Members' Capital

	2021/22 £
Initial Capital - Scottish Borders Council	1
	<b>1</b>

## 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](mailto:sdouglas@scotborders.gov.uk)

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Contact us at Suzy Douglas, Financial Services Manager, Financial Services,  
Council Headquarters, Newtown St Boswells Melrose TD6 0SA  
Tel: 01835 825881 Fax: 01835 825011 or email: [sdouglas@scotborders.gov.uk](mailto:sdouglas@scotborders.gov.uk)

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# Local government in Scotland

# Overview 2022

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ACCOUNTS COMMISSION 

Agenda Item 15

Prepared by Audit Scotland  
May 2022

# Who we are

## The Accounts Commission

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

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

### Our work includes:

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

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

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

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# Key messages



## 1. Councils have had a very difficult year

Alongside the ongoing response to the pandemic, councils have faced challenges in recovering services, dealing with increased demand and backlogs, and meeting community needs and expectations. This has taken place against a backdrop of long-standing pressures such as increased demand from an ageing population and rising poverty.



## 2. The challenging context means collaborative leadership is more important than ever

Councils are operating in a difficult and uncertain strategic context and face longer-term financial pressures, a lack of certainty and flexibility over long-term funding, and the prospect of major service reforms. This challenging context needs local government leaders skilled in effective strategic thinking, decision-making and collaborative working, and able to learn lessons from new ways of working. Collaborative leadership is more important than ever as councils work with partners, communities, and citizens to support recovery and improve outcomes.



### 3. Pressure on the local government workforce continues

Councils are continuing to experience high absence levels. Impacts on staff wellbeing and skills shortages, particularly in front-line workers, have also been noted. A resilient workforce is critical to the ongoing response to Covid-19 and the recovery of services. Workforce plans will need to be updated, considering lessons learned from new ways of working. Wellbeing support for the workforce must also continue.



### 4. The impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality

Councils have worked hard and adapted to maintain service delivery but not all services are back at pre-pandemic levels so those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal supports those most affected and addresses inequalities. Recovery and renewal should also reflect the wider ambitions of the public service reform agenda.



### 5. The early response showed what could be achieved by working closely with communities and the voluntary sector

This momentum may be lost if communities and the voluntary sector are not involved in shaping recovery. Flexible governance and decision-making structures will be needed, as will opportunities for more local participation.

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### 6. Improvements are needed in data availability, tools and skills to support performance monitoring, strategic decision-making and planning service improvements

Data has been important in guiding the response to the pandemic but there are key areas where a lack of data could hamper recovery, such as unmet needs, service demands and backlogs. Data is a key tool in tackling inequality but there are gaps in equality data, particularly at a local level.



# Key facts



**32**

**Councils**



**5.5 million**

People served by councils



**213,000**

**Workforce**

Local government workforce FTE Q4 2021. 2.4 per cent increase since Q4 2020



**£13.8 billion**

**Budget**

Net expenditure budget for 2021/22



**1.3 million**

**Covid-19 cases**

Cases between Mar 2021 and Feb 2022



**£0.5 billion**

**Lost income**

Estimated loss of income from customers and clients in 2020/21



**Inequality**

**24 years less**

Healthy life expectancy in most deprived areas compared to less deprived areas

**24.3 per cent**

Children living in poverty in 2019/20 (most recent year available)



**Financial hardship**

**8.8 per cent**

Rent arrears as a per cent of rent due at Dec 2021. Up from 7.3 per cent in 2019/20 (pre-pandemic)

**132,435**

Claimant count Feb 2022. Still above pre-pandemic levels



**Support**

**30 per cent**

Increase in Discretionary Housing Payment budget since 2019/20 (pre-pandemic)

**£600 million**

Value of business support grants administered 2021/22

**56,205**

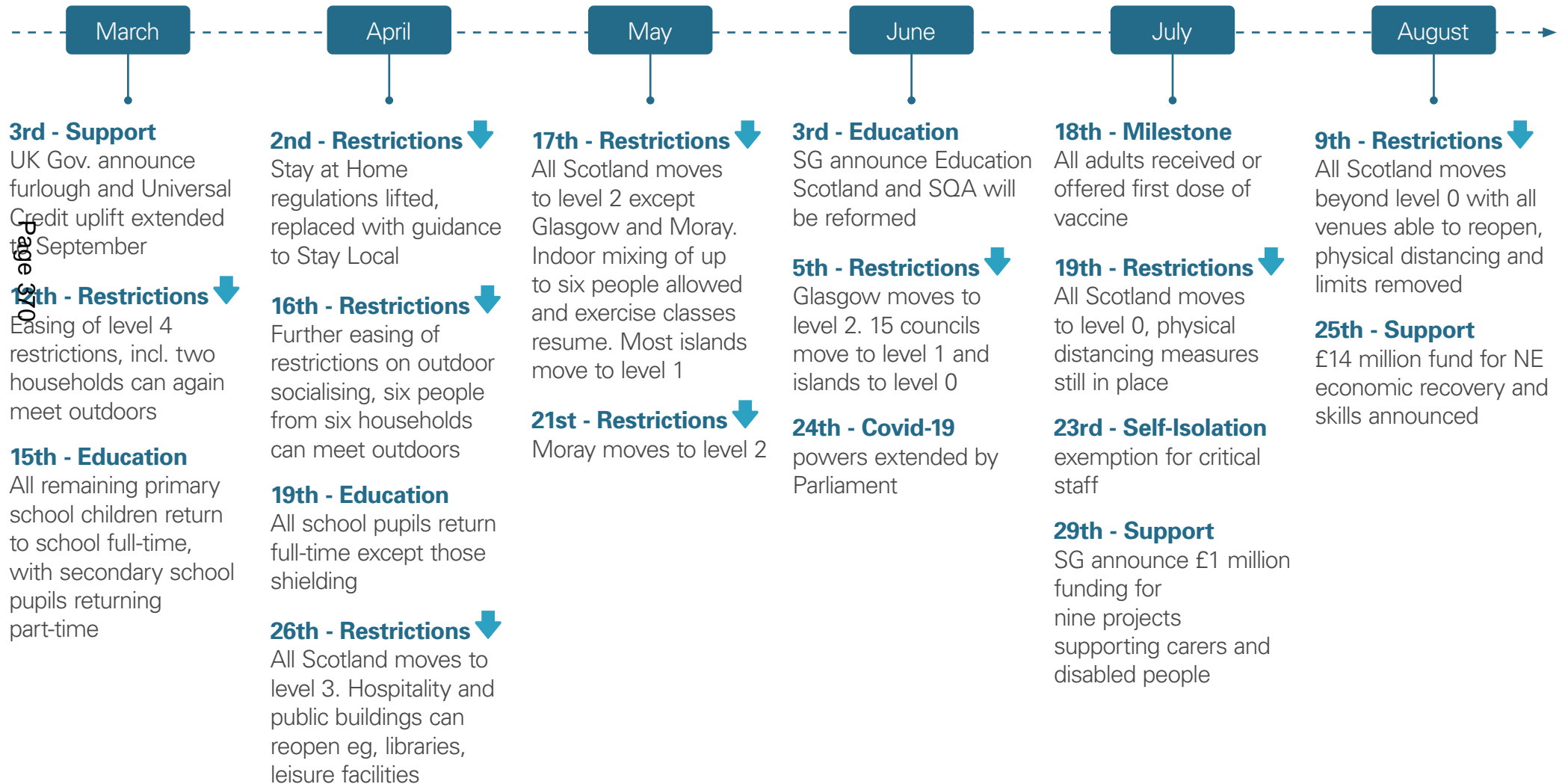
Self-isolation grants awarded at end Nov 2021 (started 12 Oct 2020)

**491,016**

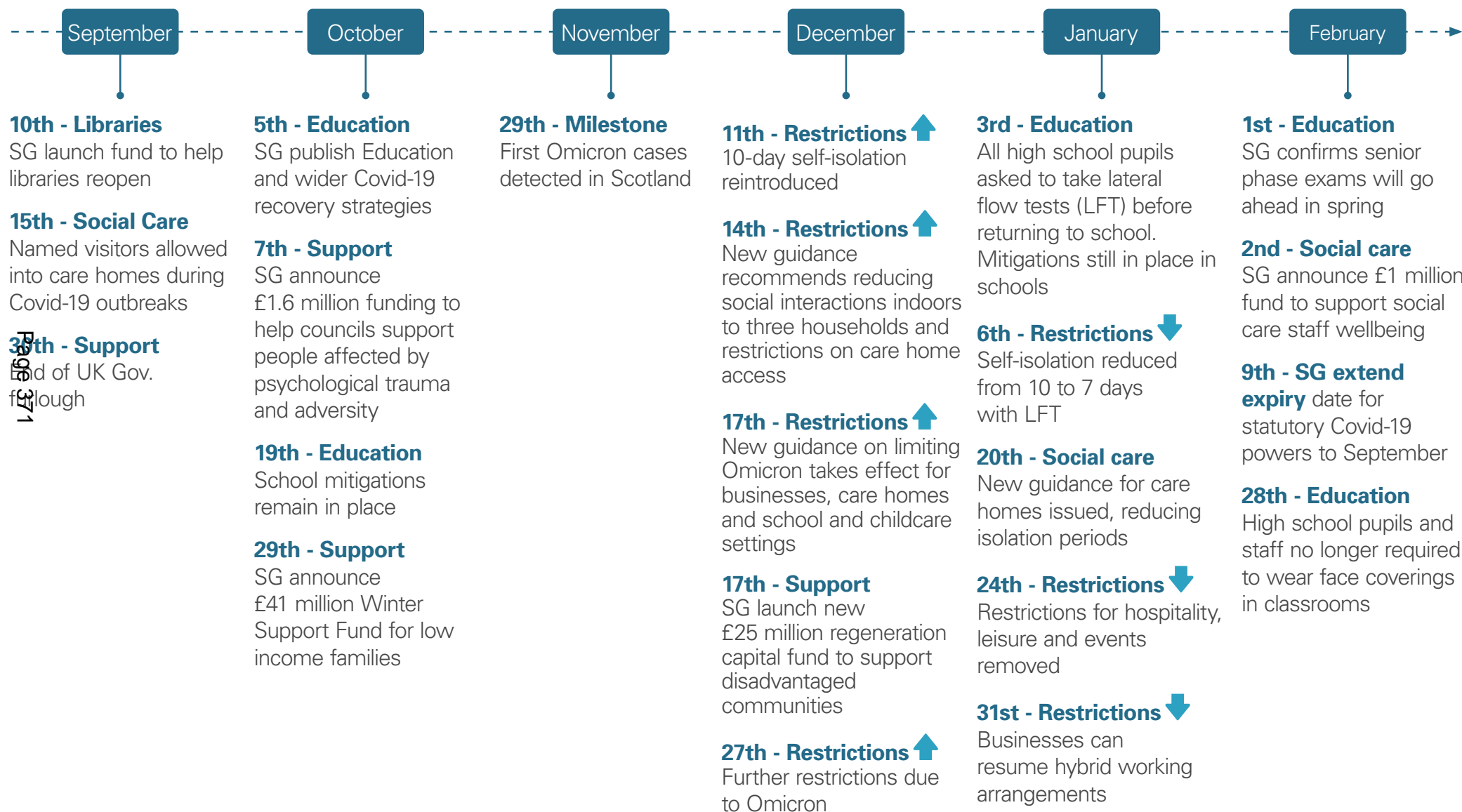
Number of Helpline calls and texts (includes Test and Protect), Mar 2021 to Feb 2022

# Timeline

## Covid-19 restrictions and key events between March 2021 and February 2022



## Timeline continued



Source: SPICE (Scottish Parliament Information Centre), Scottish Parliament

# Background

## Reporting on the impact of Covid-19 on local government

### Our strategic approach to covering Covid-19 in local government overview reporting

1. In August 2020, we set out a strategic medium-term approach to reflect Covid-19 in future local government overview reporting.
2. The first report in the series, [Local government in Scotland: Overview 2021](#), considered the initial response phase of the pandemic from March 2020 to February 2021. This included:
  - the initial emergency response and the impact on council services, how councils and their workforce were working in new ways, and how collaboration with communities and partners had been vital
  - the continued financial challenges councils face, and how councils were starting to plan for recovery and learn lessons from responding to the pandemic.
3. Future reporting will cover further progress towards recovery and renewal and examine the longer-term impact of the pandemic.
4. An in-depth financial overview of the sector complements each local government overview. This year's report, [Financial overview 2020/21](#), was published in March.

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### This report:

- is the second in the series of reports that reflects the evolving and long-term nature of the impact of the Covid-19 pandemic
- considers the second year of the pandemic from March 2021 to February 2022, with data and information correct as at the end of February 2022. We attempted to use this timeframe for all data but where it was not possible the most recent available was used instead
- builds on last year's overview report and assesses:
  - the ongoing impact of Covid-19 and councils' progress towards recovery and renewal
  - how councils are positioned to address long-term priorities including climate change, inequality and public service reform
  - how effectively council leadership is managing recovery and renewal
- includes exhibits and case studies throughout to illustrate issues and practice across councils
- The findings of this report are drawn from the range of local and national audit work carried out during the year as well as specific research and analysis of available data and intelligence.

# Progress towards recovery and renewal

Councils have had a difficult year. Alongside continuing to respond to Covid-19 they have been planning and recovering services and renewal in an increasingly complex and uncertain environment.

5. As we began scoping this year's overview, we hoped that the second year of the pandemic would be about recovery and returning to normal. That has not been the case. Covid-19 has continued to have a significant impact on all aspects of daily life.

6. Councils too have had a difficult year. They have moved on from the immediate emergency response of year 1, but they have had to continue to respond to Covid-19 – managing restrictions and mitigation measures, providing support to communities, and operating differently – while also recovering services and planning renewal in a complex and uncertain environment. The [timeline \(pages 8 and 9\)](#) shows the complexity as councils moved in and out of restrictions throughout the year and different programmes of support were introduced.

7. Recovery and renewal are not about returning to the pre-pandemic status quo. The process of recovery and renewal includes directing resources to help ensure that services can restart and are reshaped to meet the new needs of the local area, to address the harm caused by the pandemic, to support economic recovery, to empower communities, to address inequalities, and to tackle key priorities including climate change, growing poverty, and the long-standing need for public service reform.

8. We have structured this report around three main themes on which progress towards recovery and renewal depends. Leaders need to consider how well their council is:

## Responding to the external environment:

climate change, reform, financial pressures, Brexit, demographic change



## Organising the council:

leadership, resources, workforce



## Meeting local needs:

inequality



Shaped by engaging with communities and collaboration



# Responding to the external environment

As councils continue to plan their recovery from Covid-19 and renewal they need to tackle key priorities including climate change, poverty, and the long-standing need for public service reform.

## Councils have to respond to a large and complex programme of reform and the impacts of departure from the EU

### Social care reform

**9.** The Accounts Commission together with the Auditor General for Scotland recently reported on the huge challenges that face the social care sector in Scotland in their [Social care briefing](#). Increasing demand, severe workforce pressures and limited progress in service improvement and reform are affecting the sustainability of services. Action is needed now to address these issues.

**10.** Scottish Government proposals for a new National Care Service are still at an early stage but will have a substantial impact on local authorities' responsibilities. Such a significant programme of reform brings challenges and risks. Reform in other areas of the public sector has shown that expected benefits are not always clearly defined, and even when they are, they are not always delivered.<sup>1</sup> Focusing on such a major transformation will also risk a diversion from tackling the immediate challenges within the social care sector. For local government there is uncertainty about the destination of the policy, and concern over a loss to local empowerment and funding for councils.

### Brexit

**11.** The UK's departure from the European Union is exacerbating the challenges councils face. The Trade and Customs Agreement (TCA) between the United Kingdom and the European Union has imposed new tariff and non-tariff barriers in stages from 1 January 2021. This represents a further supply shock to the United Kingdom's economy in addition to Covid-19 and the rise in global energy prices. Councils are facing higher prices and shortages of key resources, for example construction materials and labour shortages particularly in the construction and care sectors. There is also uncertainty around the loss of EU structural funds and their replacement. There is a reported lack of understanding about how the Shared Prosperity Fund, due to launch in 2022, will work for councils, and what its relationship will be to the Community Renewal Fund and the Levelling-Up Fund.<sup>2</sup>

**12.** It is difficult to untangle the combined impacts of Brexit and Covid-19. Councils remain uncertain about the long-term effect of EU departure and are continuing to monitor impacts on the labour market including staff shortages, access to funding, and on business.

## Climate change

**13.** Councils recognise that climate change is an urgent issue. They have committed to taking action to achieve net zero, but clearer plans are needed to achieve it.



### Climate change – policy spotlight

Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than COVID'.<sup>3</sup> However, there is no universally shared understanding of what declaring a climate emergency means in practice and there is variation in policy and practice across councils. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action.<sup>4</sup>

Councils' ambitions for how and when they will achieve net zero or other emissions reductions targets are varied, but all are either on or before the Scottish Government's national target year of 2045. Council recovery plans have climate change as a theme with commitments such as providing active travel routes in communities, installing electric car charging infrastructure, and pushing forward plans for low-emission zones.

Source: Audit Scotland

We, together with the Auditor General, set out our joint approach to auditing climate change in October 2021 in [Auditing climate change: An update \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/auditing-climate-change-an-update). It reported that while public bodies, including councils, have declared a climate emergency, there are questions around definitions of net zero and the robustness of plans. It also highlighted the importance for bodies in tackling adaptation and resilience to reduce the impact of climate change that has already taken place, the need for investment to achieve net zero, the critical role for the public, and the need for strong partnership working and public sector leadership.

Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic. We will be reporting on the approach that councils are taking to meet their climate change ambitions in late summer 2022.

## The impact of the pandemic sits against a backdrop of long-standing and growing demographic pressures and a growing cost of living crisis that will affect demand for council services

**14.** The overall population is projected to fall over the next 25 years.<sup>5</sup> The trend is towards an ageing population and the proportion of those aged over 65 will increase. The latest data shows that overall life expectancy has fallen as has healthy life expectancy. Deprivation has a big impact on both.<sup>6 7</sup>

**15.** Poverty rates have been rising in recent years, with the highest rates among children. The proportion of children living in poverty (after housing costs) has increased from 21.6 to 24.3 per cent since 2013/14, including a 1 percentage point increase in the most recent year in which data is available.<sup>8</sup> This trend is seen across all 32 councils but in recent years poverty rates have increased at a faster rate in councils with lower levels of deprivation.

**16.** Increasing financial hardship is expected as the cost of living rises rapidly, with the greatest effects felt by those already experiencing poverty. Energy Action Scotland estimate that in 12 council areas over 40 per cent of households will live in fuel poverty after April's energy price rises. Eileanan Siar is forecast to be the worst affected area with an estimated 57 per cent of households living in fuel poverty.<sup>9</sup>

## Challenges for councils

**17.** Planning to respond to these longer-term issues is difficult. Funding levels continue to be uncertain because of short-term funding cycles, ring-fenced funding and uncertainty over how long Covid-19 funds will remain in place.

**18.** It will be challenging for councils to find the capacity and resources to respond to, influence and shape this programme to their own contexts particularly while continuing to respond to Covid-19 and deal with service backlogs and increased demand and harms arising from the pandemic. This uncertain and challenging context needs effective strategic thinking, decision-making and collaborative working from local government leaders. It also needs a resilient workforce, and a culture that promotes collaboration, innovation and wellbeing.

**19.** Councils can learn from how they responded to the pandemic – through strong partnership working, engaging with communities and focusing on vulnerabilities.





# Organising the council: leading recovery and renewal

Leaders in local government face a challenging context. As they plan for recovery and renewal it will be important that they collaborate with their partners and communities. This will need skilled leadership, learning lessons from the pandemic and working to make the best use of resources to improve outcomes.

## Councils prepared recovery plans in response to the pandemic, and leaders are now starting to plan and set out their vision and strategy as their councils navigate the uncertainties and challenges they face

Local government leaders are operating in a complex, uncertain and volatile environment, and external pressures make it difficult to plan and deliver councils' recovery from the pandemic. These include:

- uncertainty about the course the pandemic will take and its impact on operations, pivoting between response and recovery
- the impact of major public service reforms, including the proposed National Care Service
- a lack of longer-term financial settlement and limited flexibility because of ring-fenced funding.

**21.** Councils have prepared recovery plans that vary in their approach from high-level strategic statements to more detailed short-term operational plans. They have been a helpful tool for managing the early recovery phase and reinforcing the need for councils to remain flexible in a changing and volatile environment. We expect that councils will continue to refresh and refine their plans to set out more clearly how they will address inequalities, mitigate the harm caused by the pandemic, improve outcomes and monitor progress.

**22.** Recovery plans include a focus on partnership working, but leaders have an opportunity to collaborate more widely with their communities in planning for the future. This could lead to more sustainable, community-focused renewal and innovative ways of delivering services in communities.

By **leaders** we mean elected members, chief executives and the senior management team.



## Case study 1

### City of Edinburgh Council



**In response to the pandemic, the council quickly developed and implemented their Adaptation and Renewal Plan.**

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It realised that pre-pandemic working practices could not continue and might never return. It created the Now, Near, Far & Beyond programme linked to national guidance but with the ability to respond to any changes. The plan was regularly updated and aligned with the agreed City Vision 2050. Updates included a Covid-19 dashboard containing a range of public health, Covid-19 response and economic data, as well as details of decisions made at committee meetings. These were made available online to the public, via the council website, providing transparency of the council's decision-making and governance process.

Source: Audit Scotland using information from City of Edinburgh Council

**23.** Some councils have integrated their recovery plans into refreshed strategic plans, including Local Outcomes Improvement Plans, recognising the impact of the pandemic, lessons learned from the response, and the need to realign priorities. This can help councils move from response to renewal and set a roadmap for the future. Common themes in recovery plans that are being reflected in wider strategic plans include:

- New ways of working – digital technology, the workforce
- Addressing growing inequalities
- School education recovery
- Focus on health and wellbeing both in the community and workforce
- Economic recovery
- Climate emergency.

**24.** The Scottish Government published a national recovery plan in October 2021.<sup>10</sup> While most councils' recovery plans were published before this, councils will have an opportunity to consider the priorities set out in the national recovery plan as they refresh their own plans. There is also an opportunity to consider the wider public service reform agenda and how to incorporate the principles of people, prevention, performance, and partnership into their plans.<sup>11</sup>

## Current recovery plans emphasise the negative effect that Covid-19 has had on inequalities but are not clear on how planned recovery actions will improve outcomes for those most affected

25. As outlined in [paragraph 77](#), there is a lack of data on the scale of service backlogs and increased demand, and evidence of the harm caused is still emerging.

26. Councils have struggled in the past to bring about the level of change that is needed to deliver public service reform, sustainable local government, and better outcomes. Transformation programmes have been disrupted by Covid-19 at the same time as new operating models and service delivery approaches have been presented.

27. There is a risk that councils are unable to deliver the level of recovery and transformation needed with their existing resources and will have to make difficult decisions about prioritising services.

## There are good examples of councils showing leadership in tackling long-standing structural issues through new place-based initiatives such as community wealth building

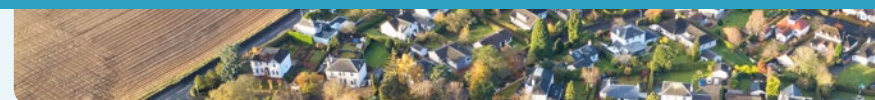
28. Following successes in England, North Ayrshire was the first council in Scotland to create a community wealth building strategy, in which the council, other public bodies and key organisations work with communities to support local economic development and tackle poverty.<sup>12</sup> Community wealth building has now been adopted by a number of councils and is part of the programme for government.

## Collaborative leadership skills have been important during the response phase and need to be maintained to meet the complex challenges ahead

29. Collaborative leadership enabled the response to the pandemic as councils worked with partners, communities and across departments. [Exhibit 1. \(page 18\)](#) outlines key leadership principles that have been important in the response phase and could further support recovery and renewal. Recent Best Value Assurance Reports have shown that not all councils have the collaborative leadership needed to drive change, and so it is particularly important that they develop the leadership skills needed in this complex and uncertain environment.

### Case study 2

## Renfrewshire Council



**Renfrewshire Council worked with partners to carry out a community impact assessment to gather information on how the pandemic has affected people in Renfrewshire.**

This included analysis of all available data, a programme of community meetings and surveys, and engagement with local partnerships on key issues affecting local communities. The findings were used to develop a social renewal plan which sets out the work the council will do with other public sector and voluntary sector partners to tackle inequality and poverty and to support families and communities in the wake of the pandemic.

Source: Audit Scotland using information from Renfrewshire Council

# Exhibit 1.

## Principles of leadership that enabled the response to Covid-19



**Communicative** – being available, engaging, honest and open. The pandemic created uncertainty that demanded more frequent communication with staff, partners, and communities. This provides assurance, uncovers issues, and enables decision-making. The shift to remote and hybrid working also demands more frequent communication.



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**Collaborative** – working with and empowering others. This was critical to the pandemic response and harnessing the resources of the community and partners. Complex problems need a ‘whole systems approach’ that works across organisational and functional boundaries and aligns objectives and outcomes.



**Emotionally intelligent** – showing empathy, understanding and dealing with the ‘whole person’. The impacts on the health and wellbeing of the workforce and communities demands greater emotional intelligence from leaders.



**Data driven** – using data and information to plan, make decisions, direct resources and monitor progress, as well as to learn from looking back. Data has been a vital tool, and leaders’ ability to use data will be important as we move into the future.



**Agile and flexible** – making decisions and working quickly to respond to emerging issues. Having a clear vision and purpose is important, but also being agile and flexible in an uncertain environment.



**Culture focused** – being open and honest, inspiring trust and respect, and having empathy are all important, as are encouraging learning, improvement, innovation and collaboration. Leaders need to focus on creating the right organisational culture.



**Enables community empowerment** – supports communities to take more control, builds effective relationships with communities, and shows strong public sector leadership on community empowerment. These can help improve outcomes and reduce inequalities.

Source: Audit Scotland

## Changes and turnover in senior officer and political leadership present a risk to councils' capacity to maintain momentum and drive forward recovery

**30.** Turnover of senior officers has been high recently with half of all council chief executives coming into post within the past four years as well as other changes to senior leadership teams in some councils over the past year. Some councils are experiencing difficulties in filling vacant senior management positions. The pandemic is reported to have led to a surge in resignations, as senior leaders and management consider their work/life balance and overall position, potentially leading to further change in the sector. The local council elections may also bring in a new cohort of elected members and changes in political leadership in councils.

**31.** This turnover in officials and elected members could bring new ideas and energy to the challenges of recovery, but it could also risk a loss of momentum, organisational knowledge and capacity and disrupt decision-making. At this time, it is important that councils establish stability in their leadership to provide strong support and guide recovery and renewal. Effective succession planning arrangements are needed so that the skills required at a senior level are developed in new and emerging leaders.



Our ['Questions for elected members'](#) checklist has been developed to help elected members in their scrutiny and decision-making roles and in working with council executives. The Improvement Service has also worked with councils to prepare induction materials that will be available for the new cohort of elected members which will help them take up their role in leading and scrutinising recovery.

## As governance structures are re-established, better information is needed on service recovery to support scrutiny and inform decision-making

**32.** Councils put in place emergency governance arrangements in the initial months of the pandemic. They have since re-established their full committee structures, albeit via online, virtual and hybrid meetings.

**33.** Public accessibility and therefore participation has changed following the shift to online and virtual meetings. All councils provide public access via either live streaming or a recording of council and committee meetings, and most councils offer both. As restrictions continue to be lifted, councils should review how their approach can best meet the needs of their citizens and make sure that no one is excluded.

**34.** Councils have taken a range of approaches to the governance of recovery and renewal, with some having recovery boards and other structures that can involve both elected members and senior managers.

**35.** It is not clear whether sufficient information on the status of, and changes in, council services is available to support scrutiny and inform decision-making. It is difficult to find update papers that clearly set out councils' progress on recovery and renewal, what demand and backlogs exist, and what changes to services are planned. Greater transparency is needed to provide assurance that proper scrutiny is in place.

## Councils recognise that they have an opportunity to learn lessons from the new ways of working and approaches to service delivery that have been put in place in response to the pandemic

**36.** Leaders need to do more to learn the lessons from the pandemic response and use this to drive longer-term recovery and renewal. Key lessons learned include the benefits of:

- collaborative working with partners and communities to respond and reshape services
- having access to and making better use of data to understand needs and plan services
- the rapid use of digital technology in service redesign
- focusing on vulnerability and inequality, including taking a ‘whole systems’ and holistic approach
- new ways of working for staff
- focusing on physical and mental wellbeing – for communities and the workforce
- promoting shared values and a caring culture (kindness)
- the opportunity to reconfigure the estate
- adopting place-based approaches.

**37.** The Improvement Service is supporting councils by updating the Public Service Improvement Framework (PSIF) to capture learning from the Covid-19 response.<sup>13</sup> It has developed several checklists and self-assessment tools that councils are starting to use.

**38.** South Lanarkshire Council pioneered the new PSIF checklists, resulting in its ‘New Ways of Working’ plan, which includes technology, maintaining the new networks and new volunteers, ‘agile’ working, and maintaining its work with partner organisations on information sharing.

## Data has been important in guiding the response to the pandemic. But improvements are needed in data availability, tools and skills to support performance monitoring, strategic decision-making and planning service improvements

**39.** Council performance reporting has been affected by the pandemic and, while councils continue to report regularly, there have been delays and inconsistencies. Comparing performance over time is difficult given the disruption to council services during the pandemic.

**40.** The Local Government Benchmarking Framework (LGBF) 2020/21 shows increasing variation in performance across councils and a level of complexity that needs careful interpretation but offers councils a rich source of intelligence to evaluate how local factors (ie, different local restrictions, patterns of demand and need, and local response and solutions) affected their performance.<sup>14</sup>

**41.** Early in the pandemic the Improvement Service developed a Covid-19 data dashboard to provide councils with up-to-date council- and Scotland-level data across 22 measures. This helps councils to monitor key aspects of their Covid-19 response and supports more immediate data-driven decision-making. Alongside the Local Government Digital Office, the Improvement Service is working to create a local government data portal.

**42.** Research by the Urban Big Data Centre found that since the beginning of the pandemic councils have experienced a rapid increase in demand for 'on the ground' information to understand their local communities.<sup>15</sup> But this is hampered by challenges including access to data, a lack of joined-up data, issues with data quality and a lack of analysts to generate intelligence from it.

**43.** The pandemic has introduced additional complexity into existing data sets, with data gaps and disruption of data collection, as well as the impact of service disruptions on data trends, making it more challenging to interpret the data. We know that councils were reporting data skills shortages before the pandemic.<sup>16</sup> It will be important for leaders to collectively drive improvements in data, in terms of not only data quality and timeliness but also building data skills within councils. This will support councils to put a performance monitoring framework in place that allows them to make strategic decisions and to plan improvements, recovery, and renewal.



# Organising the council: managing resources

Councils' finances have been significantly affected by Covid-19. The long-term funding position remains uncertain, with significant challenges ahead as councils continue to manage and respond to the impact of the pandemic on their services, finances, and communities.

## Covid-19 significantly impacted on many aspects of councils' finances in 2020/21

44. Our report [Local government in Scotland: Financial overview 2020/21](#) is the first to capture the full year effect of Covid-19 on councils' finances and explains how the pandemic and the associated lockdowns have created significant financial challenges and uncertainty.

45. Councils experienced significant additional costs, loss of income and unrealised savings as a result of the pandemic. For example, councils experienced a drop in the income generated from customer and client receipts of approximately £0.5 billion in 2020/21, from the disruption of key income streams such as cultural and community activities, car parking, school meals and trade waste disposal.

46. In 2020/21, the Scottish Government increased funding to councils by £1.5 billion to support them to deal with the impacts of the pandemic.

47. All councils reported surpluses in 2020/21, largely because of the additional funding received. Total usable reserves across Scotland increased significantly, from £2.6 billion in 2019/20 to £3.8 billion in 2020/21. However, this has artificially inflated the position. Councils are unlikely to have flexibility in how large elements of reserves can be used.

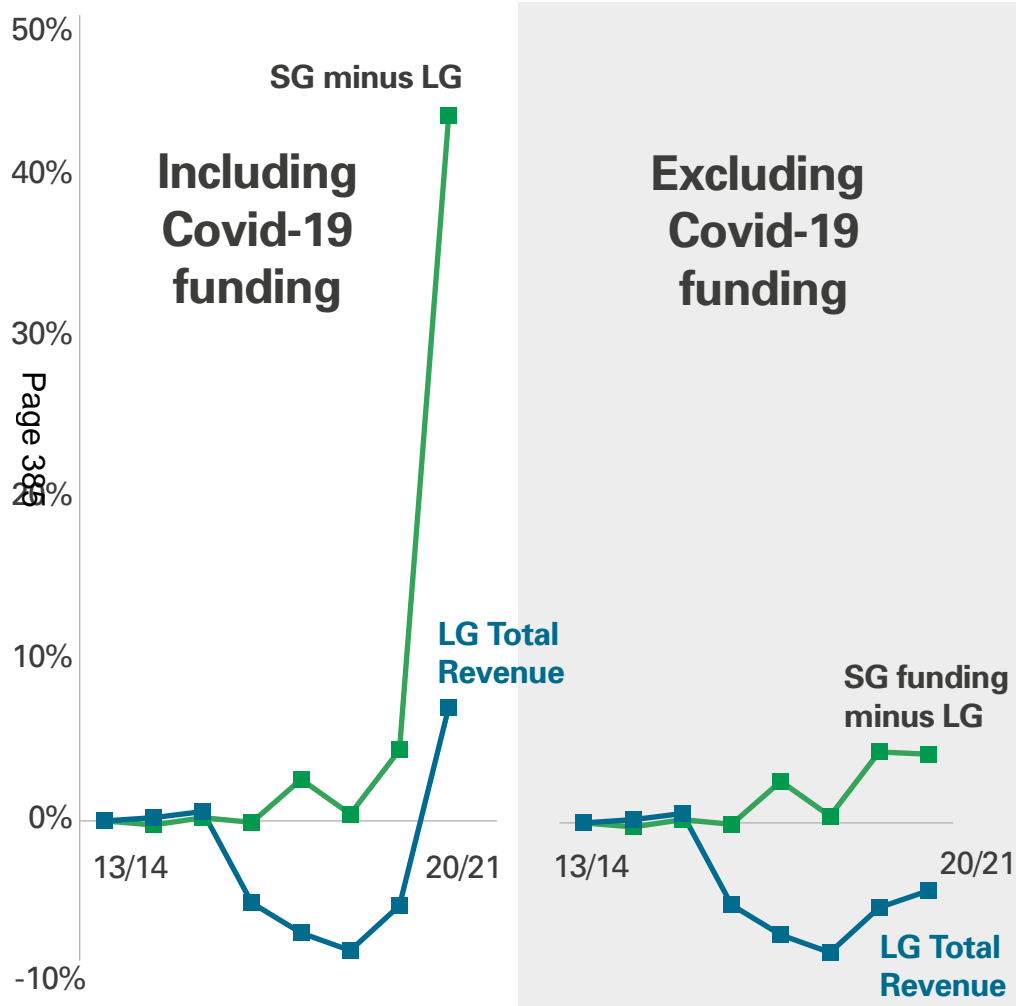
## Funding to local government has been reduced in real terms since 2013/14. The rest of the Scottish Government budget has seen an increase in funding over the same period

48. Funding from the Scottish Government to local government increased by 7.0 per cent in real terms between 2013/14 and 2020/21. However, this was because of significant additional Covid-19 funding. When this additional funding is excluded, councils' underlying cumulative funding has fallen by 4.2 per cent in real terms since 2013/14. This is in contrast to an increase of 4.3 per cent in Scottish Government funding of other areas of the budget over the same period [Exhibit 2. \(page 23\)](#).



## Exhibit 2.

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)



Source: Finance Circular 5/2021 and Scottish Government budget documents

## The ongoing absence of a multi-year financial settlement creates uncertainty for councils at a time when effective and robust financial management is crucial

**49.** The Scottish Government continues to fund councils on an annual basis. This makes it challenging for councils to plan and budget effectively for the medium and longer term, and work with partners to develop long-term plans to deliver better outcomes and address inequalities.

**50.** Managing reserves and having in place robust medium- and longer-term financial plans will continue to be key to maintaining financial sustainability.

**51.** The Scottish Government has indicated that a longer-term funding settlement for councils may be possible, however multi-year allocations were not included in the 2022/23 budget.

**52.** The Scottish Government and COSLA are currently developing a fiscal framework to determine future funding of local government. Work on the Local Governance Review also continues. These may result in additional spending powers for local government, giving communities and places greater control over the decisions that affect them most.<sup>17</sup>

## **Councils now need to review longer-term financial plans as Covid-19 uncertainty diminishes. They should ensure that financial plans are clearly linked to overarching recovery strategies**

**53.** Auditors have reported greater uncertainty in current financial planning arrangements at councils because of Covid-19. Analysis of a sample of 22 councils found 15 with a long-term plan in place. However, many of these now need to be updated to reflect current circumstances.

**54.** As the uncertainty created by Covid-19 diminishes, councils should update their longer-term financial plans and take account of their overarching recovery strategies to ensure a cohesive approach to recovery and renewal of services, finances and communities.

## **As Covid-19 funding ends, councils will need to adapt and make difficult decisions to maintain financial sustainability**

**55.** COSLA expect that councils will need to restart change programmes that have stalled, deliver savings and bring forward proposals to reduce costs. Transformation programmes will be important for councils in helping identify resources for priority areas.

**56.** Responding to the programme of reform outlined in [paragraph 10](#) further exacerbates this challenge. In addition, councils' financial outlook challenges are heightened by increasing inflation – data from the Office for National Statistics shows that this has risen to a level higher than has been seen for many years.<sup>18</sup>

## **While COSLA and the Scottish Government continue to discuss the extent of ring-fencing in the local government budget, it is clear that spending on priority areas have increased while other areas of the local government budget have faced spending cuts**

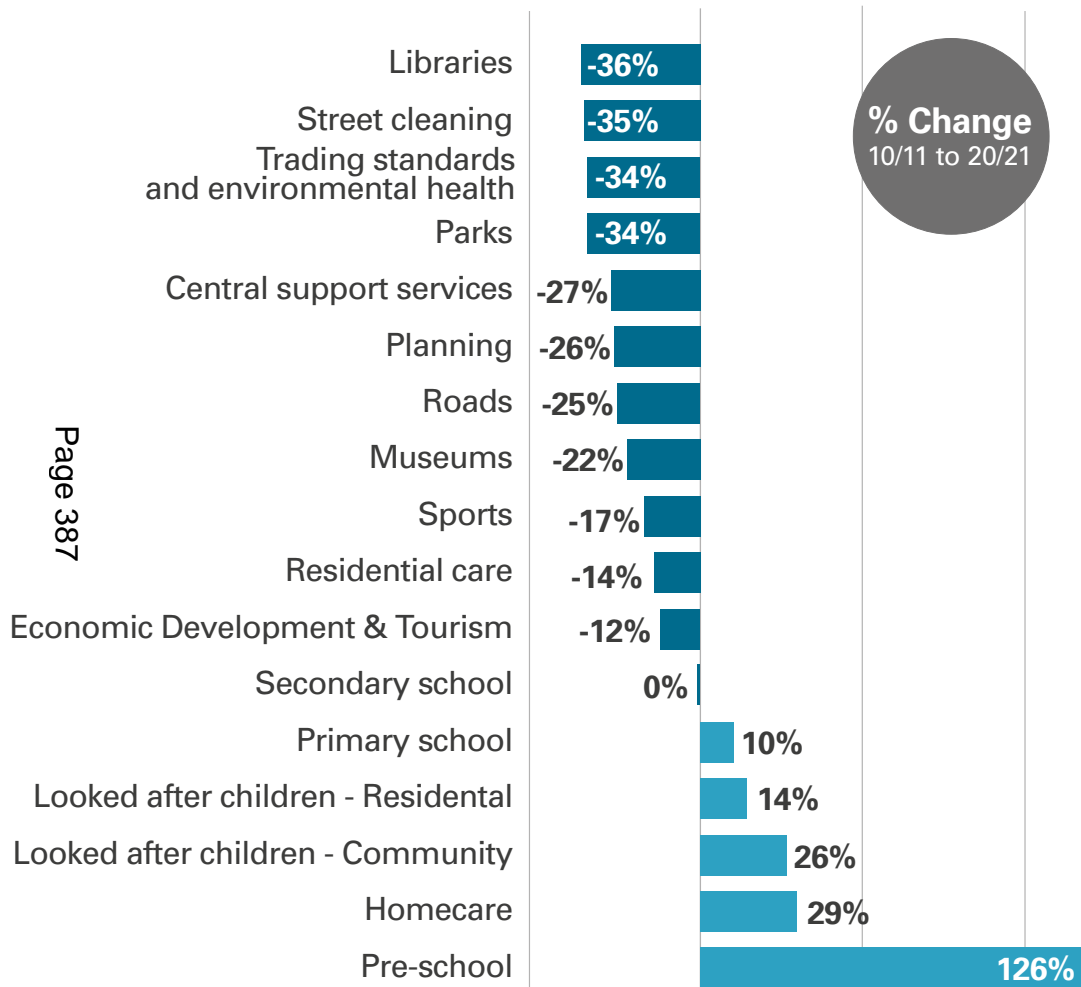
**57.** There is a significant difference between the view of COSLA and that of the Scottish Government on the extent of ring-fencing in local authority budgets.

**58.** While ring-fenced funding helps support delivery of key Scottish Government policies, such as expanding early learning and childcare services, it can constrain a proportion of the total funding and resources available to councils and removes local discretion over how these funds can be used.

**59.** [Exhibit 3. \(page 25\)](#) shows the change in revenue expenditure over the longer term 2010/11 to 2020/21 for protected and unprotected service areas. These longer-term spending reductions on areas including environmental services, culture and leisure, and corporate services, have placed these services under pressure as councils respond and recover from Covid-19.

## Exhibit 3.

Percentage change in expenditure (real terms) by service from 2010/11 to 2020/21



Source: LGBF 2020/21 data, using Audit Scotland Covid-19 adjusted methodology for calculating real terms (page 7, [Local government in Scotland: Financial overview 2020/21](#) for further detail)

## Covid-19 has impacted on capital projects and volatility in capital funding allocations could affect councils' recovery and investment plans

**60.** Auditors reported that Covid-19 had a significant impact on the delivery of capital projects in 2020/21. Capital project costs increased owing to increases in the cost of raw materials, supply chain delays and inflation associated with delayed contracts. CIPFA Local Government Directors of Finance Section notes that these cost increases have not been matched by an increase in the capital grant received.

**61.** At the same time most councils, 26 in total, reported reduced capital expenditure in 2020/21, with Covid-19 restrictions disrupting construction activity in many instances.

**62.** Capital investment is likely to play a key role in councils' recovery from Covid-19 and in particular address the impact of climate change. The local government estate, comprising buildings and vehicles, will need some modernising to deliver councils' carbon reduction targets and wider investment needed to mitigate and adapt to the impacts of climate change. Funding will need to be in place to support this.

**63.** Our [Local government in Scotland: Financial overview 2020/21](#) report notes that the local government capital settlement in 2021/22 decreased from £0.8 billion in 2020/21 to £0.6 billion, and capital funding received in recent years has been very volatile. Lack of longer-term funding settlements will again impact on councils' investment plans.

# Organising the council: managing the workforce

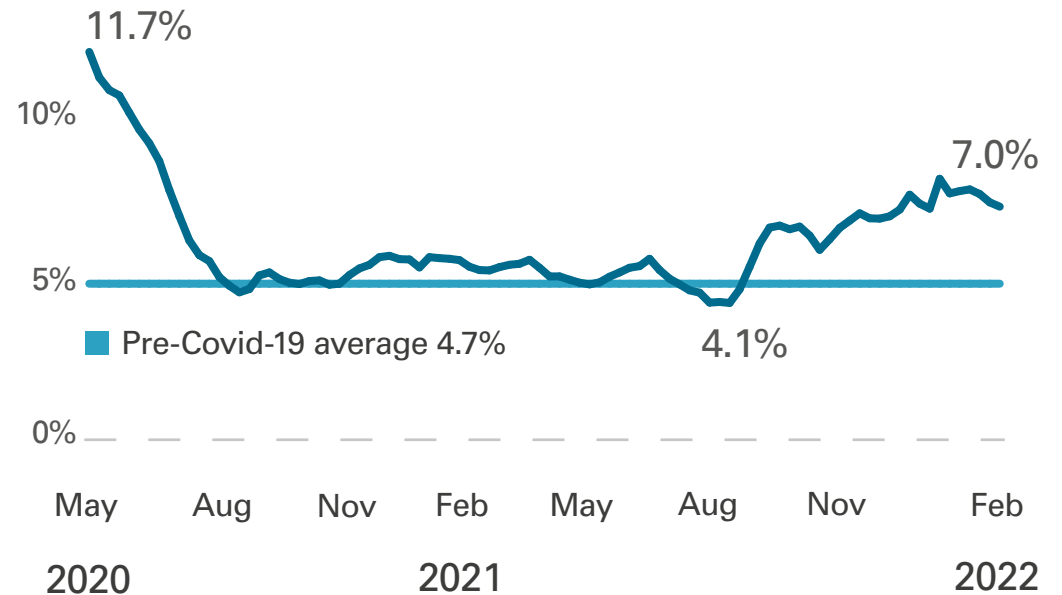
Pressure on the local government workforce continues, with high absence levels, impacts on wellbeing, particularly for front-line workers, and skills shortages in key areas. A resilient workforce is critical to the ongoing response to Covid-19 and the recovery of services. Councils will need to update workforce plans, learn lessons from new ways of working put in place, and provide wellbeing support for their staff.

## The second year of the pandemic continues to have a negative impact on the workforce and staff wellbeing

64. Council services are facing high demand, high staff absence levels from new waves of the pandemic and staff burnout from the prolonged response and recovery phase. These impacts have been felt across the workforce but particularly so in front-line community-facing roles. [Exhibit 4.](#) and [Exhibit 5. \(page 27\)](#) show that teaching and education staff absence levels peaked in December 2021 and wider staff absences also rose in the last quarter of 2021.

### Exhibit 4.

Average percentage of council staff absent during the pandemic

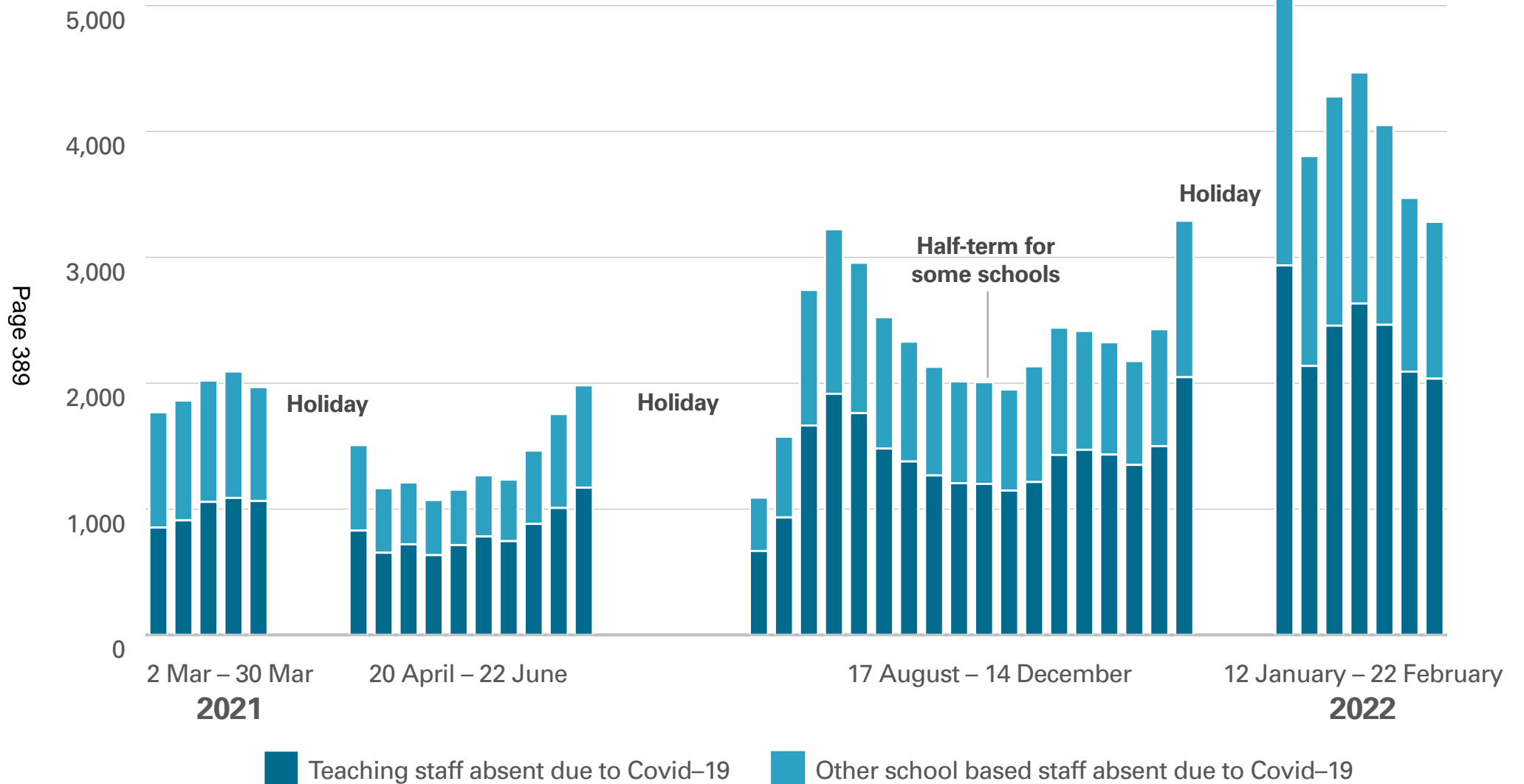


Note: Pre-Covid-19 average is based on 2018/19 data.

Source: Improvement Service

# Exhibit 5.

## Number of school staff absent March 2021 to February 2022



Source: Scottish Government Education Analytical Services

**65.** Staff wellbeing, both physical and mental, has been a prominent theme within recovery plans. Councils are making efforts to understand these issues through staff surveys and other methods, provide confidential support services, and incorporate training for stress and mental health into council training programmes ([Exhibit 6.](#))

## Exhibit 6.

### Examples of council wellbeing initiatives



Dundee City Council launched a new wellbeing support service and also gives staff access to the intranet on their own devices.



Clackmannanshire Council integrated training on stress and mental health into its corporate training calendar to increase awareness.



Argyll and Bute Council launched 'Wellbeing Wednesday'.

Source: Audit Scotland using information from councils

## Councils are facing skills shortages and recruitment difficulties in key areas

**66.** Covid-19, combined with Brexit, is exacerbating skills shortages, many of which were pre-existing ([Exhibit 7., page 29](#)). Covid-19 has had a particular impact on facilities management services because of the increased need for cleaners and a tighter labour market. HGV (Heavy Goods Vehicle) driver shortages have been affected by Brexit, as councils are unable to compete with private sector wages.

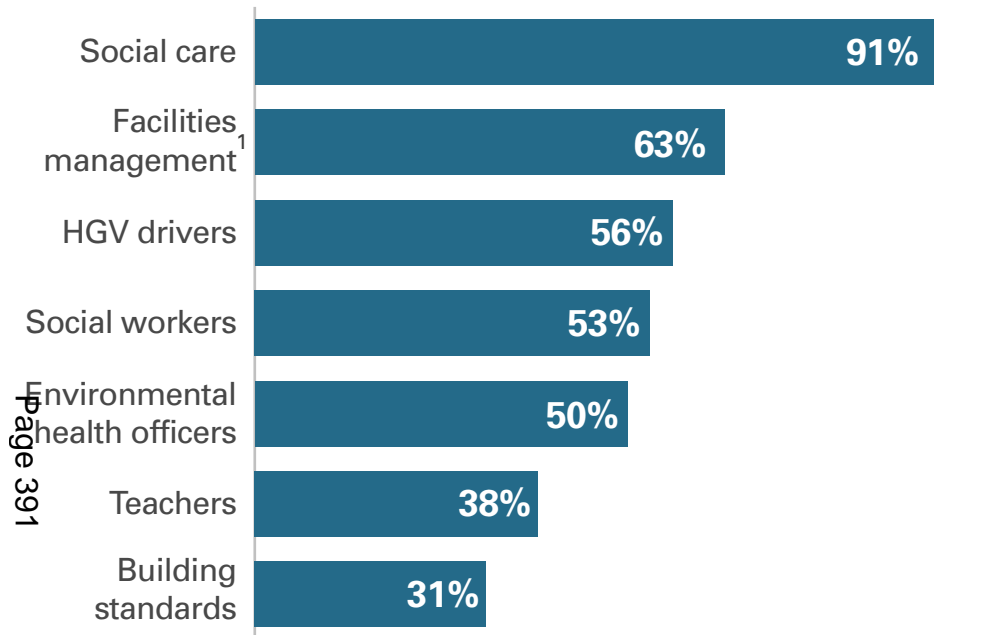
**67.** Social care faces the greatest skills shortages. Our [Social Care briefing](#) highlighted the considerable vacancy and recruitment problems facing the sector, with poor terms and conditions contributing to these issues. See [Exhibit 9. \(page 35\)](#) for further details.

**68.** Councils are changing their recruitment strategies in the face of these shortages, with more marketing, use of social media and local employability initiatives. The Scottish Government established a Fair Work in Social Care Group, in partnership with COSLA, which includes representation from local government, private sector provider groups, third sector, and trade unions. Since summer 2020 the group has been working to develop and implement recommendations regarding improving pay, terms and conditions, and effective employee voice for the social care workforce.

**69.** Councils are also seeing an increase in retirement and flexible working contributing to the skills shortage. Fifty-six per cent of councils report difficulties in recruiting to senior posts and leadership positions. Succession planning is important in this context.<sup>19</sup>

## Exhibit 7.

### Percentage of councils reporting skills shortage by occupation



Note: Facilities management includes catering and cleaning

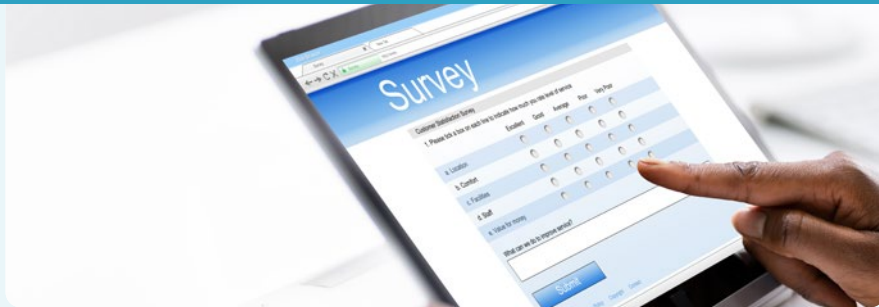
Source: Society of Personnel and Development Scotland

## Councils have adopted new ways of working

**70.** Councils have shown considerable flexibility in redeploying staff to areas of greatest priority and demand and in adopting remote and hybrid working. The shift to home working brought about by the pandemic is likely to have a longer-term impact on how councils work. Wider evidence shows that it can bring benefits for both employers and staff, but individual circumstances should be considered.<sup>20</sup>

**71.** Councils are considering how hybrid working can support their ambitions for a more flexible and adaptable workforce in future. For it to work well, councils need to provide staff with a wide range of support, including health and wellbeing support, a supportive workplace and management culture, and appropriate technology and equipment. The diverse roles in councils mean that not all staff can work remotely. It will be important for councils to continue to consult and engage with their employees, learn lessons from what has been done to date, and test new models of working as they move forward.

## City of Edinburgh Council



**The City of Edinburgh Council developed a new work strategy after receiving feedback from 6,400 employees via two surveys conducted in 2020. The surveys asked employees how the pandemic has changed the way they work and how they would like to work in the future. The responses made it clear that staff want to retain a more flexible approach to work in future.**

'Our Future Work Strategy' outlines three trials to explore new ways of working. Two of the trials are about adapting current office space to best fit a future of hybrid working. The third trial is of a longer-term plan to develop local offices that would enable staff to work close to where they live, reducing the need for commuting. The council believes that investing in local working and following the principle of '20-minute neighbourhoods' will contribute to reducing emissions locally, and so help Edinburgh achieve its target of becoming a net-zero city by 2030.

Source: Audit Scotland using information from City of Edinburgh Council

## The pandemic has made workforce planning both more difficult and more necessary

**72.** Workforce planning is developing in councils. Some have plans that are linked to wider strategic plans as well as individual service plans, while other councils' workforce plans are more limited.

**73.** As a result of the pandemic, councils have had to respond to short-term pressures, but they need to plan for longer-term resilience in the workforce. Some councils have started to update their plans to reflect more flexible and remote ways of working and to focus on wellbeing.

**74.** There are common recruitment pressures across councils, as detailed above, but these are changing more frequently as the pandemic affects the wider labour market. Some councils are 'growing their own talent' by improving modern apprentice programmes and creating new internal recruitment and movement of staff across the council or new talent programmes.

**75.** Councils report that they lack resources to support workforce planning and are collaborating and sharing practice to make improvements.<sup>21</sup> Joint working through the Improvement Service and the Society for Personnel and Development Scotland is allowing common challenges and practice to be shared. The Improvement Service has provided tools for councils to develop workforce plans.<sup>22</sup> It is vital for councils to share lessons learned and to use them to inform their revised plans.



# Organising the council: recommendations



## Actions for leadership

- Councils together with their partners and communities should revise their strategic plans, including Local Outcomes Improvement Plans to realign priorities and provide a roadmap for recovery and renewal. They should also consider how this contributes to the national recovery strategy set out by the Scottish Government.
- Elected members and senior managers need to work together to drive change, make decisions and deliver recovery and renewal.
- Councils should consider the leadership skills needed for now and in future. This includes clear succession planning arrangements and a structured programme of induction for new elected members.
- Councils' governance arrangements should ensure that their elected members have sufficient information to support the scrutiny and decision-making needed for recovery and renewal.
- Councils need to clearly set out how they are evaluating new service models and learning lessons from the response to Covid-19.
- Councils should have a clear plan for developing the use of data in their councils, this includes data skills, data standards and data tools.
- Councils must ensure that financial plans and overarching recovery strategies and actions are clearly aligned, including funding to deliver on their duty to address inequalities.
- Councils must have clear plans for management of reserves.
- Councils should update their workforce plans to build on lessons learned, address skills gaps and build a resilient workforce for the future. This will include monitoring the wellbeing of the workforce, and the effectiveness of health and wellbeing initiatives.



# Meeting local needs: impact of Covid-19 on services and inequality

Covid-19 continues to disrupt council services, and those already experiencing inequality have felt the impacts of both the pandemic and service disruption most strongly. As councils focus their efforts on addressing these unequal harms, they need better local data and community engagement.

## The Covid-19 pandemic continues to affect council service delivery, but a lack of clarity on demand, unmet need, and service backlogs makes the full extent of the effect unclear

**76.** Councils are still early in recovery, having moved on from the initial emergency response and operating under lockdowns. They report that the second year of the pandemic has been more difficult than the first. Ongoing restrictions, Covid-19-related staff absences and the non-linear nature and uncertainty of the pandemic, for example the emergence of the Omicron variant, mean that councils still need to adapt service provision and many services are disrupted.

**77.** The picture of service disruption is incomplete. A lack of up-to-date publicly available data makes it difficult to assess the extent to which council activities have returned to pre-pandemic levels, the level of demand for services and levels of unmet need.

**78.** Disruption has continued in those services we reported as most affected last year: education, social care, and culture and leisure. [Exhibits 8, 9](#) and [10 \(pages 34-36\)](#) provide more detail.

**79.** Alongside continued disruption, councils are also having to manage new pressures across services:

- from backlogs due to paused activity in the first year of the pandemic, such as repairs to roads and housing
- from an increase in demand, for example administering support grants, assisting with testing and vaccinations and in environmental health and trading standards. Increased levels of financial hardship are driving an increase in applications for discretionary housing payments and other support grants.

An inability to clear backlogs and meet new demands is a risk to wider recovery.

**80.** Public tolerance of service disruption and backlogs is declining, and communities have expressed their frustration in some cases. Councils are having to balance a growing expectation that services should be back to normal while still adhering to Covid-19 guidelines and facing absences that limit their capacity to deliver.

**Councils have worked hard and adapted to maintain delivery of key services. Digital delivery has expanded but brings with it the risk – for some – of increased digital exclusion**

**81.** As we found in our [Digital progress in local government report](#), the pandemic has brought about a change in the way in which many council services are delivered. Councils have expanded their digital service provision, to replace temporarily unavailable services, to respond to new needs, or to provide an alternative means of accessing services. Councils have introduced online booking systems for services such as recycling, created online learning hubs for parents and carers to support children’s learning, and developed more digital resources from libraries and leisure services.

**82.** The rapid shift to digital delivery allowed services to be delivered rather than stopped. It also highlighted how unequal access to the internet, devices and skills leaves those most disadvantaged without the same opportunities to learn, access services and remain socially connected as others.<sup>23</sup>

**The extent to which councils have assessed and can evidence the impact that Covid-19 related service changes and disruption have had on different groups and citizens in their local areas is unclear**

**83.** Changes in service provision have offered an opportunity to learn lessons about how services are delivered in the future. But it is not clear that councils have carried out equality impact assessments or community consultation where they have made changes or plan to continue changes made to service delivery during the pandemic.

## Exhibit 8.

### Education services continued to be disrupted throughout the second year of the pandemic

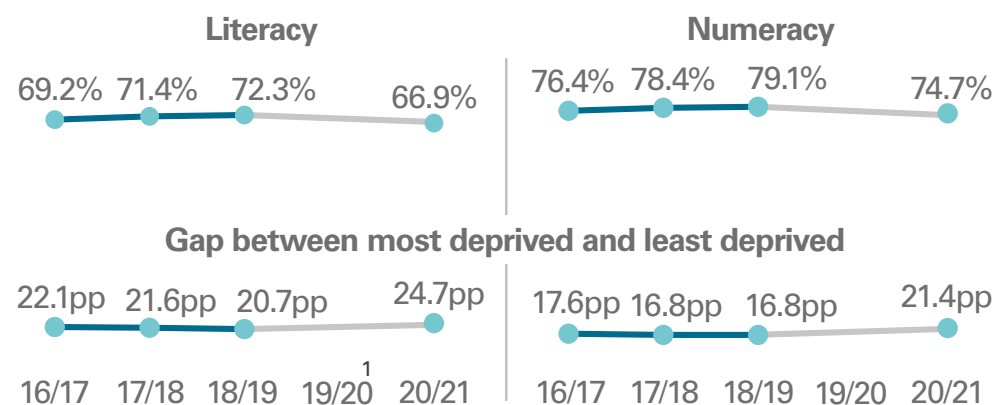
#### Disruption included:

- infection control measures in place, including masks, increased ventilation, 'bubbles' to limit contact and restrictions on school visitors
- the cancellation of S4-6 exams, which were again replaced by teacher assessment
- high levels of Covid-19-related pupil and staff absences ([Exhibit 5., page 27](#)) which made it hard for schools to offer continuity and stability to pupils.

#### Emerging data is now evidencing the adverse effect the pandemic has had on children and young people:

Educational attainment data is only available for primary school pupils. Attainment has fallen in both literacy and numeracy and more so for those pupils in the most deprived areas, meaning that the attainment gap has widened. For example, the attainment gap in literacy has increased from 22.1 to 24.7 percentage points.

#### Percentage of pupils (P1, P4, P7 combined) achieving the expected Curriculum for Excellence level in:



We talk more about the negative impact the pandemic has had on children and young people's social and wellbeing, including on their mental health, in [paragraph 86](#).

#### Risks and challenges

The pandemic has affected the comparability of education data for 2019/20 and 2020/21 when S4-6 exams were replaced with teacher assessed grades. Our joint report, [Improving outcomes for young people through school education](#), noted the difficulties and risk this could cause for councils in assessing and acting on the poverty related attainment gap.

Restrictions on school visitors have limited access for vital voluntary sector support services, including preventative youth work: 34 per cent of organisations that want access to school facilities do not have it. This has a particular impact on those with additional support needs, who need alternative supportive environments outside school.

Note 1. No data available for 2019/20

Source: See endnote [24](#)

## Exhibit 9.

### The pandemic has exacerbated ongoing challenges in social care

Our [Social care briefing](#) outlined the immense pressure the social care sector is facing. The pandemic has exacerbated the long-standing staffing challenges, compounded by Brexit. This has increased workloads, leading to staff burnout and high sickness absence levels, and risks limiting the capacity to provide good quality, consistent care to citizens.

#### There is evidence of ongoing disruption with:

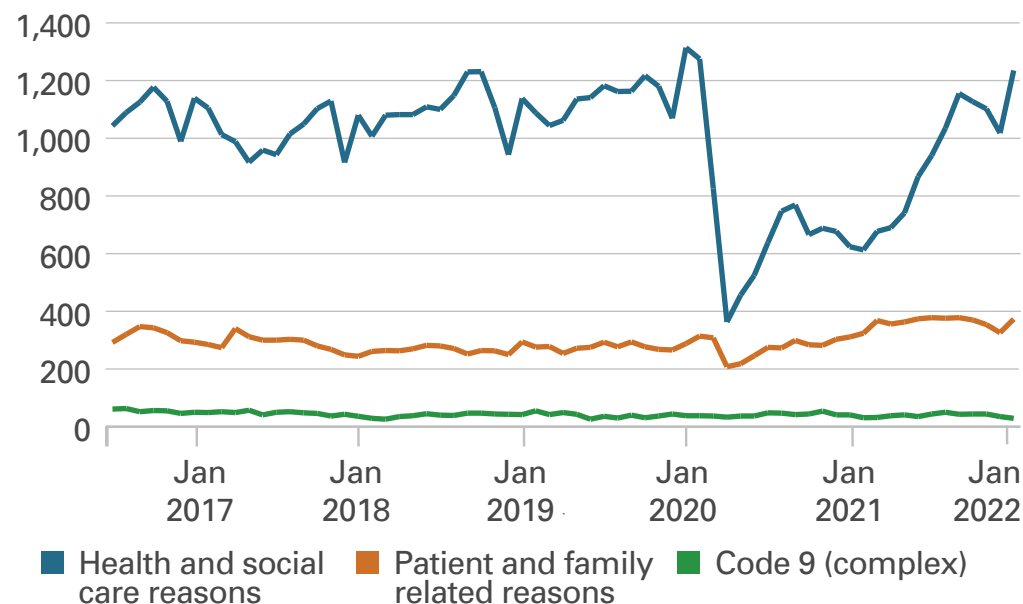
- reductions in home care packages because of staff shortages and tighter eligibility criteria for accessing care being applied to manage demand
- many day centres and respite services still closed.

Unmet demand puts additional pressure on unpaid carers, who are reporting increased feelings of anxiety, depression, and mental exhaustion.

Delayed discharges dropped significantly early in the pandemic, because of a marked reduction in non-Covid-19 related admissions along with a focused effort to get people out of hospital as quickly as possible. Delayed discharges returned to pre-pandemic levels in September 2021 and remain high reflecting the continued pressure in the system.

During strict restrictions, a rapid shift to digital tools allowed some staff to work in more flexible ways and to provide some services remotely including some online assessments and triage, and support and wellbeing check-ins through technology enabled care.

#### Delayed discharge Census by Delay Reason



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#### Risks and challenges

The Scottish Government is planning significant reform of social care over the next five years ([paragraph 10](#)) but, as we state in our social care briefing, action is needed now to address critical issues and better meet the needs of people relying on care and support.

The ongoing disruption means that unmet demand continues, and older people, and adults and children with disabilities face a reduction in or

complete withdrawal of care and support in the home. The Scottish Human Rights Commission has expressed significant concern that this affects the human rights of these individuals. It highlighted the need to invest in a social care system, based on human rights, that meets people's needs and improves outcomes.

Source: See endnote<sup>25</sup>

# Exhibit 10.

## Public library services continue to be disrupted following Covid-19 restrictions

Libraries could fully reopen in April 2021 with some social distancing measures in place. However, most library services were still operating a reduced service in early 2022, compared to pre-pandemic. During lockdown many councils adapted and found innovative ways to deliver library services to continue to support their communities. Librarians across councils shared ideas.



### Examples of innovative service adaptations include:



- enhanced digital offer; click and collect and home delivery services; bespoke book selection; digital story-telling; online book groups and contact calls to socially isolated elderly users.

Research found that engagement with library services had a positive impact on wellbeing and building community connectedness.

### Not all councils give reasons for continued reduced hours. Those that do cite:

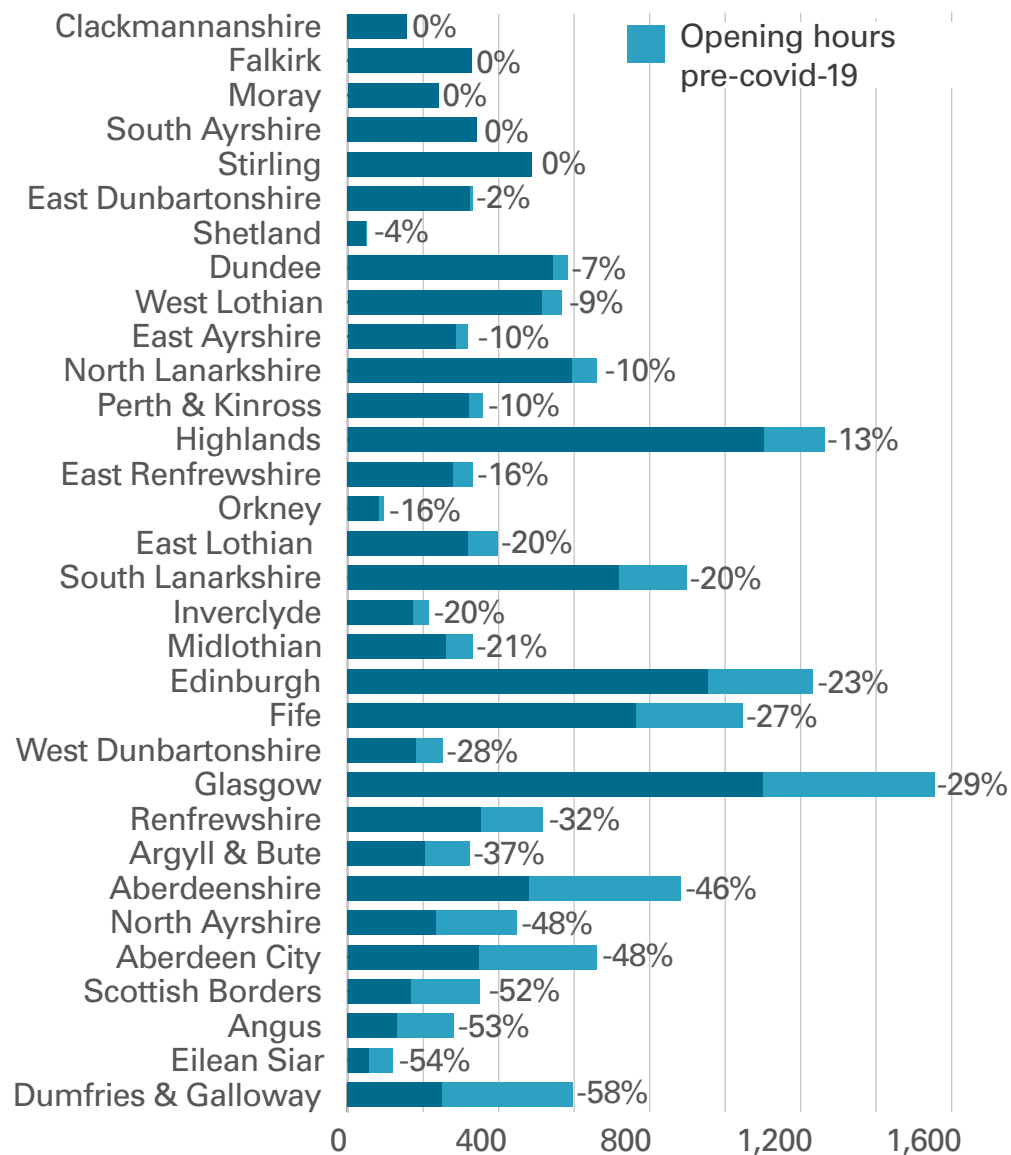
- staffing issues including high sickness absence or redeployment
- access issues such as the building being used for covid-19 testing, restricted access arising from sharing space with schools or buildings undergoing refurbishment.

### Change in total library opening hours, pre-covid-19 and at end Feb 2022



Opening hours at end of February 2022

Opening hours pre-covid-19



## Exhibit 10. (continued)

### Risks and challenges

Library services have faced declining investment. The ten years since 2010/11 saw a 29 per cent reduction in spend, yet the same period saw a 42 per cent growth in visit numbers (physical and virtual visits).

Some councils have plans to increase opening hours further. Other councils were already reducing hours and the level of service before the pandemic, and they have faced the most significant issues in recovering.

Library closures have shone a light on the extent of digital exclusion. It is not clear that councils have fully assessed the impacts of closures and reduced hours on communities and groups. And while the digital offer will shape the future of library services, research shows the buildings are vital as a safe, accessible, free, trusted and communal space in communities.

Source: See endnote<sup>26</sup>

## The impact of the pandemic and service disruption has been felt most strongly by those communities and citizens already experiencing inequalities

**84.** A substantial and growing body of evidence, mostly from research at a national level on the ‘four harms of Covid-19’ – the direct impacts of Covid-19, other health impacts, societal impacts and economic impacts – shows that particular groups have been most affected. For example:

- People with disabilities have faced increased clinical risk from Covid-19 as well as disruption to care services and social connections.
- Minority ethnic communities have faced high clinical risk from Covid-19 and increased risk of social and economic harm as a result of pre-existing inequalities in employment, income and opportunity.
- Those on low incomes and living in the most deprived communities have faced worsening social and economic inequalities, including digital exclusion, lower educational attainment and increased financial hardship.
- Older people have faced increased clinical risk from Covid-19 and are more likely to have experienced disruption to care services and social connections.

- Women have been disproportionately affected both economically and socially because of the increased childcare burden and because they are more likely to be front-line workers and have lower pay and insecure jobs.

**85.** For some, inequalities have worsened. Others are experiencing inequalities for the first time. Those with intersectional characteristics, that is people who fall into more than one group, and therefore experience several disadvantages at the same time, have suffered the most severe impacts. Councils’ recovery and renewal efforts need to take account of worsening, new and overlapping disadvantage.

**86.** Mounting evidence suggests that the pandemic has had severe social and wellbeing impacts on children and young people. This includes developmental delays seen in the very youngest because of increased social isolation, worsening mental health, a fall in educational attainment, and young people’s increasing concerns about their job prospects. Evidence also suggests that more children are presenting with additional support needs or behavioural issues and that these children are not always able to access services and get the support they need because of a lack of staff capacity. The impacts are greatest for children and young people in vulnerable groups and living in poverty.

**87.** Ongoing disruption to council services has meant that those most in need of support are still experiencing that unequal impact.



## While councils recognise the disproportionate impact the pandemic has had on different groups, they need to learn lessons from taking early action and assess the impact of service disruption to address longer-term impacts

88. Early in the pandemic there was a huge collective effort to support the most vulnerable, with more collaborative working at a local level, a coordinated response with the voluntary sector and more place-based and holistic approaches. As we highlighted in our 2021 report, councils targeted their responses to support the most vulnerable. This included supporting families and children living in poverty through the provision of free school meals, distribution of digital devices, community food initiatives, fuel poverty and period poverty initiatives, action to prevent homelessness and eliminate rough sleeping, and online events and programmes to support mental health and wellbeing.

89. As we move into the recovery phase, some evidence suggests that councils are putting in place services to mitigate the impacts of the pandemic on the groups most affected by:

- supporting employment and improving economic prospects for women, minority ethnic groups and disabled people
- improving routes to employment and training for young people
- doing more to address the social isolation of older people and people with disabilities.

## Some councils are using lessons learned from the pandemic to improve how they tackle vulnerability and inequality

90. The collaborative place-based approaches, cross-council working and community engagement that enabled the early response is informing

new ways of tackling poverty and vulnerability. Several councils have since adopted or adapted these service models to put in place a more holistic approach to tackling inequality. ([Case study 4](#))

### Case study 4

## Dumfries and Galloway Council



**In response to the pandemic four locality hubs were established in Dumfries and Galloway to coordinate partner and volunteer activity at the local level. Since then, the four hubs have developed to become the recognised model for local community planning in Dumfries and Galloway.**

Another model that evolved from the council's pandemic response is the 'single access to services' model, known as the single access point. This brings together different council services and partner agencies in one multi-agency team to ensure an efficient, clear and streamlined approach to assist those who are vulnerable. The single access point model will continue to evolve and the council is reviewing other opportunities to develop this approach.

Source: Audit Scotland using information from Dumfries and Galloway Council

## Data is a key tool in tackling inequality but there are gaps in equality data, particularly at a local level

91. While councils recognise the disproportionate impact of the pandemic on different groups, it is less clear how councils have assessed how their changes in the way services are delivered, and the pandemic more widely, have affected those most in need in their area.

92. There is still a lack of data and evidence at local level that would allow councils to fully understand the adverse impacts of the pandemic on different groups within their area and inform local plans. Most council recovery plans and reports on mainstreaming equality cite national report findings or increases in measures such as housing applications, unemployment or complex case work, rather than local equality data.

93. This problem is not unique to local government, and the Scottish Government's Equality Data Improvement Programme is working to improve equality data, in particular data on overlapping inequalities, ie intersectionality.

94. Some councils have used data well to understand the impacts of the pandemic on specific groups and the emerging needs.

[\(Case study 5\)](#)

### Case study 5

## Glasgow City Council



**Before the pandemic Glasgow City Council had been gathering detailed data to enable it to better understand the extent of child poverty in the city. The Council's Centre for Civic Innovation (CCI) took a 'deep dive' into the data the council holds on recipients of Housing Benefit and Council Tax reductions, as well data on kinship care and education benefits. This work meant that the council was able to measure the levels of relative child poverty before the pandemic and in the middle of it.**

The research found that in December 2020 at least 26 per cent of children in Glasgow were living in relative poverty compared with 24 per cent in February 2020. This equates to at least 2,510 more children living in poverty and 27,995 children overall. This data profiling and analysis is unique to Glasgow, and it provides a detailed 'snapshot' of families that will help the council to map and understand the impact of interventions to reduce child poverty.

Source: Audit Scotland using information from Glasgow City Council



# Meeting local needs: collaboration and communities

The early response phase showed what could be achieved by working closely with communities and the voluntary sector. This momentum may be lost if they are not involved in shaping recovery.

## Collaboration has enabled new relationships and more effective ways of working but communities and local partners need to be more involved in recovery

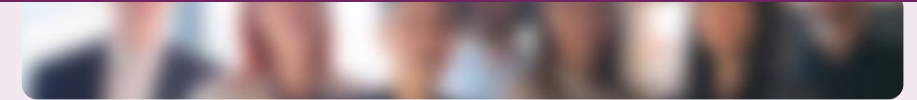
95. Our report [Local government in Scotland: Overview 2021](#) showed how communities and the voluntary sector were a vital asset in the response phase. Collaborative working enabled vulnerable citizens most in need to be speedily supported through initiatives such as community hubs.

96. In October 2021, Audit Scotland published [Community empowerment: Covid-19 update](#), bringing together the learning points from the community response to the pandemic to help public bodies develop their longer-term approaches to supporting and empowering communities. The briefing outlines key learning points under the five principles for community empowerment: community control, leadership on community empowerment, effective relationships, improving outcomes and accountability.

97. Assistance was most effectively provided in areas where local engagement and collaboration with local groups was already established before the pandemic. Greater flexibility, trusting relationships, relaxation of bureaucracy and autonomy in decision making enabled the public sector to work with communities and voluntary organisations and deploy support quickly. [\(Case study 6\)](#)

### Case study 6

## Fife Council



**Fife Council introduced multi-disciplinary teams to respond to the pandemic. Teams composed of council staff and partners worked well together to respond quickly and effectively to meet the needs of Fife residents. The council is focused on learning from the success of these groups as it aims to 'build back better' and renew its public services. Reforming how it works collaboratively with partners and communities and focusing on people and place is seen as critical to sustaining the sense of common purpose brought about by the pandemic.**

As part of the Plan for Fife, the council has established People and Place Leadership Groups across its seven areas. The council sees these groups as an initial step forward from the team working that evolved during the pandemic response. The council sees these groups as a fundamental part of driving community wealth building as the council aims to create a fairer, more socially just economy.

Source: Audit Scotland using information from Fife Council

## There is limited evidence of direct community input driving recovery actions and more needs to be done

**98.** Some councils are seeking the views and experiences of citizens and communities to inform recovery and learn from their experiences ([Case study 2, page 17](#)) ([Case study 7](#)). But there is limited evidence of direct community input driving recovery actions or meaningfully reshaping services.

**99.** Councils need dialogue and involvement of communities and the voluntary sector in planning service priorities and delivering support to vulnerable groups. More flexible governance and decision-making structures will be needed to make community participation easier.

**100.** Some councils have set up models of co-production. There are examples of joint work with youth councils to develop services for young people.

## Voluntary sector organisations are facing pressures that could threaten their ability to deliver services to vulnerable people who rely on them

**101.** Throughout the pandemic voluntary sector organisations have lost income, while demand for their services has increased. A Scottish Council for Voluntary Organisations (SCVO) report found that 57 per cent of surveyed organisations saw increased demand for their services while almost half faced financial issues, as uncertainty over annual funding makes it difficult to plan for the future.<sup>27</sup>

### Case study 7

## Aberdeenshire Council



**Aberdeenshire Council carried out a community impact assessment (CIA) in the summer of 2020. The CIA included an online survey of the local community asking about the impact of the pandemic and the council's response during its early stages. On reporting the findings, the council acknowledged that there was a need for further engagement and feedback from harder-to-reach, more vulnerable groups.**

The council then engaged with several groups and individuals most likely to be affected negatively by existing inequalities. The final report, *Aberdeenshire Voices on the Pandemic: Same storm, different boats*, includes insight from low-income households, care home residents, the recovery community and New Scots and volunteers.

The themes covered in the report include digital exclusion, access to food, home-schooling challenges and impacts on mental wellbeing. Local voices from Aberdeenshire have also been included in the national report *If Not Now, When?*, published by the Social Renewal Advisory Board in January 2021.

Source: Audit Scotland using information from Aberdeenshire Council

**102.** Organisations providing support to children and young people, from early years to youth work services, are also facing barriers to delivering their services.<sup>28</sup> A lack of staff capacity, increased demand, and lack of access to premises to deliver services (of those voluntary sector organisations wishing to access local authority premises 65 per cent say they have no access) is affecting delivery of a range of services.

**103.** A collaborative, place-based approach has been essential in supporting communities during the pandemic and mitigating the harm caused. Voluntary sector organisations have been a vital component of this, and councils and the Scottish Government need to do more to make sure they can continue to deliver services to those that need them.

### **Councils worked well with their community planning partners in the response phase, but they need clearer plans for the future**

**104.** Councils worked with their partners in planning, sharing data and information, and coordinating the response to the pandemic. Some of this joint working is continuing with community planning partnerships working together to revise their Local Outcomes Improvement Plans to take account of recovery, and this collaborative working should continue.

#### Case study 8

### South Ayrshire Council



**South Ayrshire Council worked with partners to provide support to vulnerable communities during the pandemic by creating the Ayrshire Resilience Partnership.**

This group included the Ayrshire councils' chief executives, along with representatives from health, police, and fire services. It established close working relationships with business and local voluntary groups to deliver a range of services and support.

Source: Audit Scotland using information from South Ayrshire Council

# Meeting local needs: recommendations



## Actions for leadership

- While some progress has been made in improving the use of data in decision-making, councils need to have a clear sense of where increased demand and service backlogs exist so that they can identify areas of high risk and direct resources accordingly. This information also needs to be more transparent and publicly available.
- A key priority for councils' recovery and renewal is assessing the impact of the pandemic and service disruption on the most vulnerable and learning from this to inform how they support those most affected and address inequalities. This will need better local data to improve understanding.
- Where councils plan to continue with the changes made to services during the pandemic, they need to conduct impact assessments and consult the community. With the expansion of digital services, councils need to assess and mitigate the impacts of digital exclusion.
- Councils need to ensure that partnership working forged in the pandemic with their communities, partners and the voluntary sector remains in place. They also need to learn what made it work and harness this to transform future engagement. The momentum and energy from communities may be lost if public bodies don't capitalise on what has been achieved.

# Endnotes

- 1 [Consultation response: A National Care Service for Scotland](#), Audit Scotland, Nov 2021
- 2 [What is happening with the new Shared Prosperity Fund? – SPICe Spotlight](#), Jun 2021
- 3 [Blueprint for Scottish Local Government](#), COSLA, Sep 2020
- 4 [Public sector leadership on the global climate emergency: guidance](#), Scottish Government, Oct 2021
- 5 [Projected Population of Scotland \(Interim\) 2020-based](#), National Records of Scotland, Jan 2022
- 6 [Life Expectancy in Scotland, 2018-2020: Infographic Summary](#), National Records of Scotland, Sep 2021
- 7 [Healthy Life Expectancy 2018-2020, Infographic Summary](#), National Records of Scotland, Feb 2022
- 8 [LGBF Benchmarking Overview Report 2020-21](#), Improvement Service, Mar 2022
- 9 [Energy Action Scotland news release](#), Mar 2022
- 10 [Covid Recovery Strategy: for a fairer future](#), Scottish Government, Oct 2021
- 11 [Audit Scotland blog: Christie - it really is now or never](#), Oct 2021
- 12 [Elected Member Briefing Note: Community Wealth Building](#), Improvement Service, Sep 2020
- 13 [Improvement Service - Public Service Improvement Framework](#)
- 14 [LGBF Benchmarking Overview Report 2020-21](#), Improvement Service, Mar 2022
- 15 [Scottish local government during Covid-19: Data needs, capabilities, and uses](#), UBDC, May 2021
- 16 [Digital progress in local government](#), Audit Scotland, Jan 2021
- 17 [Fiscal Framework and Local Government letter](#), LGHP committee, Scottish Parliament, Dec 2021
- 18 [Consumer price inflation, UK: Jan 2022](#), Office for National Statistics, Feb 2022
- 19 Society of Personnel and Development Scotland
- 20 [The longer-term shift to hybrid working: Implications for local government](#), LGIU, Oct 2021
- 21 Society of Personnel and Development Scotland
- 22 [Workforce Planning, Improvement Service](#)
- 23 [Report on the impact of the Covid-19 pandemic on equalities and human rights](#), Scottish Parliament, Mar 2021

# Endnotes

- 24 Audit Scotland using information from [Achievement of Curriculum for Excellence Levels 2020-21](#); the Improvement Service, [Minutes from the Coronavirus \(COVID 19\): Advisory Sub-Group on Education and Children’s Issues](#) and [Cross Party Group: Children and young people pandemic survey 2022](#), Scottish Parliament, Feb 2022
- 25 Audit Scotland using information from: [PHS delayed discharges census table, January 2022](#); [Briefing: Learning from changes to social care during the Covid-19 pandemic, The Alliance](#); [Covid-19, Social Care and Human Rights, SHRC Monitoring Report](#); [State of Caring report, Carers Scotland news release, Oct 2021](#); [BBC research, February 2022](#); [Health and Sport Committee evidence session, November 2021](#).
- 26 Audit Scotland using information from SLIC and additional data from councils; [LGBF Benchmarking Overview Report 2020-21](#), Improvement Service, Mar 2022 [Libraries in lockdown: Scottish public libraries and their role in community cohesion and resilience during lockdown](#)
- 27 [The Scottish Third Sector Tracker](#), SCVO, Nov 2021
- 28 [Cross Party Group: Children and young people pandemic survey 2022](#), Scottish Parliament, Feb 2022



# Local government in Scotland

## Overview 2022

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## **PROPOSED BRIEFINGS / SEMINARS AT DEVELOPMENT SESSIONS 2022/23 FOR MEMBERS OF AUDIT AND SCRUTINY COMMITTEE**

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

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### **AUDIT AND SCRUTINY COMMITTEE**

**27 June 2022**

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

- 1.1 The purpose of this report is to provide Members of the Audit and Scrutiny Committee with the proposed briefings / seminars that will be delivered in the main during Development Sessions 2022/23 to support their ongoing learning and development to enable them to fulfil the A&SC remit (Audit functions) effectively.**
- 1.2 It is important that the Council's Audit and Scrutiny Committee (A&SC) fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body (Audit functions) as a foundation for sound corporate governance for the Council.
- 1.3 One of the lessons learned within the A&SC Annual / End of Term Report 2021/22 on how it has effectively fulfilled its Audit functions was "Recognising that regular training is important to enable them to fulfil their remit effectively."
- 1.4 This report outlines the proposed briefings / seminars that will be delivered in the main during Development Sessions 2022/23 to support Members' ongoing learning and development to enable them to fulfil the A&SC remit (Audit functions) effectively.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit and Scrutiny Committee:**
  - a) Approves the briefings / seminars in 2022/23 for Members of Audit & Scrutiny Committee set out in para 4.2;**
  - b) Agrees that all Members should prioritise attendance at the Development Sessions wherever practicable; and**
  - c) Notes that Members' knowledge and skills will be evaluated during the year to inform their learning and development which will be considered formally as part of the annual self-assessment in March 2023.**

### 3 BACKGROUND

- 3.1 It is important that the Council's Audit and Scrutiny Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body (Audit functions) as a foundation for sound corporate governance.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition (hereinafter referred to as CIPFA Audit Committees Guidance). It incorporates CIPFA's 2018 Position Statement: Audit Committees in Local Authorities and Police which sets out CIPFA's view of the role and functions of an Audit Committee.
- 3.3 The previous members of the Audit and Scrutiny Committee (A&SC) were engaged in the annual self-assessment process during the Informal Session on 14 February 2022 facilitated by the Chief Officer Audit & Risk using toolkits from the CIPFA Audit Committees Guidance. The output was the A&SC Annual / End of Term Report 2021/22 ([link on moderngov.co.uk](https://www.moderngov.co.uk)) that was agreed at its meeting on 14 March 2022 and presented to Council on 31 March 2022.

### 4 PROPOSED BRIEFINGS / SEMINARS AT DEVELOPMENT SESSIONS 2022/23 FOR MEMBERS OF AUDIT AND SCRUTINY COMMITTEE

- 4.1 One of the lessons learned within the A&SC Annual / End of Term Report 2021/22 was "Recognising that regular training is important to enable them to fulfil their remit effectively."
- 4.2 The proposed briefings / seminars 2022/23 are set out in the following table to support Members' ongoing learning and development to enable them to fulfil the A&SC remit (Audit functions) effectively:

Date	Activity, Topic & Presenter
27 June 2022	Development Session before formal business for Members Induction on Governance, Assurance & Audit by Chief Officer Audit & Risk
27 June 2022	Members Briefing / Seminar during formal business by Director of Finance & Corporate Governance on Statutory Accounts to help their understanding of this technical area.
12 September 2022	Development Session before formal business for Members Seminar on Risk Management Framework and system to provide overview and clarify role of A&SC set out in Risk Management Policy Statement by Chief Officer Audit & Risk and Corporate Risk Officer.
14 November 2022	Development Session before formal business for Members Briefing / Seminar by the Council's Treasury Management Adviser on Treasury Management to help their understanding of this technical area.
xx February 2023	Development Session before formal business for Chief Officer Audit & Risk to discuss Skills and Knowledge self-assessment of Members and consider any actions required for the committee.
xx March 2023	Development Session before formal business for Chief Officer Audit & Risk to facilitate the annual self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance. This to enable preparation of the Committee's Annual Report 2022/23, and any recommendations for the Council.

## 5 IMPLICATIONS

### 5.1 Financial

There are no direct financial implications associated with this report.

### 5.2 Risk and Mitigations

There is a risk that the Audit and Scrutiny Committee does not fully comply with best practice guidance thus limiting its effectiveness as a scrutiny body (Audit functions) as a foundation for sound corporate governance. This will be mitigated by the completion of regular and refresher training to improve members' knowledge and understanding of matters related to its remit, as proposed in this report.

### 5.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, not a new or revised policy or strategy for decision and, as a result, completion of an integrated impact assessment is not an applicable consideration.

### 5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals.

### 5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

### 5.6 Rural Proofing

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

### 5.7 Data Protection Impact Statement

There are no personal data implications arising from content of this report.

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

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

## 6 CONSULTATION

6.1 The previous members of the Audit and Scrutiny Committee were engaged in the annual self-assessment process during the Informal Session on 14 February 2022 facilitated by the Chief Officer Audit & Risk. The output was the A&SC Annual / End of Term Report 2021/22, that was agreed at its meeting on 14 March 2022 and presented to Council on 31 March 2022. It recognised that regular training is important to enable them to fulfil their remit effectively.

6.2 The Strategic Leadership Team, Chief Legal Officer (and Monitoring Officer), Clerk to the Council, and Communications team have been consulted by email on this report to ensure awareness of its content.

**Approved by**  
**Jill Stacey, Chief Officer Audit & Risk**

### Author(s)

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

**Background Papers:** CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition

**Previous Minute Reference:** Audit and Scrutiny Committee 14 March 2022,  
Scottish Borders Council 31 March 2022

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