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AUDIT COMMITTEE WEDNESDAY, 23 NOVEMBER 2022

A MEETING of the AUDIT COMMITTEE will be held VIA MICROSOFT TEAMS on WEDNESDAY, 23 NOVEMBER 2022 at 2.00 pm

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,

15 November 2022

BUSINESS		
1.	Apologies for Absence	
2.	Order of Business	
3.	Declarations of Interest	
4.	Minute (Pages 3 - 8) Consider Minute of the Meeting held on 12 September 2022 for approval and signature by the Chair. (Copy attached.)	2 mins
5.	Annual Treasury Management Report 2021-22 (Pages 9 - 28) Consider report by Acting Chief Financial Officer. (Copy attached.)	20 mins
6.	External Audit Annual Audit Reports 2021-22 (Pages 29 - 64) Consider the Annual Audit Reports from the External Auditor on various entities for review and scrutiny prior to Council approval. (Copy attached). (a) Scottish Borders Council Pension Fund 2021-22 Annual Audit Report (copy attached); and, (b) Audit Scotland Scottish Borders Council annual report (to follow.)	20 mins
7.	Audited Accounts 2021-22 (Pages 65 - 70) Consider report by Acting Chief Financial Officer on various entities' audited Annual Reports and Accounts for the year to 31 March 2021 for review and scrutiny prior to Council approval. (Copy attached.)	30 mins
	(a) Scottish Borders Council	(Pages 71 - 196)

	(b) Scottish Borders Council Pension Fund	(Pages 197 - 290)	
	(c) Scottish Borders Council Common Good Funds (Charity SC031538)	(Pages 291 - 320)	
	(d) SBC Welfare Trust (Charity SC044765)	(Pages 321 - 340)	
	(e) SBC Education Trust (Charity SC044762)	(Pages 341 - 360)	
	(f) SBC Community Enhancement Trust (Charity SC044764)	(Pages 361 - 380)	
	(g) SBC Ormiston Trust for Institute (Charity SC019162)	(Pages 381 - 400)	
	(h) Scottish Borders Council Charitable Trusts (Charity SC043896)	(Pages 401 - 420)	
	(i) Bridge Homes LLP	(Pages 421 - 442)	
	(j) Lowood Tweedbank Ltd	(Pages 443 - 452)	
8.	Any Other Items Previously Circulated		
9.	Any Other Items which the Chairman Decides are Urgent		

NOTES

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

Membership of Committee:- Councillors E. Thornton-Nicol (Chair), N. Richards (Vice-Chair), J. Anderson, P. Brown, J. Cox, M. Douglas, J. PatonDay, E. Robson, S. Scott, F. Sinclair, Mr S. Whalley and Mr P. Whitfield

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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTES of Meeting of the AUDIT AND SCRUTINY COMMITTEE held via Microsoft Teams on Monday, 12 September 2022 at 10.15 am

- Present:- Councillors E. Thornton-Nicol (Chair), N. Richards (Vice-Chairman), J. Anderson, P. Brown, J. Cox, M. Douglas, J. PatonDay, E. Robson, S. Scott and F. Sinclair
- Apologies:- Ms H. Barnett and Mr M. Middlemiss
- In Attendance:- Acting Chief Executive, Chief Officer Audit and Risk, Acting Chief Financial Officer, Corporate Risk Officer, Principal Internal Auditor, Chief Officer Scottish Borders Health and Social Care Partnership, Joint Manager Learning Disabilities Service, Clerk to the Council, Democratic Services Officer (W. Mohieddeen); Ms G. Woolman and Ms J. Law (Audit Scotland).

CHAIR'S REMARKS

The Chair advised that the meeting was the first held of the Audit Committee. The Chair wished to record her thanks to Michael Middlemiss and Hayley Barnett whose terms of office as external members of the Committee would come to an end on 31 October 2022.

ORDER OF BUSINESS

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

1. MINUTE.

- 1.1 There had been circulated copies of the Minute of the Meeting of Audit and Scrutiny Committee held on 27 June 2022. The Chief Officer Audit and Risk advised that the Principal Internal Auditor had also been in attendance.
- 1.2 With reference to paragraph 3.3 of the Minute of the Meeting held on 27 June 2022, Ms Stacey highlighted that Mr Haseeb, Audit Scotland, advised that the annual audit report had a production target of 31 October 2022 and asked whether the report would be available for the next meeting of Audit Committee on 14 November 2022. Ms Gillian Woolman, Audit Scotland, advised that the reporting deadline was November 2022. Normally reports were signed off by 30 September, however this had been affected by backlogs caused by the Covid-19 pandemic. The Acting Chief Financial Officer advised that there may be a challenge in preparing the report for the 10-day deadline for reports being published for committees. The Chair advised that, for the 14 November 2022 meeting of the Audit Committee, the report would be accepted if circulated seven days prior to the meeting taking place.

DECISION

AGREED:

- (a) **to accept circulation of the annual audit report seven days prior to the 14 November 2022 meeting of Audit Committee; and,**

- (b) to approve the Minute for signature by the Chair subject to the change detailed above.**

2. AUDIT BUSINESS ACTION TRACKER

- 2.1 There had been circulated copies of the Audit Business Action Tracker which was presented by the Chief Officer Audit and Risk. With reference to paragraph 7 of the Minute of the Meeting held on 22 November 2021, a Business Continuity Project was underway where the Chief Officer Audit and Risk was a member of the Project Board to enable continuous Internal Audit follow-up work. There were delays to implementation of software while clarifications were being sought from the provider that software was GDPR compliant. Some recommendations from Internal Audit were scheduled for implementation at the end of September 2022 and meetings were being held over subsequent weeks where the rescheduled project plan would be reviewed. Discussions would take place with project board members to ensure actions associated with Internal Audit recommendations are scheduled.
- 2.2 With reference to paragraph 4 of the Minute of the Meeting held on 14 March 2022, the Chief Officer Audit and Risk advised that Directors received reports from the HR training team on uptake of e-learning mandatory modules to encourage staff to complete training. This was now routinely included as part of operational management arrangements.
- 2.3 With reference to paragraph 13 of the Minute of the Meeting held on 27 June 2022, the Chief Officer Audit and Risk advised of seminars and development sessions arranged for Members.
- 2.4 The Chair suggested that, with reference to paragraph 3 of the Minute of the Meeting held on 14 March 2022, a decision on removing the Progress Update on LDS Financial Management Recommendation action from the action tracker would be made after the update had been heard.

DECISION

- (a) AGREED to remove completed actions from the Action Tracker; and,**
- (b) NOTED the update.**

3. PROGRESS UPDATE ON LDS FINANCIAL MANAGEMENT RECOMMENDATION

- 3.1 With reference to paragraph 3 of the Minute of the Meeting held on 14 March 2022, Mr Chris Myers, Chief Officer Scottish Borders Health and Social Care Partnership, provided a verbal update on the Learning Disabilities Service Financial Management Recommendation progress. Mr Myers advised that progress on the final Internal Audit report recommendations relating to Learning Disabilities Service (LDS) work had been ongoing, further work was required on local assurances, and that Julie Hayward Consultancy was invited to give further views on progress which had been completed. Mr Myers advised that significant work had taken place since the March 2022 meeting of Audit and Scrutiny Committee, however, despite positive progress, expenditure was not in balance with available budget and work was ongoing to reduce spend. Further work was underway to complete outstanding actions, some of which did not sit with the Service but were being progressed. Progress was being monitored at monthly control meetings taking place at directorate level and at business unit level. The trajectory of expenditure was being monitored so that it was reduced while maintaining service for people with learning disabilities. Mr Myers advised that the Learning Disabilities Service was on a journey where there was a much better control of the service and progression was being made on actions. Mr Simon Burt, Joint Manager Learning Disabilities Service, advised that there were two approaches taken to tackle the problem which incorporated ensuring that not too much was being paid for elements of the services comparable to other local

authorities, and making sure that the appropriate volume of support for service users was being paid for, to allow people to be as independent as they could. Staff were engaged to contribute to solutions so that changes were not entirely management-led. Processes were in place to support Social Workers to take information to support panels where requests were heard to put support in place to allow people to be independent.

- 3.2 Mr Burt and Mr Myers responded to questions from Members. Regarding duplication in transition planning, Mr Burt advised that a transitions project led by a funded project officer had reported a couple of years ago that there were a number of legal requirements for various support plans, while an individual could require a single support plan that may contain different elements. This had not been achieved. However when an adult support plan was prepared as far in advance before an individual turned 18 years-old, a multidisciplinary approach was taken for transition to adulthood services and duplication was avoided as far as possible. Ms Stacey advised that timings of the Internal Audit recommendation completion were reviewed with ongoing discussions with Mr Myers and Mr Burt, and that monthly meetings took place with the Section 95 Officer (the Acting Chief Financial Officer) to gain insights of the financial pressures on LDS. Mr Burt advised that the number of those with very complex needs transitioning to adulthood was low although increasing and the solutions they required could be very expensive. Work was ongoing looking at how the Health and Social Care Partnership assessed what needed to be commissioned to support people with complex needs so that plans would be in place for when individuals reach adulthood. A report concerning a project based in Tweedbank for supporting people with complex needs in the Borders would be presented to Scottish Borders Council in the near future.
- 3.3 Mr Burt advised that, regarding planning for who required support for complex needs, the service knew of children requiring support for transitions at 14 years-old. However it sometimes would not be clear what support they would need until they approached 18 years-old, which would necessitate meetings to track the needs of an individual. Regarding financial pressures, Mr Burt advised that there was a cost pressure of approximately £625,000 if all £490,000 targeted savings in the financial plan were made. The whole saving was unlikely to be met within the financial year, however there was confidence a significant amount of savings could be made. Savings had been made through the review of day services and further savings may be made from reviewing care packages. The LDS aimed to review everyone's care within two years, however reviews had been limited due to there not being a fully staffed service in place. On average 67% of people were being reviewed within two years. With regards to service delivery contracts from third-party providers, Mr Burt advised that the Scottish Government had a framework where rates were set and the LDS generally paid below the Scotland Excel framework rate. Furthermore, providers used by the Service were rated highly by the Care Inspectorate. Before the Covid-19 pandemic, there would be an LDS manager assigned to a contracted provider that would assess day-to-day problems and hold regular meetings with providers to assess contracts. That work had stopped during the pandemic but was due to restart again so that contract performance could be assessed. The Acting Chief Financial Officer advised that the financial risk from the Learning Disabilities Service on the Council was lower than it had been due to significant Scottish Government funding to support IJB services.
- 3.4 The Chair suggested that the LDS Financial Recommendation remained on the action tracker and an update come to the Audit Committee in six months' time and requested that the Julie Hayward Consultancy reports be circulated to committee members.

DECISION

(a) AGREED:

- (i) **to circulate the update report on Learning Disabilities Service to members of the Audit Committee;**
- (ii) **to keep the LDS Financial Recommendation action on the Audit Business Action Tracker.**

(b) NOTED the verbal update.

4. PROPOSED SCHEDULE OF RISK IN SERVICES PRESENTATIONS BY DIRECTORS 2022-23

With reference to paragraph 6 of the Minute of the Meeting held on 14 March 2022, there had been circulated copies of a report by Chief Officer Audit and Risk that provided members of the Audit Committee with the proposed schedule for Directors' presentations on Risk Management in Services to enable the committee to fulfil its remit effectively. It was important that the Audit Committee, as a foundation for sound corporate governance, was able to demonstrate its effectiveness as a scrutiny body to the Council. One of the Audit Committee's functions was to assess the adequacy and effectiveness of the Council's risk management arrangements. One of the lessons learned within the Audit and Scrutiny Committee Annual/End of Term Report 2021-22 on how it had effectively fulfilled its Audit functions was "Gain insights on the efficacy of the Council's risk management framework through a schedule of Directors' presentations on risk and mitigations within their areas of responsibility." This report outlined the proposed schedule for Directors' presentations on Risk Management in Services to enable the Audit Committee to fulfil its risk management function effectively.

DECISION

- (a) AGREED the schedule for Directors' presentations on Risk Management in Services set out in paragraph 4.3 of the report to enable the Audit Committee to fulfil its risk management function effectively; and,**
- (b) NOTED that a refresh of the Corporate Risk Register was underway and would be completed in advance of the first scheduled Director presentation to ensure consistency in approach and format.**

5. INTERNAL AUDIT WORK TO JULY 2022

With reference to paragraph 4 of the Minute of the Meeting of Audit and Scrutiny Committee held on 27 June 2022, there had been circulated copies of a report by the Chief Officer Audit and Risk that provided members of the Audit 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. The work Internal Audit had carried out in the period from 1 April to 31 July 2022 associated with the delivery of the approved Internal Audit Annual Plan 2022-23 was detailed in this report. A total of five final Internal Audit reports had been issued. There were seven recommendations made associated with three of the reports (two Medium-rated; five Low-rated). 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, was shown in Appendix 1 to this report. The SBC Internal Audit function conformed to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of the report to communicate the results of the reviews. The Chief Officer Audit and Risk referred to the Internal Audit Consultancy Work and Assurance work in progress and highlighted key messages of assurance and areas of improvement associated with the Executive Summary of each of the five final Internal

Audit reports in Appendix 1. This covered: Contract Management - Strategic Contracts CGI and Live Borders; Attendance Management; Performance Management (Local Government Benchmarking Framework); Schools Budgets (Devolved Schools Management); and Winter Service.

DECISION

NOTED:

- (a) the Executive Summaries of the final Internal Audit assurance reports issued in the period from 1 April to 31 July 2022 associated with the delivery of the approved Internal Audit Annual Plan 2022-23;**
- (b) the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter; and,**
- (c) the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

6. AUDIT SCOTLAND NATIONAL FRAUD REPORTS 2022

With reference to paragraph 7 of the Minute of the Meeting of Audit and Scrutiny Committee held on 20 September 2021, there had been circulated copies of a report by Chief Officer Audit and Risk that provided members with recently published counter fraud reports by Audit Scotland and the Management Actions required in response for improvement and assurance purposes. Having robust fraud prevention and investigation arrangements in place contributed to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse. A focus on prevention and detection and promotion of a counter fraud culture across the Council to improve its resilience to fraud, taking account of reducing resources, were associated with the Counter Fraud Strategy 2021-2024 that was approved by Council in December 2021. The purpose of the Integrity Group was to improve the Council's resilience to fraud, theft, corruption, and crime. One way it could achieve that was self-assessing the Council's arrangements against best practice and agreeing any appropriate actions to continuously improve the arrangements in place. The report referred to national fraud reports published by Audit Scotland, which set out recommendations for public sector organisations. Part of the Audit Committee's role was to oversee the framework of internal financial control including the assessment of fraud risks and to monitor counter fraud strategy, actions and resources. Ms Woolman advised that the National Fraud Initiative was a UK-wide exercise overseen by the Cabinet Office and took place over two years. Most public sector bodies including Audit Scotland took part in the initiative. The National Fraud Initiative report had gone to the Public Audit Committee of the Scottish Parliament and was subject to discussion there every two years. The Chief Officer Audit and Risk advised that Scottish Borders Council was part of the Scottish Local Authorities Investigators Group where information could be shared and information and outcomes of the National Fraud Initiative was shared to aid planning of future exercises.

DECISION

- (a) NOTED the Audit Scotland National Fraud Reports published in recent months;**
- (b) AGREED:**
 - (i) to endorse the tasks being undertaken by the Integrity Group, associated with the recently published counter fraud reports by Audit Scotland, as set out in Action Plans in paragraphs 4.6 and 4.7 of the report; and,**

- (ii) **to request that the Integrity Group reported back to the Audit Committee on its findings and proposed further actions arising from these tasks.**

7. ANY OTHER BUSINESS/ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

- 7.1 Councillor Anderson requested that the next meeting of the Audit Committee be held in-person to allow new members of the Committee to speak to officers and more experienced members about Audit Committee business as part of their learning of their role. The Chair advised that this could be considered in future and that it may also be advisable to hold an in-person training meeting before a meeting of Audit Committee so that any questions may also be asked. The Chief Officer Audit and Risk advised that options for in-person development sessions would be considered.
- 7.2 The Chair requested that members encouraged interested parties to consider vacancies for the external member positions of the Audit Committee. The Chief Officer Audit and Risk advised she was happy to speak to anyone interested in the roles if they wished for more information.

The meeting concluded at 12.00 noon.

ANNUAL TREASURY MANAGEMENT REPORT 2021/22

Report by Acting Chief Financial Officer

AUDIT COMMITTEE

23 November 2022

1 PURPOSE AND SUMMARY

- 1.1 **This report presents the annual treasury management activities undertaken during the 2021/22 financial year.**
- 1.2 The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) requires an annual report on treasury management to be submitted to Council following the end of each financial year. This report highlights the Council's treasury activity undertaken in the year ended 31 March 2022 and the performance of the Treasury function.
- 1.3 Appendix 1 is the annual report of treasury management activities for 2021/22 and contains an analysis of performance against targets set in relation to Prudential and Treasury Management Indicators. The performance comparisons reported are based on the revised indicators agreed as part of the mid-year report approved on 16 December 2021.
- 1.4 The Appendix shows the Council's borrowing requirement to fund the capital investment undertaken during 2021/22, how much the council actually borrowed against the sums budgeted and the level of external debt within approved limits.
- 1.5 During the year the Council has again, where possible, deferred borrowing using surplus cash rather than undertaking new borrowing. However, in March 2022, the Council did proactively undertake long term borrowing of £20m towards the financing of the capital program before interest rates were increased by the Bank of England, saving £3.94m over the life of the loan on a comparable basis to 2 November 2022 rates.
- 1.6 Treasury management activity for the year has been undertaken in compliance with approved policy and the Code. The Council remains under-borrowed against its Capital Financing Requirement (CFR) at 31 March 2022.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Members:**
 - (a) **note that treasury management activity in the year to 31 March 2022 was carried out in compliance with the approved Treasury Management Strategy and Policy as detailed in this report and in Appendix 1.**

3 BACKGROUND

- 3.1 The Council approved the Treasury Management Strategy (the Strategy) for 2021/22 at the Council meeting on 19 March 2021. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management in the Public Services (the Code) and CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2 The Council received a mid-year report on 16 December 2021 and approved the revised Prudential and Treasury Management Indicators for 2021/22 following the updating of assumptions, in particular capital expenditure estimates.
- 3.3 As set out in the Strategy, the Audit and Scrutiny Committee has a role to scrutinise the Annual and Mid-Year Reports before submission to Council for final approval.

4 ANNUAL TREASURY MANAGEMENT REPORT TO 31 MARCH 2022

- 4.1 The Annual Treasury Management Report for 2021/22 is shown in Appendix 1.
- 4.2 Appendix 1 shows the Council's borrowing requirement to fund capital investment undertaken during 2021/22, how much the Council actually borrowed against the sums budgeted and the level of external debt carried on the Council's balance sheet within approved limits.
- 4.3 In addition, Appendix 1 contains an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators. All of the 2021/22 target indicators reported are based on the revised indicators agreed as part of the mid-year report on 16 December 2021.
- 4.4 The key Prudential Indicators (PI) and Treasury Management Indicators (TI), detailing the impact of capital expenditure activities during the year to 31 March 2022, with comparators, are as follows:

	2021/22 Actual £m	2021/22 Estimate* £m	Variance £m
Actual Capital Expenditure (PI-1)	59.6	84.2	(24.6)
Total Capital Financing Requirement (CFR) (PI-2)**	342.3	364.6	(22.3)
(Under)/Over Gross Borrowing against the CFR (PI-6) ***	(128.7)	(153.1)	24.4

*Revised estimate, approved by Council 16 December 2021 as part of the mid-year report

** The CFR for this calculation is based on expenditure to 31 March 2022 only

*** The CFR for this calculation includes the current year and projected movement for the next two subsequent years.

(a) **PI-2 Total Capital Financing Requirement**

The year-end total CFR decreased in comparison to that projected as a result of the underspend in capital expenditure during the year.

(b) **PI-6 (Under)/Over Gross Borrowing against the CFR**

There is a decrease in the level of under-borrowing, compared to that projected; as this indicator includes the projected movement for the next two subsequent years, this is due to the re-phasing of works into future years in the capital plan.

(c) **Investments**

Investments held on 31 March 2022 amounted to £46.9m. This is an increase from the £27.9m at 31 March 2021 as a result of the delays in the capital program, and the drawdown of £20m loan funds prior to the end of the financial year.

- 4.5 Treasury management activity for the year has been undertaken in compliance with the approved policy and the Code and the Council remains under-borrowed against its Capital Financing Requirement (CFR) at 31 March 2022.

5 INVESTMENT STRATEGY

- 5.1 The Investment Objectives and Policy states that 'the Council will aim to achieve the optimum return on its investments corresponding with proper levels of security and liquidity'.
- 5.2 The current Sector Limit for Money Market Funds (AAA) is £25m, with an individual Counterparty Limit of £5m for AAA rated Money Market Funds.
- 5.3 Due to high levels of cash held at certain times of the year, the £25m limit on Money Market Funds are fully used and excess funds are placed with the Government's Debt Management Office (DMO). The rates available from DMO for overnight investments are less than the Money Market Funds.

6 IMPLICATIONS

6.1 Financial

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

6.2 Risk and Mitigations

This report is an account of the outcomes arising from the tightly controlled risk management work that the Council's Treasury staff have carried out. The report is an important element of the overall risk management environment but has no specific risk implications of its own.

6.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine financial monitoring report which forms part of the governance of the Treasury function within the Council. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

6.4 Sustainable Development Goals

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

6.5 Climate Change

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

6.6 Rural Proofing

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

6.7 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 to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

7 CONSULTATION

7.1 The Chief Legal Officer (including as Monitoring Officer), the Chief Officer Audit and Risk, Director People Performance & Change, Communications and the Clerk to the Council have been consulted and their appropriate comments have been incorporated into this report.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Financial Services Manager - Tel 01835 824000 Ext 5881
Sara Wilson	Treasury Business Partner - Tel 01835 825155

Background Papers:

Previous Minute Reference: Scottish Borders Council 19 March 2021 and 16 December 2021.

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

Contact us at Pension and Investment Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA Tel: 01835 825249 Fax 01835 825166. email: T&Cteam@scotborders.gov.uk

SCOTTISH BORDERS COUNCIL

**ANNUAL TREASURY MANAGEMENT REPORT
YEAR TO 31 MARCH 2022**

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1. EXECUTIVE SUMMARY

1.1 This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

This paper highlights activity in relation to the treasury management function during 2021/22, the Council's strategy with regard to interest rates and future expectations and how the capital expenditure incurred by the Council in 2021/22 was funded. The investment strategy for 2021/22 is summarised in Section 5 and Members are provided with details of how well the treasury function has performed in relation to a set of standard performance indicators.

1.2 During 2021/22, the Council complied with its legislative and regulatory requirements.

1.3 Key Prudential (PI) and Treasury Management Indicators (TI), detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Table 1	2021/22 Actual £m	2021/22 Estimate* £m	Variance £m
Actual Capital Expenditure (PI-1)	59.6	84.2	(24.6)
Total Capital Financing Requirement (CFR) ** (PI-2)	342.3	364.6	(22.3)
(Under)/Over Gross Borrowing against the CFR (PI-6) ***	(128.7)	(153.1)	24.4

* Revised estimate, approved by Scottish Borders Council on 16 December 2021 as part of the Mid Year Treasury report 2021/22

** The CFR for this calculation includes current capital expenditure to 31 March 2022

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

1.4 Long term borrowing for the purpose of cash flow was undertaken during 2021/22 amounting to £20m. The statutory borrowing limit (the authorised limit) was not breached.

1.5 The economic environment during the 2021/22 financial year continued to remain challenging, with low investment returns.

2. COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2021/22

2.1 CAPITAL EXPENDITURE (*Prudential Indicator 1*)

- a) The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need, or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- b) The final capital expenditure for 2021/22 was lower than projected as a result of delays in expenditure on a number of projects, including Hawick Flood Protection (£3.9m), Land & Property Infrastructure (£2.2m), Road & Transport Infrastructure (£2.2m), IT Transformation (£3.3m), School Estate (£6.1m) and Economic Regeneration (£3.7m).

The specific drivers for each of the movements have been disclosed in the regular monitoring reports to the Executive throughout 2021/22 and in the out-turn report presented on 14 June 2022.

2.2 FINANCING THE CAPITAL PROGRAMME

- a) Capital Expenditure may either be financed:
- (i) Immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which does not impact on the Council's borrowing need, or
 - (ii) If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- b) **Table 2** below summarises the main funding elements of the 2021/22 capital expenditure.

Table 2	2021/22 Actual £m	2021/22 Estimate £m	Variance £m
Capital Expenditure	59.6	84.2	(24.6)
Other Relevant Expenditure *	0.0	0.0	(0.0)
Total Expenditure	59.6	84.2	(24.6)
Financed by:			
Capital Grants & Other Contributions	(42.7)	(49.3)	6.6
SBC Revenue Funding	(2.0)	(4.4)	2.4
Capital Fund/Capital Receipts	(0.5)	(1.4)	0.9
Plant & Vehicle Fund	(1.9)	(2.0)	0.1
Total identified finance	(47.1)	(57.1)	10.0
Net Financing Need for the Year	12.5	27.1	(14.6)

The decrease in unfinanced capital expenditure compared with the estimate in the mid-year report resulted principally from timing movements as detailed in paragraph 2.1 b).

2.3 CAPITAL FINANCING REQUIREMENT AND EXTERNAL DEBT (*Prudential Indicators 2 and 5*)

- a) The Council's underlying need to borrow for capital expenditure is termed the **Capital Financing Requirement (CFR)** and is a key prudential indicator. The CFR results from the capital activity of the Council and the resources that have been used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure (see **Table 2** in section 2.2 (b)), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- b) Depending on the capital expenditure programme, the treasury function organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, such as the Public Works Loan Board or the money markets, or utilising cash resources within the Council.
- c) **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the scheduled debt amortisation (or loans fund repayment), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR. The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the scheduled debt amortisation for loans repayment.

The Council's borrowing activity is constrained by prudential indicators, including those comparing gross borrowing, the CFR and the authorised limit.

- d) The extent to which the Council is under/over borrowed at 31 March 2022 is calculated by comparing actual external debt against the CFR and is shown in **Table 3** below. It includes "Other long term liabilities", such as PFI and leasing schemes on the balance sheet. These increase the Council's borrowing need, however, as no borrowing is actually required against these schemes, these amounts have been deducted in **Table 3**.

Table 3	31 March 2022 Actual £m	31 March 2022 Estimate £m	Variance £m
CFR (PI-2)*	342.3	364.6	(22.3)
Less: Other long term liabilities **	86.9	89.1	2.2
Underlying borrowing requirement	255.4	275.5	(20.1)
External Borrowing at 31/3/22	211.7	222.7	(11.0)
(Under)/Over borrowing	(43.7)	(52.8)	(9.1)

*The CFR for this calculation includes current capital expenditure to 31 March 2022

**PPP/PFI/Finance Lease balances

3. TREASURY MANAGEMENT ACTIVITY

3.1 GROSS BORROWING AND THE CFR (*Prudential Indicator 6*)

- a) In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the current year (2021/22) plus the estimates of any additional capital financing requirement for the next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2021/22. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 4	31 March 2022 Actual £m	31 March 2022 Estimate £m	Variance £m
Fixed rate funding			
PWLB	176.1	187.1	(11.0)
Market	-	-	-
Variable rate funding			
Market *	35.6	35.6	-
External Borrowing	211.7	222.7	(11.0)
Other long term liabilities **	86.9	89.1	(2.2)
Total Debt	298.6	311.8	(13.2)
CFR (inc. next 2 year estimates)	427.3	464.9	(37.6)
(Under)/Over Gross Borrowing against the CFR (PI-6)	(128.7)	(153.1)	24.4

* LOBO loans (where a rate change could be instigated by the lender at certain intervals)

** PPP/PFI/Finance Lease balances

The reason for the decrease in the CFR (inc. next 2 year estimates) and level of under-borrowing, compared to that projected, is due to the re-phasing of works in future years of the capital plan.

- b) Council deposits were made on a short term basis throughout 2021/22.
- c) On 23 March 2022 the Council borrowed £20m over 10 years at a rate of 2.41%.

3.2 OPERATIONAL BOUNDARY AND AUTHORISED LIMIT (*Prudential Indicators 7 and 8*)

- a) The **Operational Boundary** and the **Authorised Limit** are indicators which are intended to act as limits to the overall level of borrowing activity. The Authorised Limit represents the maximum limit beyond which borrowing is prohibited. The Operational Boundary represents the level of external borrowing that the Council is expected to operate within. **Table 5** compares the External Debt position with these indicators and demonstrates that the Council has not breached either limit during 2021/22.

Table 5	31 March 2022 Actual £m	Authorised Limit (PI-8) £m	Variance £m	Operational Boundary (PI-7) £m	Variance £m
Total Gross Borrowing	298.6	492.2	(193.6)	410.2	(111.6)

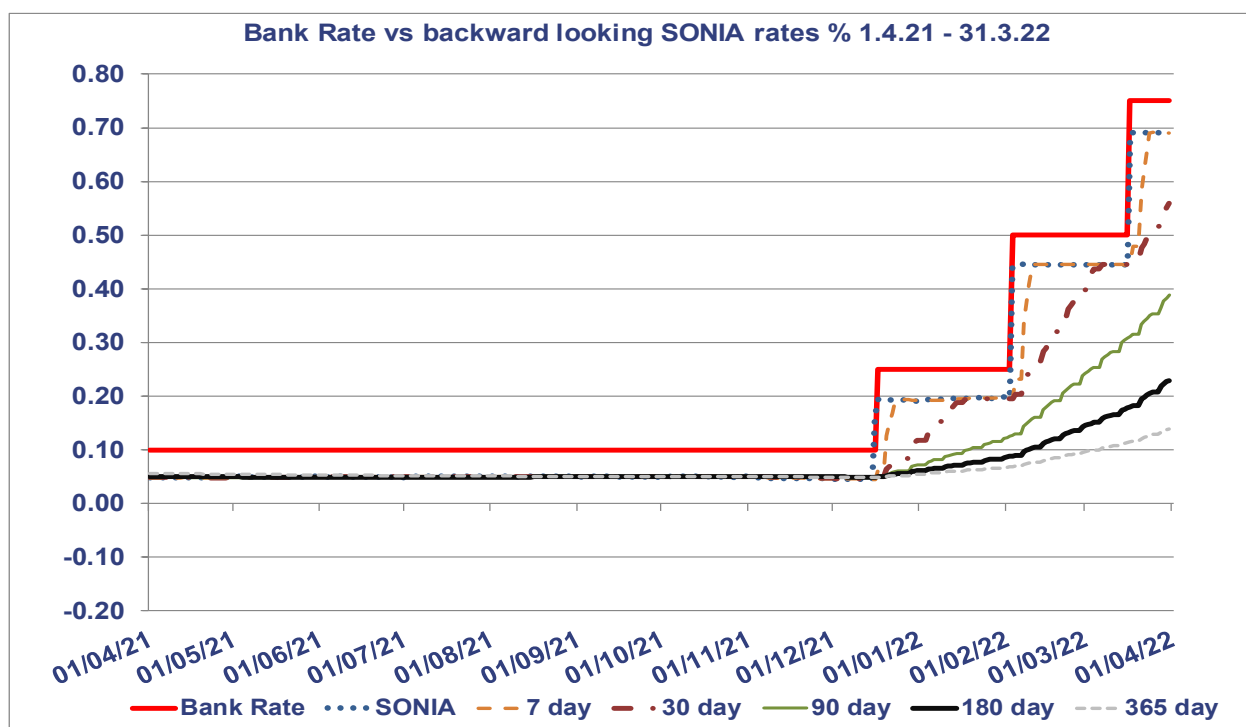
3.3 MATURITY PROFILE OF EXTERNAL DEBT

a) **Table 6** presents an analysis of the maturity structure of the Council's external debt portfolio.

Table 6	31 March 2022 £m
Under 12 months	1.8
12 months and within 5 years	24.9
5 years and within 10 years	21.6
Over 10 years	163.4
Total	211.7

4. INTEREST RATE MOVEMENTS AND EXPECTATIONS

4.1 INVESTMENT RATES IN 2021/22



	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	0.75	0.69	0.69	0.56	0.39	0.23	0.14
High Date	17/03/2022	18/03/2022	25/03/2022	31/03/2022	31/03/2022	31/03/2022	31/03/2022
Low	0.10	0.05	0.05	0.05	0.05	0.05	0.05
Low Date	01/04/2021	15/12/2021	16/12/2021	16/12/2021	16/12/2021	07/06/2021	13/12/2021
Average	0.19	0.14	0.13	0.12	0.09	0.07	0.06
Spread	0.65	0.65	0.65	0.51	0.34	0.18	0.09

a) Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of

England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

- b) The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).
- c) While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- d) Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

4.2 BORROWING RATES IN 2021/22

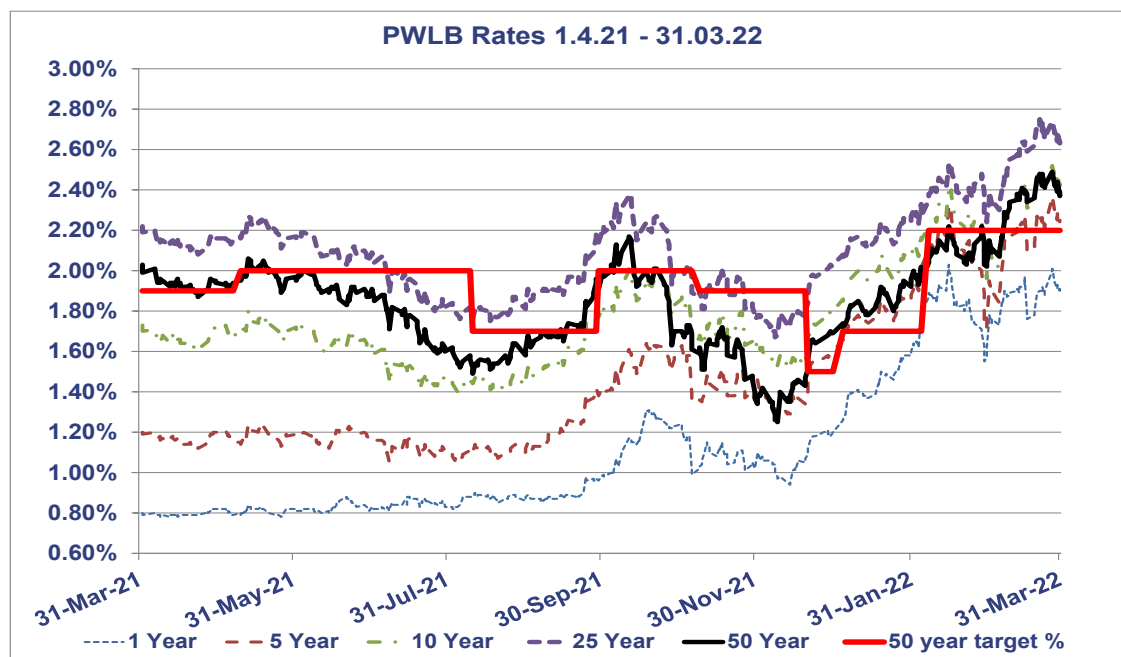
- a) During 2021-22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.
- b) A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
- c) The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- d) Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director Finance & Corporate Governance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:
 - if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.
- e) Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well into the second half of 2021/22.

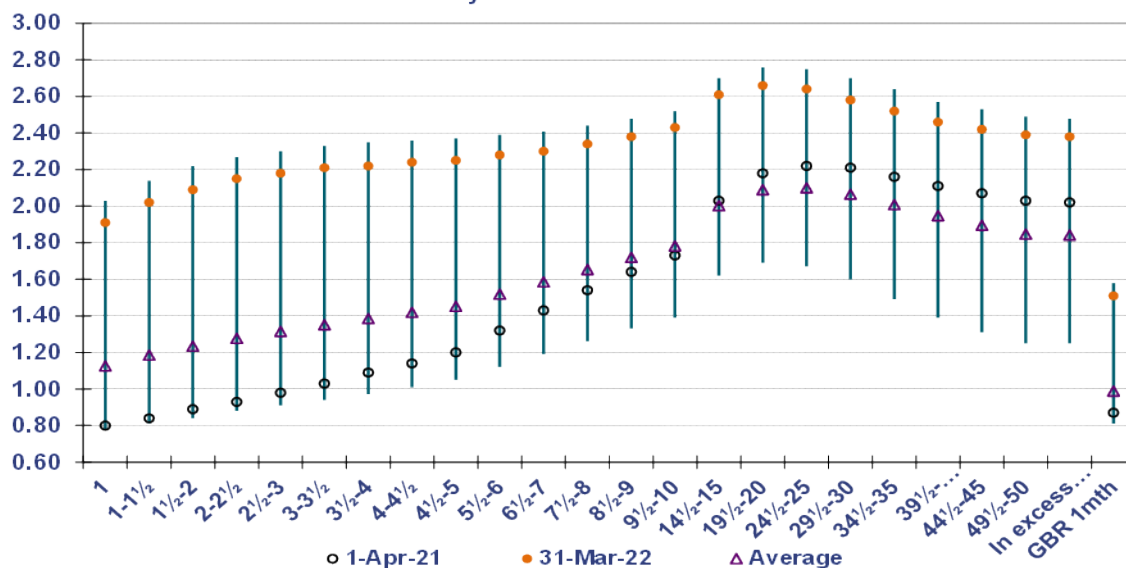
Forecasts at the time of approval of the treasury management strategy report for 2021/22 were as follows: -

Link Group Interest Rate View		8.2.21											
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.90	0.90	0.90	0.90	1.00	1.00	1.10	1.10	1.10	1.20	1.20	1.20	1.20
10 yr PWLB	1.30	1.30	1.30	1.30	1.40	1.40	1.50	1.50	1.50	1.60	1.60	1.60	1.60
25 yr PWLB	1.90	1.90	1.90	1.90	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20	2.20
50 yr PWLB	1.70	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00

PWLB RATES 2021/22



PWLB Certainty Rate Variations 1.4.21 to 31.3.2022



HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

f) PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of

g) Graph of UK gilt yields v. US treasury yields



- h) Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine. At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.
- i) Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows:-
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- j) There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank’s £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

5. INVESTMENT STRATEGY FOR 2021/22

5.1 INVESTMENT OBJECTIVES

- a) The Council’s investment strategy is governed by Scottish Government investment regulations and sets out the approach for choosing investment categories and counterparties, based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

- b) The **primary objectives** of the Council's investment strategy are:
 - (i) the safeguarding or **security** of the repayment of the principal and interest of investments on a timely basis;
 - (ii) ensuring adequate **liquidity** within the Council; and
 - (iii) maximising investment **yield** or return.

- c) The Council will ensure:
 - (i) It maintains a policy covering the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security, and the monitoring of their security; and
 - (ii) It has sufficient liquidity in its investments. For this purpose it sets out procedures for determining the maximum periods for which funds may prudently be committed. The Council's Prudential Indicators cover the maximum period over which sums can be invested.

5.2 INVESTMENT ACTIVITY

- a) The investment activity during the year conformed to the above approved strategy, and the Council had no liquidity difficulties. All money deposited with the Council's bank, Royal Bank of Scotland, was done on an overnight basis to minimise security and liquidity risk to the Council.

5.3 CURRENT INVESTMENT POSITION

- a) The total value of investments/deposits for the Council at 31 March 2022 was £46.9m. Cash was held on a short term basis throughout 2021/22 with major banks and various money market funds (the latter having a credit rating of AAA).

6 TREASURY PERFORMANCE INDICATORS

The Treasury Management Function has established the following additional performance indicators.

6.1 DEBT PERFORMANCE INDICATORS

These indicators are additional to the prudential & treasury management indicators covered earlier in this report. The Indicators are:

- a) **Average 'Pool Rate'** charged by the Loans Fund compared to Scottish Local Authority average Pool Rate. Target is to be at or below the Scottish Average for 2021/22.

The Council's loans fund pool rate for 2021/22 was 3.62%. The Scottish Local Authority average "pool rate" for 2021/22 is not yet available at the time of writing, but was 3.58% in 2020/21 and is not expected to be materially different for 2021/22.

- b) **Average rate movement year on year.** Target is to maintain or reduce the average borrowing rate for the Council versus 2020/21. The Council's pool rate of 3.62% for 2021/22 was 0.01% lower than the reported Council's rate of 2020/21.

6.2 INVESTMENT PERFORMANCE INDICATORS

- a) **Security**

- (i) The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is 0.02% historic risk of default.
- (ii) During 2021/22, money was deposited in accounts on a short term basis, not exceeding 3 months.

b) Liquidity

- (i) Liquid short term deposits should be at least £500,000, available with a week's notice.
- (ii) This indicator was adhered to in 2021/22
- (iii) Weighted Average Life benchmark is **expected to be 0.5 years** (equivalent to a weighted average life of 6 months), with a **maximum of 1.00 years**.
- (iv) The weighted **average life for 2021/22 was 0.01 years**, well below the 0.5 year target.

c) Yield

Due to the removal part-way through the year of the LIBID benchmarking rates, the target yield is now to have internal returns on cash investment above the 365 day backward looking SONIA (Sterling Overnight Index Average) un compounded rate. The return for 2021/22 averaged 0.06%, compared against the 365 day backward looking SONIA un compounded rate for the year to 31 March 2021 of 0.06%.

2020/21 comparison figures for average internal returns and 7 day LIBID were 0.11% and - 0.07% respectively.

Although yields remain low, the Council continues to make deposits on a short term basis with the Government's Debt Management Office (DMO) and Money Market Funds. The DMO is a very secure (Credit Rating of AAA) form of investment, but delivers a low rate of return (rising to 0.50% from 0.01% in 2020/21). The Money Market Funds used for deposits are also secure (with a Credit Rating of AAA). The planned deposit allocation between these two investment types has resulted in the returns mentioned above.

6.3 IMPACT ON REVENUE BUDGET

a) Ratio of actual financing costs to net revenue stream (Prudential Indicator 3)

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue funding for the Council. The comparison of the revised estimate approved in the 2021/22 mid year report to the outturn as at 31 March 2022 is as follows:

Table 8	Actual	Estimate
Ratio of financing costs to net revenue stream (PI-3)	% 8.6	% 8.9

b) Net Cost of Servicing Debt (Loan Charges) – Table 9 below summarises the comparison of the outturn versus estimate for the revenue cost of servicing the debt for the Council, including interest relating to PPP schools unitary charges.

Table 9	2021/22 Outturn £m	2021/22 Mid-Year Estimate £m	Variance (Under) /Over £m
Interest on Borrowing	9.6	10.2	(0.6)
Investment Income	(0.2)	(0.2)	-
Capital Repayments	7.5	9.2	(1.7)
Total Loan Charges	16.9	19.2	2.3

- (i) The interest on borrowing costs represents the interest paid on external debt and to internally managed funds (e.g. Pension Fund, Common Good Funds).

6.4 TREASURY MANAGEMENT INDICATORS (*Treasury Indicators 1 – 5*)

- a) The Treasury Indicators (TIs) are shown in **Table 10** below. The Council remained well within these Indicator limits throughout 2021/22

Table 10	2021/22 Revised Indicator	2021/22 Actual as at 31 March 2022	
Upper limits – Debt with fixed and variable interest rates			
Upper limits on fixed interest rates (<i>TI-1</i>)	438.2	410.2	
Upper limits on variable interest rates (<i>TI-2</i>)	153.4	143.6	
Maturity Structure of borrowing			
	Upper (<i>TI-3</i>)	Lower (<i>TI-4</i>)	Actual
Under 12 months	20%	0%	0.84%
12 months to 2 years	20%	0%	0.27%
2 years to 5 years	20%	0%	11.47%
5 years to 10 years	20%	0%	10.20%
10 years and above	100%	20%	77.22%
Prudential limits for principal sums invested (<i>TI-5</i>)			
Cash Deposits < 12 months		100%	100%
Cash Deposits > 12 months		20%	0%

ANNEX A

Indicator Reference	Indicator	Page Ref.	2021/22 Original estimate	2021/22 Revised estimate	2021/22 Actual
PRUDENTIAL INDICATORS					
Capital Expenditure Indicator					
PI-1	Capital Expenditure (£m)	3	87.4	84.2	59.6
PI-2	Capital Financing Requirement (£m) (CFR)	5	384.4	364.6	342.3
Affordability Indicator					
PI-3	Ratio of Financing Costs to Net Revenue	12	8.7%	8.9%	8.6%
PI-4	Incremental Impact of Capital Investment Decisions on Council Tax	N/A	£0.01	£(0.00)	£0.01
External Debt Indicators					
PI-5	Actual Debt (£m)	6	328.7	311.8	298.6
PI-7a	Operational Boundary (inc. Other Long Term Liabilities) (£m)	6	442.6	438.2	410.2
PI-7b	Operational Boundary (exc. Other Long Term Liabilities) (£m)	6	349.1	349.1	323.2
PI-8a	Authorised Limit (inc. Other Long Term Liabilities) (£m)	6	531.1	525.9	492.2
PI-8b	Authorised Limit (exc. Other Long Term Liabilities) (£m)	6	437.6	436.8	405.3
Indicators of Prudence					
PI-6	(Under)/Over Gross Borrowing against the CFR (£m)	6	(144.6)	(153.1)	(128.7)
TREASURY INDICATORS					
TI-1	Upper Limit to Fixed Interest Rates based on Net Debt (£m)	13	442.6	438.2	410.2
TI-2	Upper Limit to Variable Interest Rates based on Net Debt (£m)	13	154.9	153.4	143.6
TI-3 & TI-4	Maturity Structure of Fixed Interest Rate Borrowing	13	Upper	Lower	
	Under 12 months		20%	0%	
	12 months to 2 years		20%	0%	
	2 years to 5 years		20%	0%	
	5 years to 10 years		20%	0%	
	10 years and above		100%	20%	
TI-5	Maximum Principal Sum invested greater than 364 days	13	20%	20%	20%

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Scottish Borders Council Pension Fund 2021/22 Annual Audit Report



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

October 2022

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Key messages

2021/22 annual report and accounts

- 1 Our audit opinions on the annual report and accounts are unmodified.
- 2 The financial statements of Scottish Borders Council Pension Fund give a true and fair view of the state of affairs of the Fund as at 31 March 2022 and have been properly prepared in accordance with the financial reporting framework.

Financial management

- 3 The Fund pays out more than it collects annually from fund members, with investment returns making up the difference. The value of the Fund increased by 5.9% to £911 million during 2021/22, but investment performance was below the benchmark return set for the year.
- 4 The Fund has appropriate and effective financial management arrangements in place which includes comprehensive reporting of investment performance.

Financial sustainability

- 5 Recent triennial valuations provide assurance over the financial sustainability of the fund and the viability of its funding strategy.
- 6 The Fund reviewed its investment strategy following the March 2020 triennial valuation and will continue to diversify the investment structure to support income generation.

Governance and transparency

- 7 Governance arrangements have been appropriate and operated effectively.
- 8 There is effective scrutiny, challenge and informed decision-making by committee.
- 9 The Fund actively considers Environmental, Social and Governance matters as part of its Investment Strategy.

Best Value

- 10 The Fund has an appropriate best value framework in place which includes effective arrangements for monitoring investment performance and scrutinising management expenses.

- 11** Scottish Borders Council Pension Fund was awarded Local Government Pension Scheme (LGPS) Fund of the Year (assets under £2.5bn) at the LAPF Investments Awards.
- 12** 2021/22 was a challenging year for Scottish Local Government Pension Schemes. Ten of the eleven funds still reported positive movements in net assets during the year, but only three of those funds, not including Scottish Borders, reported above benchmark returns.

Introduction

1. This report is a summary of our findings arising from the 2021/22 audit of Scottish Borders Council Pension Fund (the Fund).
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2022 meeting of the Pension Fund Committee and to the March 2022 Audit and Scrutiny Committee. This report comprises:
 - an audit of the Fund's annual report and accounts
 - consideration of the wider dimensions of financial management, financial sustainability, governance and transparency, and value for money, that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The main elements of our audit work in 2021/22 have been:
 - an audit of the Fund's 2021/22 annual report and accounts including the issue of an independent auditor's report setting out our opinions
 - a review of the Fund's main financial systems
 - consideration of the four audit dimensions of financial management, financial sustainability, governance and transparency and value for money.

Added Value

4. We add value to the Fund through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

5. Scottish Borders Council is the administering authority for the Scottish Borders Council Pension Fund. The council delegates this responsibility to the Pension Fund Committee. The committee is responsible for establishing effective governance arrangements and ensuring that financial management is

effective. The Pension Fund Committee also recommends the annual report and accounts for approval by the Council. The Council's Audit and Scrutiny Committee is responsible for reviewing the effectiveness of internal control arrangements.

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

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

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

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

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

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

Auditor Independence

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

12. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £22,110 as set out in our Annual Audit Plan remains unchanged.

13. This report is addressed to both the members of the Pension Fund Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

14. The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

15. The procurement process for the new round of audit appointments covering 2022/23 to 2026/27 was completed in May 2022 and Audit Scotland has again been appointed as the external auditor for Scottish Borders Council Pension Fund. Although Audit Scotland remain the board's external auditors, to maintain the independence and objectivity of the audit team, the engagement lead and other staff working on the audit will be changed for the 2022/23 audit. The outgoing audit team will work with officers and the new audit team to ensure a smooth transition.

16. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

17. We would like to thank Committee members and other staff, particularly those in finance and the pensions administration team for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual report and accounts

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

Main judgements

Our audit opinions on the annual report and accounts are unmodified.

The financial statements of Scottish Borders Council Pension Fund give a true and fair view of the state of affairs of the Fund as at 31 March 2022 and have been properly prepared in accordance with the financial reporting framework.

Our audit opinions on the annual report and accounts are unmodified

18. The annual report and accounts for the year ended 31 March 2022 were approved by the Scottish Borders Council on 24th November 2022. We reported, within the independent auditor's report that:

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

The Covid-19 pandemic had no impact on audit evidence

19. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the Covid-19 outbreak.

20. The working papers provided with the unaudited accounts were of a good standard and finance staff provided support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

The annual report and accounts were submitted in line with our agreed audit timetable

21. Submission dates for the audited annual report and accounts for 2020/21 and 2021/22 were deferred in line with the later dates for producing the annual accounts because of the impact of Covid-19. Audit Scotland has set target

dates for 2021/22 which transition to more regular timescales. For 2021/22, the deadline for the audited annual report and accounts is 31 October 2022. We will present our Annual Audit Report to the Pension Fund Committee in October 2022, but due to diary commitments, the accounts will now be signed off in November 2022.

22. The unaudited annual report and accounts were received in line with our agreed audit timetable on 30 June 2022.

There were no objections raised to the annual report and accounts

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

Overall materiality is £9.1 million

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

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

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

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£9.1 million
Performance materiality	£5.9 million

Materiality level	Amount
Reporting threshold	£250 thousand
Specific materiality (applied to benefits expenditure and contributions income in the fund account)	£2.5 million
Specific performance materiality	£1.5 million

Source: Audit Scotland

We have no significant findings to report on the annual report and accounts

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

We have obtained audit assurances over the significant financial statements' risks identified in our 2021/22 Annual Audit Plan

28. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</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</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. 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. 	<p>No issues identified.</p> <p>No issues identified.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Focussed testing of accounting accruals and prepayments. 	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>Substantive testing of transactions throughout the year were concluded as satisfactory.</p> <p>No issues identified.</p> <p>No changes to methods identified.</p> <p>Focussed testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Conclusion: We have not identified any indication of management override in the year leading to material misstatement or significant concern.</p>
<p>2. Estimations applied to level 3 investments</p> <p>The pension fund has a significant portfolio of level 3 investments, for example unquoted equities, where valuations involve the application of a variety of estimates in determining appropriate valuations. This</p>	<ul style="list-style-type: none"> • Confirmation of year end valuations to valuation reports and/or other supporting documentation. • We will review user entity controls in relation to the use of service organisations. • Review the relevant investment manager 	<p>No significant issues identified.</p> <p>No issues identified.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>subjectivity gives rise to a significant risk of material misstatement in the financial statements.</p>	<p>controls' reports for qualifications or exceptions that may affect the audit risk.</p> <ul style="list-style-type: none"> Review the arrangements in place at the Fund to assess investment managers' governance arrangements. Review the disclosures included in the accounts to ensure these are adequate in directing the user of the accounts to acknowledge the areas of major sources of estimation and uncertainty with regards to level 3 assets. 	<p>No issues identified.</p> <p>See Appendix 1 Recommendation 4</p> <p>No issues identified.</p> <p>Conclusion: From our review of investment manager reports, review of disclosures and our review of the user entity controls in relation to the use of a service organisation, we did not identify any significant issues in relation to this risk.</p>

Other areas of audit focus

29. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The areas of specific audit focus were:

- Estimations applied to the actuarial valuation: The actuarial valuation depends on a range of financial and demographic estimations about the future. The subjectivity around these estimates gives rise to a risk of material misstatement in the financial statements.
- Valuation of level 1 and level 2 assets: Investments held by the Pension Fund are subject to market price fluctuations and a degree of estimation. The Pension Fund holds material level 1 (where valuation derived directly from unadjusted quoted active market price) and level 2 (where the instrument is traded in a market not considered to be active or where the fair value is determined using valuation techniques based on market prices). Due to the material amounts and in particular, the degree of subjectivity and complexity in the valuation of level 2, this gives rise to a risk of material misstatement in the financial statements.

30. We kept these areas under review throughout our audit and based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

Other matters arising from the audit of the financial statements

31. Pension Recalculation: In our 2020/21 audit, we reported an error with a pension lump sum payment. Management agreed to recalculate the member's options and to re-engage with the member. During our 2021/22 audit we identified a further error and alerted management. This is detailed in [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

32. Pension Overpayment: The aforementioned error has resulted in an overpayment. As it was an error made by officers who are employed by the council (with salary costs recharged to the pension fund), and not the individual, it was agreed no recovery of overpayment would be sought. The cost has been borne by the pension fund and not the council. Whilst a scheme of delegation is in place for the council there is a need to consider an appropriate scheme of delegation for decisions that impact on the pension fund. This should include information on what circumstances would give rise to not seek recovery of overpayment, and what entity should bear the cost of that overpayment. This is detailed in [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

33. Investment Management Expenses: We identified that £0.128m was omitted from the investment management expenses. This was a timing error caused by information not completely available at the time of the preparation of the accounts. We reviewed each of the cost transparency initiative templates, completed by fund managers, provided after the year end and this total reflects the total of costs omitted. We recommend a new process is put in place for the collection and recording of investment management fees to ensure these are complete. This is detailed in [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Recommendation 2

As part of the accounts preparation process, management should ensure that investment managers provide information to the fund on a timely basis.

Identified misstatements of £2.9 million were not adjusted in the accounts. These were less than our performance materiality and we did not need to further revise our audit approach

34. Total misstatements identified had a net value of £1.5million. Misstatements identified related to:

- **Level 3 late valuations** Misstatements identified were £2.2million, which if adjusted, would have increased investment asset values by £2.2 million. These consist of late valuations received for Level 3 assets. The

valuations for these assets are included in the accounts with a lagged valuation date of 31 December 2021. The valuations were not available when the unaudited accounts were issued. The final valuations were received during our audit.

- **Investment management expenses** Misstatements identified were £0.12m. Investment managers had not provided complete information at the time of the accounts preparation. If these had been adjusted, there would be no overall impact as both management expenses and change to market value would be adjusted.
- **Baillie Gifford Global Investments** Information included in the custodian values on comparison with the fund manager values differed by £0.625m. The fund had used the custodian values for accounts preparation purposes. The differences are mainly timing related, with the majority driven by the fund manager cutting a share price of a suspended trading investment company. If these had been adjusted, this would have decreased investment asset values by £0.625m.

35. After discussions with management, we concluded that adjustments for these were not required as the total net adjustment required to investment assets of £1.5 million is below our performance materiality level.

36. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety, and do not indicate any systemic error. Items not adjusted are detailed in [Appendix 2](#).

Progress was made on prior year recommendations

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

2. Financial management

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

Main judgements

The Fund pays out more than it collects annually from fund members, with investment returns making up the difference. The value of the Fund increased by 5.9% to £911 million during 2021/22, but investment performance was below the benchmark return set for the year.

The Fund has appropriate and effective financial management arrangements in place which includes comprehensive reporting of investment performance.

The annual performance of the Fund was significantly impacted by Covid-19 and other world events

38. When considering the investment performance of the Fund during 2021/22, it is important to recognise the impact of Covid-19 and other world events on financial markets and investments. The global impact of the pandemic and the conflict in Ukraine has significantly increased market volatility. The Fund's performance by the conclusion of 2021/22 is summarised in [Exhibit 3](#).

Exhibit 3

Assets, funding level and investment performance

Increase in net assets	Funding level	Investment performance
£911 million	110%	7.3%
Closing net assets as at 31 March 2022 (+5.9%)	2020 Funding Valuation	Average annual return on investments over 5 years
£860 million	114%	5.9%
Opening net assets at 1 April 2021	2017 Funding Valuation	Return on investments 2021/22

Source: 2021/22 Scottish Borders Council Pension Fund unaudited annual report and accounts

39. Despite the volatile market conditions, the Fund has seen a positive performance of 5.9%, against a benchmark of 10.6% for 2021/22. The net assets of the Fund increased from £860 million at 31 March 2021 to £911 million at 31 March 2022. During 1st April 2021 to 31st December 2021, investment assets continued to grow, with a peak of £938m as at 31st December 2021. In the last quarter of 2021/22, there was significant market volatility for most major asset classes. This was attributed to concerns over rising inflation, monetary policy and the Russia-Ukraine war.

40. Hymans Robertson estimated the pension liabilities decreased by 2.8% to £1,057 million at 31 March 2022 (2020/21 – £1,088 million). This estimate uses assumptions in line with International Accounting Standard (IAS) 26 requirements, for the purposes of the Fund's financial statements.

The Fund has appropriate and effective financial management arrangements in place which includes comprehensive reporting of investment performance

41. The Acting Chief Financial Officer for Scottish Borders Council is the Proper Officer responsible for Scottish Borders Council Pension Fund. The financial regulations of Scottish Borders Council, as administering authority, apply to the Fund. We consider these to be current, comprehensive and support good financial management.

42. The Pension Fund Committee receives administration and performance reports at its quarterly meetings. These reports are comprehensive and include fund performance trends, investment manager performance against benchmarks and movements in asset allocations. From attendance at Committee we observed and concluded that reports presented to members are subject to appropriate review and scrutiny.

43. Overall, we have concluded that the Fund has appropriate and effective financial management arrangements in place, including comprehensive reporting of investment performance.

Financial systems of internal control operated effectively

44. As part of our audit, we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the Fund has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

45. Our work in 2021/22 covered the key controls over the systems used for pension administration activity and the pension fund's investments. The Fund also uses the financial systems of the administering authority, Scottish Borders Council. The main council systems used by the Fund are the general ledger system and the payroll system. Our review of the controls in operation within these systems was conducted as part of our audit of Scottish Borders Council.

46. Our review of the systems used by the Fund and the administering authority did not identify any significant control weaknesses which could affect the Fund's

ability to report financial and other relevant data in the financial statements, and we concluded that systems of internal control for the Fund operated effectively during 2021/22.

47. Whilst we concluded that overall systems of internal control are operating effectively, we noted that some general documentation and administrative control procedures had not been completed. This was initially raised in our 2020/21 AAR. We understand some control procedures were historically completed in paper format, which have not been updated to reflect the move to home working. This is detailed in [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Prior year recommendation 6

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

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

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

49. The risk profile of public bodies during 2021/22 has been significantly affected by the Covid-19 pandemic. This is likely to have increased the risk of fraud and error as control environments and internal controls have had to change to allow for services to operate effectively and respond to issues in a timely manner.

50. The Fund relies on the Council's arrangements for the prevention and detection of fraud and corruption. We have reviewed the arrangements put in place by the Council to address any heightened risks and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities.

3. Financial sustainability

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

Main judgements

Recent triennial valuations provide assurance over the financial sustainability of the fund and the viability of its funding strategy.

The investment strategy was reviewed following the March 2020 triennial valuation and will continue to diversify the investment structure to support income generation.

Recent triennial valuations provide assurance over the financial sustainability of the fund and the viability of its funding strategy

51. The results of the 2020 full triennial valuation of the Scottish Borders Council Pension Fund showed a funding level of 110%. This is a slight drop from 114% in the 2017 valuation, but it still means that, overall, the investment assets were higher than the projected liabilities.

Medium term financial planning arrangements are appropriate and effective

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

53. The last review was carried out in 2021 after the results of the 2020 triennial valuation. The revised investment strategy reflects the Fund's decision to focus on income generation to build capacity to fund annual benefits as cash flows from dealings with members continue to be negative. The Fund has considered this as part of its investment strategy and is further diversifying its investment structure to increase investment in income generating assets. This has been a proactive response from the Fund to move to more income bearing assets to pay annual pensions as the fund matures.

54. The Fund has begun implementing the key changes agreed as part of the review. This includes the restructuring of the Fund's equity portfolio, the

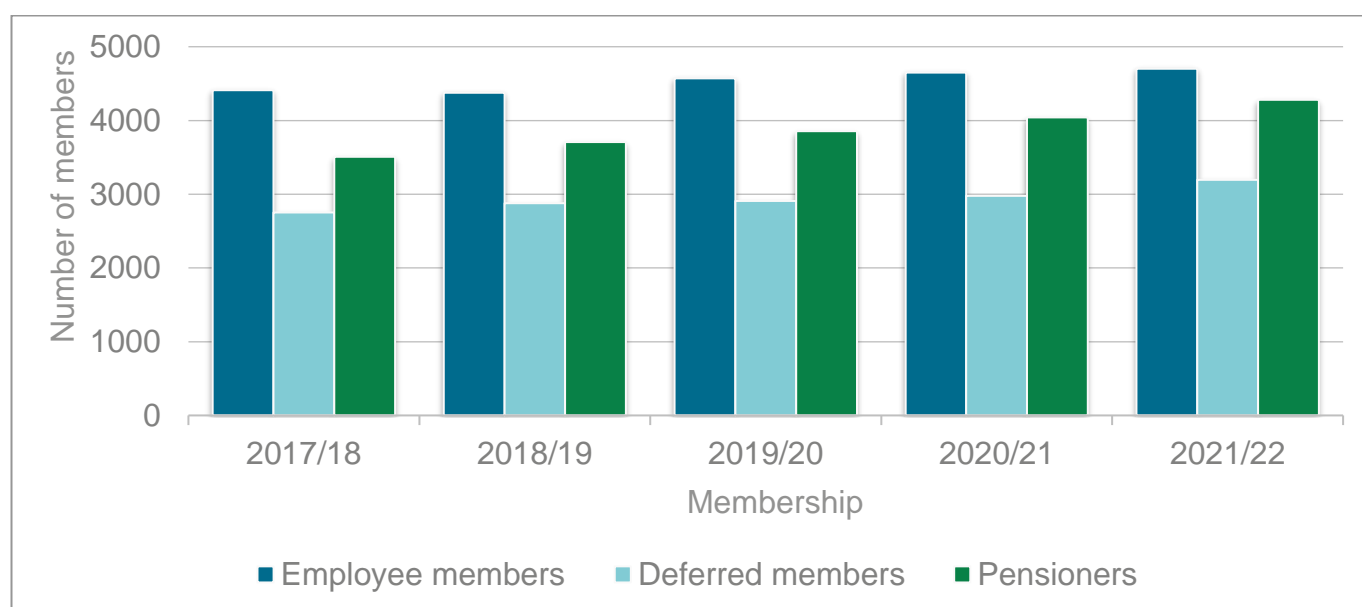
implementation of a new pooled infrastructure equity mandate and the restructuring of the property portfolio.

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

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

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

Exhibit 4 Scottish Borders Council Pension Fund membership



Source: Scottish Borders Council Pension Fund 2021/22 unaudited financial statements

57. Membership of the fund increased by 514 to 12,178 members at 31 March 2022; an increase in membership of 4.4%. The impact of auto-enrolment continues to contribute to the increase in employee members.

58. In 2021/22 the number of pensioners receiving a pension from Scottish Borders Council Pension Fund increased by over 240 and the number of pensioner members continues to increase steadily each year. The number of active members continues to outweigh the number of pensioners but the ratio of active members to pensioners has reduced over the past five years.

59. Cash flows from dealings with members continue to be negative with more paid out in benefits than that received from contributions. The cash flow position impacts the investment strategy as income from investments rather than

contributions is needed to pay pensions The fund has been maturing since 2013/14. The Fund has considered this as part of its investment strategy and is further diversifying its investment structure to increase investment in income generating assets. This has been a proactive response from the Fund to move to more income bearing assets to pay annual pensions as the fund matures.

Future rates of employer contributions

60. Following the triennial valuation in 2020, the actuary agreed employer contribution rates with individual employers from 1 April 2021. For the majority of employers, the current funding surplus is being used to subsidise and stabilise contribution rates. For one employer, their rate includes an element of deficit recovery contributions to support the employer's financial planning. The approximate split of all contributions received in year is set out at [Exhibit 5](#).

Exhibit 5 Contributions in 2021/22

	Administering authority £m	Other scheduled bodies £m	Admitted bodies £m	Total £m
Employer contributions	13.94	0.74	2.35	17.03
Employee contributions	4.60	0.25	0.65	5.5

Source: Scottish Borders Council Fund 2021/22 audited financial statements and supporting working papers

4. Governance and transparency

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

Main judgements

Governance arrangements are appropriate and operate effectively.

There is effective scrutiny, challenge and informed decision making by committee.

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

Governance arrangements are appropriate and operate effectively

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

62. Following the local government elections in May 2022 a new Pension Fund Committee was appointed. This included 5 councillors who served on the Committee during 2021/22 and 2 councillors who were newly appointed to the committee.

63. Due to the specialised nature of the Fund, it is vital that members have appropriate knowledge and understanding to provide appropriate challenge and scrutiny. The Fund prepares an annual training programme which covers training, including The Pensions Regulator Trustee Toolkit training, and other essential training that will assist members in discharging their fiduciary duty.

64. Members are required to carry out appropriate levels of training to ensure they can perform their required duties. There is no formal induction in place for new members to the Fund. Per the training policy, new members are required to complete the Pension Regulator Toolkit within six months of joining. Members are required to attend at least two meetings per year, not all members

completed this requirement for 2021/22. This is detailed in [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

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

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

Recommendation 3

Management should work with the Pension Board and Pension Committee to ensure members are aware of their attendance requirements.

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

67. The Public Sector Pensions Act 2013 provided for extended regulatory oversight by the Pensions Regulator. The Pensions Regulator issued a code on the governance and administration of public service pension schemes in January 2015 which funds are expected to comply with.

68. There were no breaches of the Code that required to be reported to the Pensions Regulator in 2021/22.

Performance reporting was of a good standard

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

70. The Fund's 2021/22 management commentary is of good quality and is written with the stakeholder in mind. It presents some complex areas in an understandable style which increases transparency in reporting the financial performance and financial position.

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

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

72. The Fund approved a revised Statement of Responsible Investment Policy on 17 March 2022 which details the Fund's approach to responsible investment and arrangements to monitor manager performance against the principles in this policy. The overwhelming majority of fund managers engaged with Scottish Borders Council Pension Fund (99.8%) are signatories to the United Nations Principles for Responsible Investment. The Fund became a signatory to Climate Action 100+ in March 2020. As a signatory the Fund supports Climate Action 100+ in its engagement with the boards and senior management of companies around the world to implement a strong governance framework, take actions to reduce greenhouse gas emissions and provide enhanced corporate disclosures. The Fund actively engages with fund managers to ensure they are incorporating ESG opportunities to increase investment in sustainable funds. This is demonstrated by the £94m investment with LGIM in their Global ESG Passive Equity fund and the transition of £114m from the Baillie Gifford Global Equity Fund to their Global Paris Aligned Fund.

5. Best Value

Using resources effectively and continually improving services

Main judgements

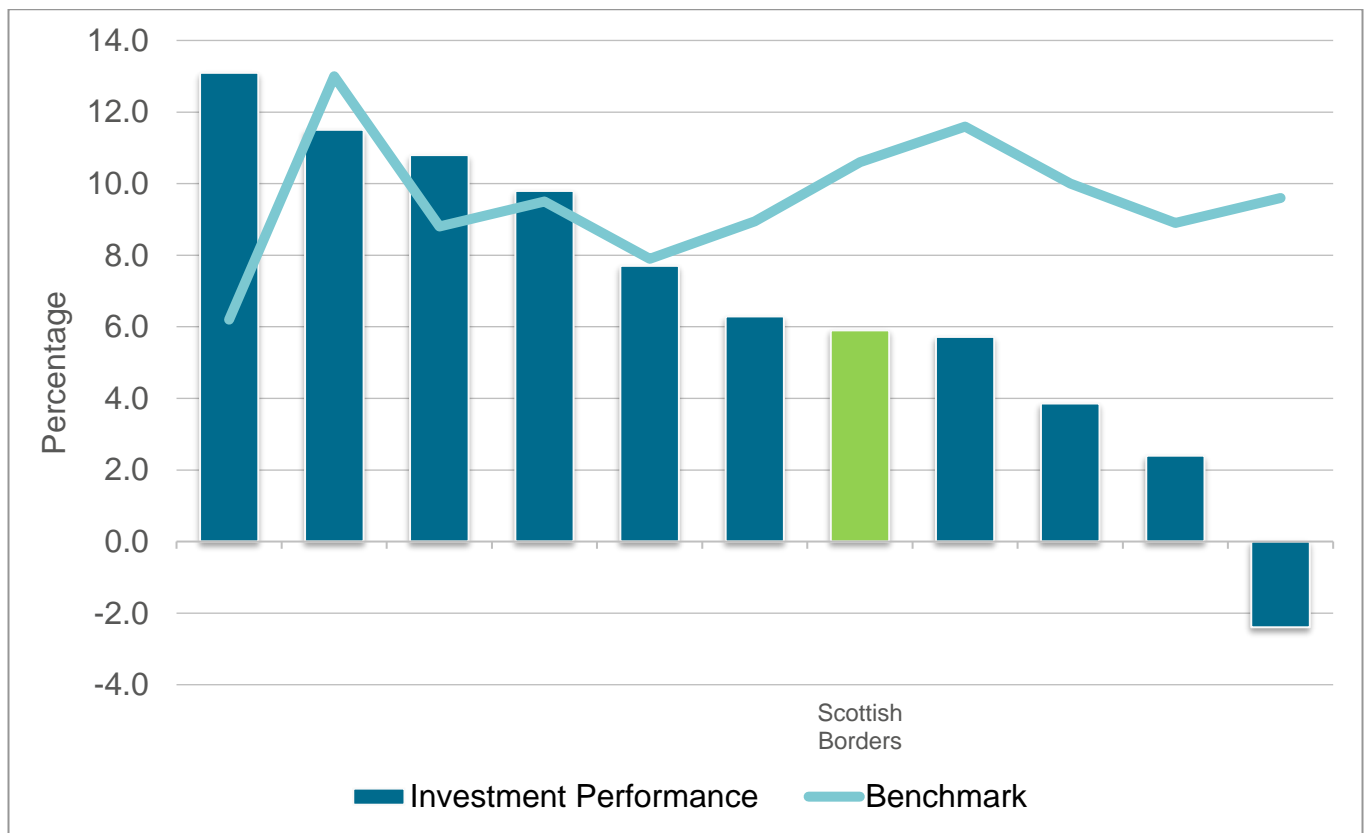
The Fund has an appropriate best value framework in place which includes effective arrangements for monitoring investment performance and scrutinising management expenses.

Scottish Borders Council Pension Fund was awarded Local Government Pension Scheme (LGPS) Fund of the Year (assets under £2.5bn) at the LAPF Investments Awards.

2021/22 was a challenging year for Scottish Local Government Pension Schemes. Ten of the eleven funds still reported positive movements in net assets during the year, but only three of those funds, not including Scottish Borders, reported above benchmark returns.

2021/22 was a challenging year for Scottish Local Government Pension Schemes. Ten of the eleven funds still reported positive movements in net assets during the year, but only three funds reported above benchmark returns.

73. As shown in [Exhibit 6](#), 2021/22 was a challenging year for Scottish Local Government Pension Schemes due to the impact of Covid-19 and other world events on financial markets and investments. Ten of the eleven funds still reported positive movements in net assets during the year, but only three funds reported above benchmark returns, with investment performance ranging from -2% to 13%. Scottish Borders Council Pension Fund's increase of 5.9% placed it near the bottom of this range and reflected the greater impact of the wider market conditions on the value of equity markets over the last 12 months.

Exhibit 6**LGPS pension funds 2021/22 – Net return on investment and benchmark return**

Source: 2021/22 LGPS pension fund unaudited financial statements

The pension administration function has performed well against targets

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

75. The Fund's business plan sets out a range of service standards against which administration performance is monitored. The Pensions Team were able to comply with the legislative requirement to issue annual benefit statements. This was achieved with some staff attending their normal workplace, whilst the majority worked from home. During 2021/22 the Pensions Administration Team focussed all efforts on ensuring the statutory elements of the service, as highlighted by the Pensions Regulator, continued to be provided, with all payments to pensioners being issued on time.

76. The administration function's performance against its targets for Service Standards have been affected by the pressures of the pandemic, alongside an increasing workload. However, performance in several priority areas has remained high, including issuing 100% of annual benefit statements on time.

77. During 2021/22, the Fund implemented Members Self Service. This has helped reduce the number of routine enquiries from scheme members as they are able to obtain information directly via the self-service functionality. Key administration tasks reported for 2021/22 included 1,367 pension estimates. With the implementation of Members Self Service, over 12,500 benefit calculations were run. This should help improve performance going forward.

The continuing impact of Covid-19 and the conflict in Ukraine on global markets reduced expected annual returns

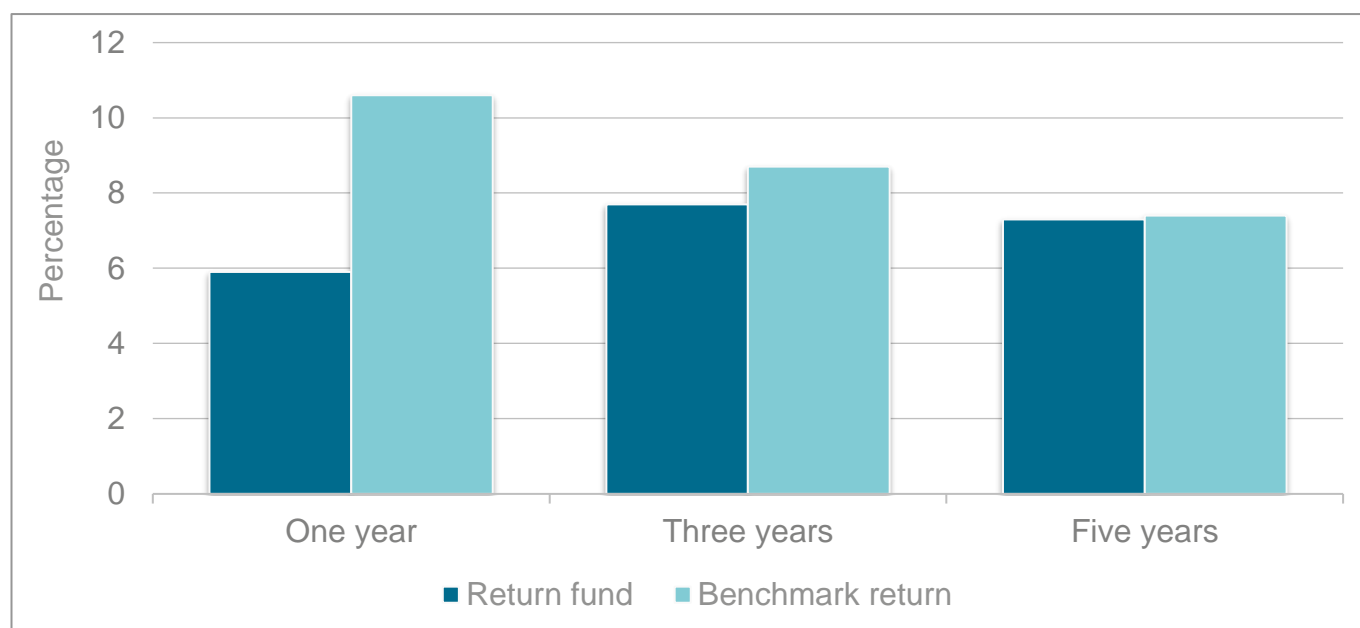
78. The Fund appoints several external investment managers. Individual investment manager performance is reviewed regularly by the Pension Fund Investment and Performance Sub-Committee Committee and the Fund's investments team also carries out annual diligence reviews for each appointed fund manager.

79. Financial markets have been exceptionally volatile in recent years due to the ongoing Covid-19 pandemic and more recently as result of the conflict in Ukraine. Returns against most asset classes, especially equities, reduced significantly. Throughout 2021/22, investment returns continued to increase each quarter, with a peak value of £938m as at Dec 2021. Performance of the Fund's assets was mixed in quarter 4. This was due to the challenging and volatile market conditions including concerns over rising inflation, tapering monetary policy, and the Russia-Ukraine war. Investment assets dropped by £29m in quarter 4.

80. [Exhibit 7](#) shows that over the year, the Fund generated a return of 5.9% against a benchmark of 10.6%. Over the medium to longer term, the Fund has underperformed against its three-, five- and ten-years benchmarks.

Exhibit 7

Fund investment performance



Source: Scottish Borders Council Pension Fund 2021/22 unaudited financial statements

Investment management expenses

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

82. Investment management expenses have increased from £5.3 million in 2020/21 to £5.6 million in 2021/22. The main reason for the increase in expenses relates to the 5.9% increase in asset value.

83. The Fund has encouraged all its listed equity investment managers to sign up to the Code of Transparency and has engaged with managers of other assets classes to do so as and when cost templates become available.

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

National performance audit reports

85. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22, we published reports which may be of interest to the Fund. These are outlined in [Appendix 3](#) accompanying this report.

Appendix 1

Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Pension Overpayment</p> <p>Through our audit work we identified one case where the council made an error in the calculation of a benefit. As it was an error made by the council, and not the individual, no recovery of overpayment was sought. The cost has been borne by the pension fund and not the council.</p> <p>Risk</p> <p>That governance arrangements are not sufficient to support decision making for pension fund matters.</p>	<p>Whilst a scheme of delegation is in place for the council there is a need to consider an appropriate scheme of delegation for decisions that impact on the pension fund. This should include guidance on what circumstances would give rise to not seek recovery of overpayment, and what entity should bear the cost of that overpayment.</p> <p>Paragraph 31</p>	<p>Formal overpayment policy for the Pension Fund drafted and will be presented to Pension Fund Committee and Board for approval.</p> <p>Responsible officer</p> <p>HR Shared Services Manager</p> <p>Agreed date</p> <p>31 December 2022</p>
<p>2. Investment management expenses</p> <p>Around £0.128m of investment management expenses were not notified by the investment manager in time for closedown of the accounts and were not therefore included within the accounts.</p> <p>Risk</p> <p>The transparency of costs related to investment management expenses is not properly reflected in the accounts.</p>	<p>As part of the accounts preparation process, management should ensure that investment managers provide information to the fund on a timely basis.</p> <p>Paragraph 32</p>	<p>Management will ensure that there is a specific focus during the accounts preparation process on ensuring that information is provided by investment managers on a timely basis.</p> <p>Responsible officer</p> <p>Acting Chief Financial Officer</p> <p>Agreed date</p> <p>31st March 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Member attendance</p> <p>Pension Committee and Pension Board members are required to attend at least two meetings of the Pension Fund Committee and Board per year. For 2021/22 a member of the committee and a member of the pension board only attended one meeting.</p> <p>Risk</p> <p>Members are not present to monitor and scrutinise Pension Fund performance effectively.</p>	<p>Management should work with the Pension Board and Pension Committee to ensure members are aware of their attendance requirements.</p> <p>Paragraph 65</p>	<p>Management will ensure that members are aware of their attendance requirements for the Pension Board and Pension Committee through Elected Member training and induction processes.</p> <p>Responsible officer</p> <p>Acting Chief Financial Officer</p> <p>Agreed date</p> <p>31st December 2022</p>
<p>4. Annual due diligence review of investment managers</p> <p>Annually, the fund issues governance questionnaires to fund managers requesting specific information such as internal controls reports. These should be reviewed to check for any concerns which may impact the fund. For 2021/22 whilst the questionnaires were issued, it was evident these had not been subject to review by management.</p> <p>Risk</p> <p>That investments held by managers are exposed to unnecessary risks.</p>	<p>Management should ensure that governance questionnaires and supporting information received by each fund manager are reviewed to ensure they are aware of any issues arising which could impact the investments they hold.</p>	<p>Agreed, management will ensure governance questionnaires are reviewed in line with the recommendation.</p> <p>Responsible officer</p> <p>Acting Chief Financial Officer</p> <p>Agreed date</p> <p>31st March 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>5. Pension Recalculation</p> <p>Audit testing identified one error included within a member's lump sum pension calculation. The options presented to the member were not based on accurate information. This is considered to be an isolated error. Management relied on a model used by other LGPS Funds to calculate the pension due; this model had not however been updated to reflect the specific circumstances of the member. This error was also missed on independent review of the pension calculation.</p> <p>Risk</p> <p>There is a risk that calculations are not accurate, and members are not presented with the correct pension options.</p>	<p>For unusual or exceptional pension benefits, management should ensure that there are additional quality assurance arrangements in place for the review of calculations.</p> <p><u>Update for 2021/22</u></p> <p>We reviewed the recalculated options presented to the member. We identified a further error within the calculation and alerted management. Additional audit testing was not required as we could readily conclude that this was an isolated case.</p>	<p>In Progress</p> <p>Continue to review unusual or exceptional benefits with management reviewing in line with relevant legislation/regulations.</p> <p>Responsible officer HR Shared Services Manager</p> <p>Revised date 31 October 2022 and ongoing thereafter</p>
<p>6. Administrative Procedures</p> <p>Audit testing identified administrative procedures in paper format have not been updated nor completed with the move to home working. This includes the completion of checklists for specific tasks such as procedures following retirement of an employee and leavers checklists. We also identified there is no documented checks on pension calculation figures.</p>	<p>Management should review administrative procedures in place and update these to reflect the move to home working. Management should also ensure that officers are familiar with their responsibilities for the completion of supporting paperwork to evidence processes have been completed and reviewed in a timely manner.</p> <p><u>Update for 2021/22</u></p>	<p>In Progress</p> <p>Revised action</p> <p>Reminder to be issued to all members of the Pensions Team to ensure all checklists/calculations are fully signed off.</p> <p>Responsible officer HR Shared Services Manager</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk</p> <p>There is a risk all required tasks are not completed and errors not identified in a timely manner.</p>	<p>Whilst we noted improvements in some areas, such as documented checks on calculation figures, we found not all areas had been actioned/replaced with the move to home working. For example, documented checklists of completion of specific tasks.</p>	<p>Revised date</p> <p>31 October 2022</p>
<p>7. Pensioner validation using ATMOS reports</p> <p>As part of our review of pension payment controls, we requested a sample of ATMOS match reports for testing. These reports are used by management to identify deceased pensioners so that pension payments are stopped in a timely manner, minimising overpayments.</p> <p>The ATMOS match reports we received for testing were five months old. Therefore, there is no evidence that the matches have been investigated by management in a timely manner.</p> <p>Risk</p> <p>There is a risk that, without prompt investigation by management, pensions are being overpaid.</p>	<p>ATMOS reports should be reviewed, and any matches investigated in a timely manner to prevent any overpayments to deceased pensioners.</p> <p><u>Update for 2020/21</u></p> <p>This was not actioned for the financial year 2020/21.</p>	<p>Complete</p> <p>During 2021/22, the fund signed up to the National NI Database. This is a data sharing project with other LGPS pension funds in England, Wales and Scotland. This is used alongside the Tell Us Once notification system. Each month, the team uploads all member data to the NI Database. On a weekly basis, a member of the HRSS team logs in to the Tell Us Once notification system and checks for any matches. This allows HRSS to stop any pensions promptly and take action thereafter. This is an improved process introduced during 2021/22 which negates the requirement to review ATMOS reports. We reviewed this new process as part of our controls work and no issues were identified.</p>
<p>8. Validation of overseas pensioners</p> <p>Validation of pensioners is considered a key control that should be in place to ensure that pensioners in receipt of pensions are still eligible to receive payment.</p>	<p>The existing process in place should be reviewed to ensure it is still appropriate. The process should be actioned on a frequent basis to ensure existence of overseas pensioners.</p> <p><u>Update for 2020/21</u></p>	<p>Complete</p> <p>This was completed for 2021/22. Management should continue to ensure this process is carried out periodically.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>We identified that, whilst letters and statements are issued to overseas pensioners, the process to ensure their existence, has not been carried out during 2019/20.</p> <p>Risk</p> <p>There is a risk that without adequate controls being in place to validate the existence of pensioners, pensions are paid to deceased pensioners</p>	<p>This was last completed by Scottish Borders Council Pension Fund in September 2020. This process should be completed annually.</p>	
<p>9. Reconciliation of pensions paid figure</p> <p>There is no monetary reconciliation performed to show the total pensions paid figure agrees with the ledger. Therefore, the total pensions paid figure cannot be tied back to the ledger.</p> <p>The HRSS manager advised that there has never been a reconciliation performed between pensions paid figure and the financial ledger.</p> <p>A monthly report run for differences in payments from one month to the next is available but unfortunately due to work pressures and staff shortages this has not been completed for this financial year. This would be an effective control over the pensions paid figure on a month-by-month basis.</p> <p>Risk</p> <p>The figures in the financial ledger could be under or overstated.</p>	<p>The pensions paid figure should be reconciled month on month and variances to the ledger investigated. Management should perform monthly reconciliations between the pensions paid figure and the ledger.</p> <p><u>Update 2019/20</u></p> <p>Whilst there is an automated nature to the transfer of the figures between the payroll system and ledger data, there is a residual risk that manual intervention to the financial ledger codes may impact ledger data. The inclusion of this control will strengthen the control environment.</p> <p><u>Update for 2020/21</u></p> <p>Reconciliations were provided for periods 6-12 for the 2020/21 period. As this had not been actioned for the full period, a complete reconciliation was not available for audit purposes.</p>	<p>Complete</p> <p>We were provided with a complete reconciliation detailing the gross payments to pensioners tied back to the general ledger postings.</p>

Appendix 2

Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting thresholds and request they be corrected.

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

Account areas	Pension Fund Account		Pension Fund Net Assets Statement	
	Dr £000	Cr £000	Dr £000	Cr £000
1. Management expenses	0.12m			
2. Change in market value		(0.12m)		
3. Investment assets			2.2m	
4. Change in market value		(2.2m)		
5. Investment assets				(0.625m)
6. Change in market value		0.625m		
Net impact		(1.575m)	1.575m	

Appendix 3

Summary of national performance reports 2021/22 and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Scottish Borders Council Pension Fund 2021/22 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2021/22

Report by Acting Chief Financial Officer
AUDIT COMMITTEE

23 NOVEMBER 2022

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2021/22.**
- 1.2 The audit appointment of Audit Scotland for Scottish Borders Council (SBC) accounts includes the requirement to provide an auditor's report for the Council as well as related charities. KPMG has continued to provide the external audit of the Council subsidiary Bridge Homes.
- 1.3 2021/22 represents the sixth year of Audit Scotland undertaking the External Audit of the Council's Annual Accounts with the process now completed.
- 1.4 The Annual Audit Report summarising Audit Scotland's conclusions is being finalised as the agenda is published. The paper will be issued as a supplementary agenda item when available with findings from the report updated verbally at the Committee meeting.
- 1.5 As required under the Local Authority Accounts (Scotland) Regulations 2014, the audited Annual Accounts for Scottish Borders Council, SBC Pension Fund, SBC Common Good Funds, the SBC Charitable Trusts, Bridge Homes LLP and Lowood Tweedbank Ltd are being presented to the Audit Committee prior to signature.
- 1.6 KPMG have concluded their audit of Bridge Homes LLP and have raised no issues or matters to report.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit Committee recommend the following accounts for officer signature and Council approval:**
- (a) the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2022;**
 - (b) the Scottish Borders Council's Pension Fund audited Annual Accounts for the year to 31 March 2022;**
 - (c) the Scottish Borders Council Common Good Funds (Charity SC031538) audited Annual Accounts for the year to 31 March 2022;**
 - (d) the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2022;**
 - (e) the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2022;**
 - (f) the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2022;**
 - (g) the SBC Ormiston Trust for Institute (Charity SC019162) audited Annual Accounts for the year to 31 March 2022;**
 - (h) the Scottish Borders Council Charitable Trusts (Charity SC043896) audited Annual Accounts for the year to 31 March 2022;**
 - (i) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2022; and**
 - (j) Lowood Tweedbank Ltd Annual Accounts for the year to 31 March 2022.**

3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2021/22 were submitted to Audit Scotland and KPMG, the External Auditors, before the statutory deadline of 30 June 2022, following presentation of the draft accounts to the Audit Committee at the 27th June 2022 meeting. The Pension Fund draft accounts were presented to the Pension Fund Committee and Board on the 29th June 2022. The detailed audit work began thereafter and was completed by early November 2022.
- 3.2 As part of the statutory requirements the Council is required to advise the public of their right to inspect and object to the various sets of accounts and their supporting papers and make the documents available for inspection. This process was undertaken following the timetable contained in the 2014 Regulations and the inspection period commenced on 1 July 2022. There were no objections to either the Council or Pension Fund accounts.
- 3.3 The Coronavirus (Scotland) Act 2020 set out provisions for the functions of public bodies in light of the impact of COVID-19, including making temporary amendments to legislation. Part 3 of the Act, covering statutory duties that require a public authority (including a local authority) to publish a report in connection with the exercise of its functions by a particular date, allowed Councils to delay publication of the audited accounts to the 30 November. The presentation of this report to the Audit Committee at this meeting and the subsequent presentation to the full Council meeting on the 24th November 2022 is within this extension period.
- 3.4 Following approval, the 2014 Regulations have the following requirements as set out in Part 3 Section 10 (3):
- Immediately **following the approval of the Annual Accounts** for signature, the statements which form part of those accounts are to be signed and dated as follows—*
- (a) *the management commentary by the Section 95 Officer, the Chief Executive and the Leader of the Council;*
 - (b) *the statement of responsibilities by the Leader of the Council and the Section 95 Officer, who must also certify the matters referred to in paragraphs (5) and (6) respectively;*
 - (c) *the annual governance statement by the Chief Executive and the Leader of the Council;*
 - (d) *the remuneration report by the Chief Executive and the Leader of the Council; and*
 - (e) *the balance sheets by the Section 95 Officer, to authorise publication of the financial statements.*
- 3.5 These requirements apply to the Annual Accounts of the Local Authority and not to the charity or limited liability partnership accounts, although these have similar signatory requirements. The Section 95 Officer for Scottish Borders Council is the Acting Chief Financial Officer.
- 3.6 This report presents audited copies of:
- **Scottish Borders Council** Annual Accounts for year ending 31 March 2022
 - **Scottish Borders Council Pension Fund** Annual Accounts for year ending 31 March 2022;
 - **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2021;
 - **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2021;

- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2021;
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2021;
- **SBC Ormiston Trust for Institute** (Charity SC019162) Annual Accounts for the year to 31 March 2021;
- **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2021;
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2021; and
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2021.

3.7 The Coronavirus (Scotland) Act 2020 allows Councils to delay publication of the audited accounts to the 30 November 2022. In addition those relating to registered charities are required to be submitted to the Office of the Scottish Charity Regulator (OSCR).

4 EXTERNAL AUDITOR'S ANNUAL REPORT 2021/22

- 4.1 Audit Scotland has completed their audits with their Annual Report to follow.
- 4.2 KPMG have concluded their audit of Bridge Homes LLP and have raised no issues or matters to report. They concurred with management's non-going concern basis for preparation of the accounts due to the disposal of the properties in March 2022 and the intention to cease trading at that point.
- 4.3 The Annual Audit Report summarising Audit Scotland's conclusions is being finalised as the agenda is published. The paper will be issued as a supplementary agenda item when available with findings from the report updated verbally at the Committee meeting.
- 4.4 The Scottish Borders Council's Pension Fund Annual Audit Report has been scrutinised by the Pension Fund Committee and Board prior to presentation to the Audit Committee and Council. The report highlighted four new recommendations and followed up five recommendations from previous audits. The areas in question are shown in Appendix 1 "Action Plan 2021/22" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:
- Whilst a scheme of delegation is in place for the council there is a need to consider an appropriate scheme of delegation for decisions that impact on the pension fund. This should include guidance on what circumstances would give rise to not seek recovery of overpayment, and what entity should bear the cost of that overpayment.
 - As part of the accounts preparation process, management should ensure that investment managers provide information to the fund on a timely basis.
 - Management should work with the Pension Board and Pension Committee to ensure members are aware of their attendance requirements.
 - Management should ensure that governance questionnaires and supporting information received by each fund manager are reviewed to

ensure they are aware of any issues arising which could impact the investments they hold.

Previous audit Recommendations followed up:

- For unusual or exceptional pension benefits, management should ensure that there are additional quality assurance arrangements in place for the review of calculations.
- Management should review administrative procedures in place and update these to reflect the move to home working. Management should also ensure that officers are familiar with their responsibilities for the completion of supporting paperwork to evidence processes have been completed and reviewed in a timely manner.
- ATMOS reports (where there is a match between SBC Pension Fund members and recorded deaths) should be reviewed, and any matches investigated in a timely manner to prevent any overpayments to deceased pensioners.
- The existing overseas pensioners process in place should be reviewed to ensure it is still appropriate. The process should be actioned on a frequent basis to ensure existence of overseas pensioners.
- The pensions paid figure should be reconciled month on month and variances to the ledger investigated. Management should perform monthly reconciliations between the pensions paid figure and the ledger.

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

5 IMPLICATIONS

5.1 Financial

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

5.2 Risk and Mitigations

There are no direct risks arising from the report. Any risks identified in the External Auditor's Annual Audit Report will be addressed through the planned management actions included in the management responses.

5.3 Integrated Impact Assessment

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

5.4 Sustainable Development Goals

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

5.5 Climate Change

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

5.6 Rural Proofing

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

5.7 Data Protection Impact Statement

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

5.8 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

6.1 The Chief Legal Officer (Monitoring officer), the Chief Officer Audit & Risk, the Director People, Performance & Change and the Clerk to the Council are being consulted and any comments will be incorporated into the final report.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

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

Background Papers:

Previous Minute Reference: 27 June 2022, Audit Committee

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

Contact us at: Suzy Douglas, Financial Services Manager, Scottish Borders Council, Council HQ, Newtown St Boswells, Melrose TD1 0SA, 01835 824000 X5881,

sdouglas@scotborders.gov.uk

Scottish Borders Council **annual accounts**

for the year to 31 March 2022



Scottish Borders Council

Annual Accounts 2021/22

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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 improvements, 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

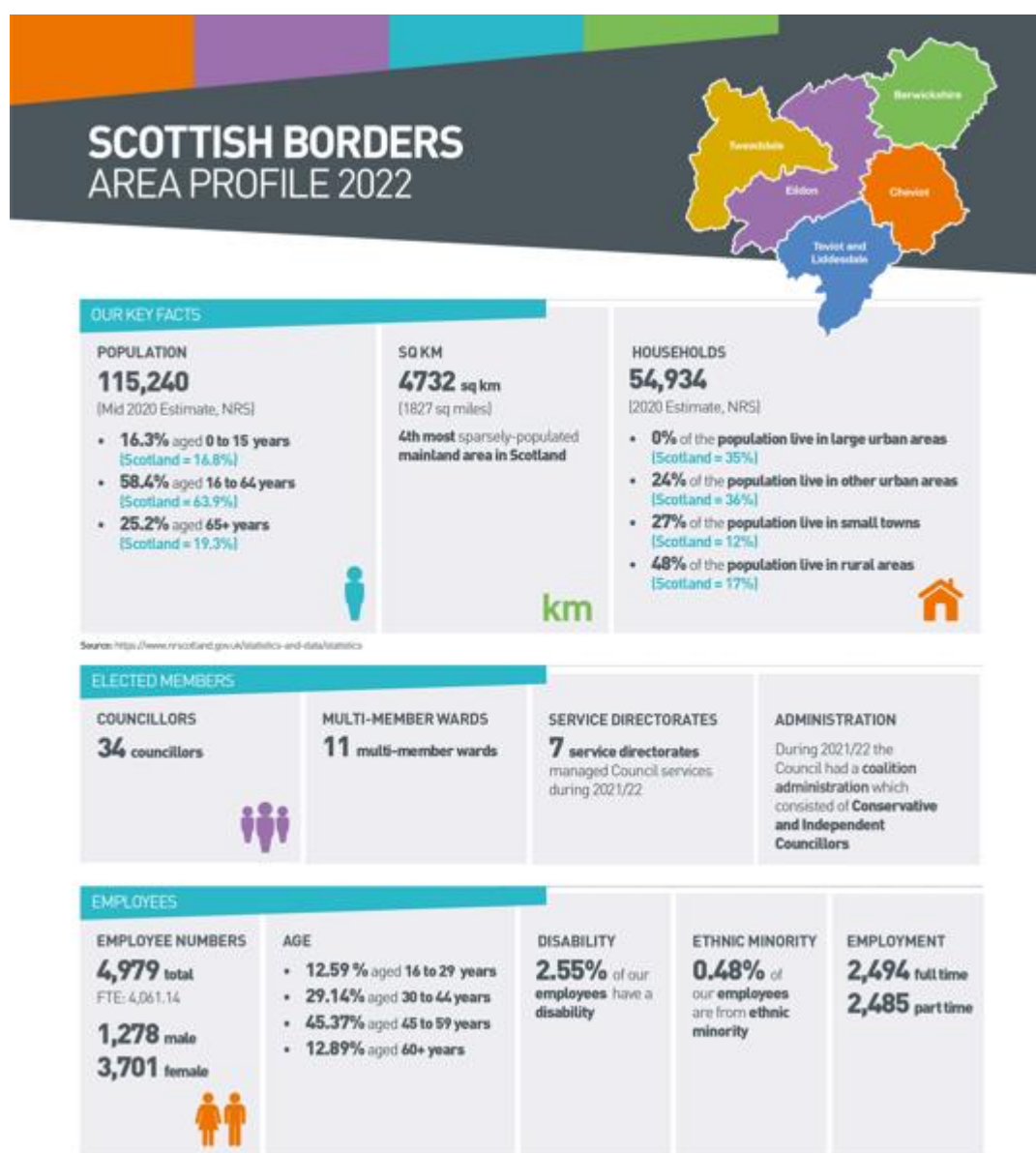
Leader, Scottish Borders Council

Management Commentary

Introduction

This management commentary and the Foreword by the Leader of the Council provide 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



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"> • Climate change route map approved by Council • Further progression in Hawick Flood Protection scheme • Completion of new building at Tweedbank with planning for expansion of the Lowood site underway • Introduction of region wide default 20mph schemes
	<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"> • Roll out of Free School Meals – P4-P5 • Development of a new Devolved Schools Management scheme for launch in August 2022 • Upgrade of the Secondary school wide area network and improved wifi in all Primary schools • Additional 45 teachers were employed to support pupils in the COVID-19 recovery period • Kelso and Selkirk High Schools awarded Apple Distinguished Schools accreditation
	<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"> • A new play park was opened in St Boswells with 5 year plans approved for further facilities in the Borders • The new Tapestry building opened its doors in Galashiels • Investment of £13.5m on Roads infrastructure in 2021/22
	<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"> • Build back a better Borders fund allocated £500k to local communities • Funding provided to families in Financial Hardship • Approved the new anti-poverty and food growing strategies • The approach to Community Choices has been embedded during 2021/22
	<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"> • Launch of Enterprise Mobility in SBCares providing hand-held devices to over 400 frontline care staff • Opening of Wilkie Gardens extra care housing facility in Galashiels • The Council was part of a pilot for 'The Promise' to support the ambition for all children to reach their full potential



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 objectives have been met 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 at the start of the financial year 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:

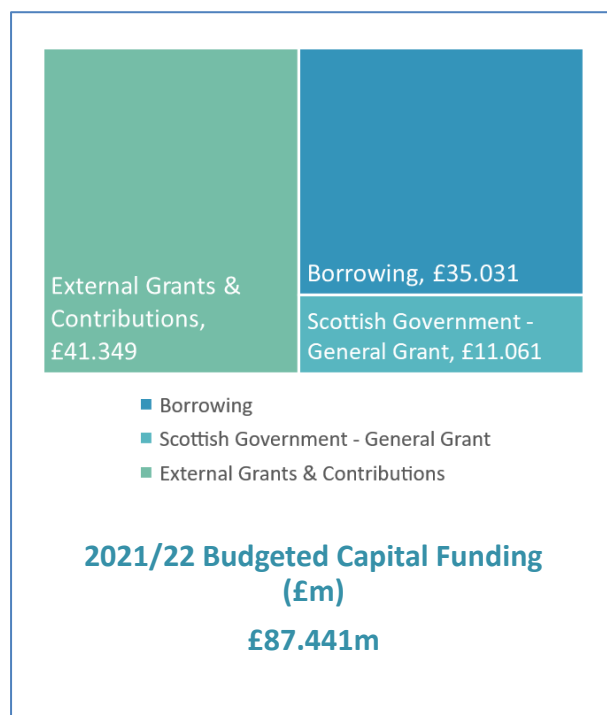
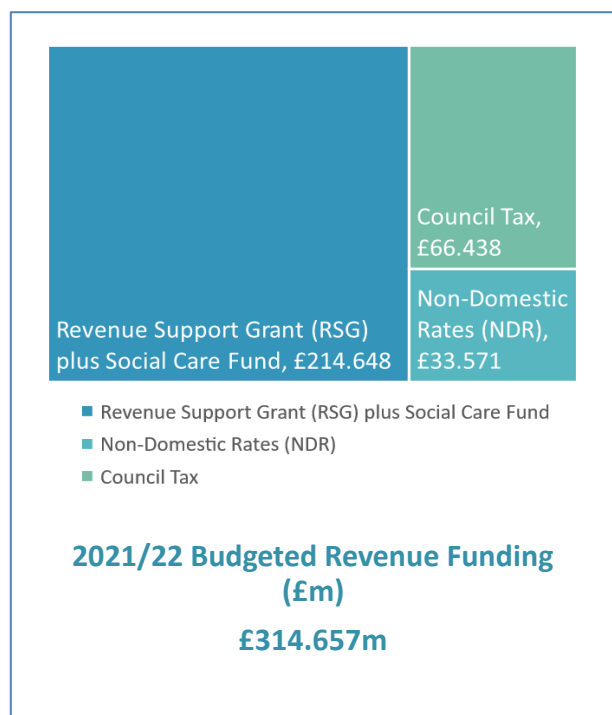
[Equality and diversity/Fairer Scotland Duty | Scottish Borders Council \(scotborders.gov.uk\)](https://www.scotborders.gov.uk/equality-and-diversity/fairer-scotland-duty)

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 Comprehensive Income and Expenditure Statement on page 49 has further analysis.



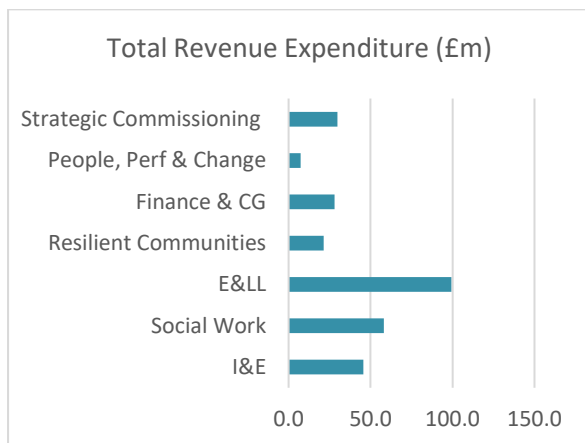
Financial Position at 31 March 2022

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.

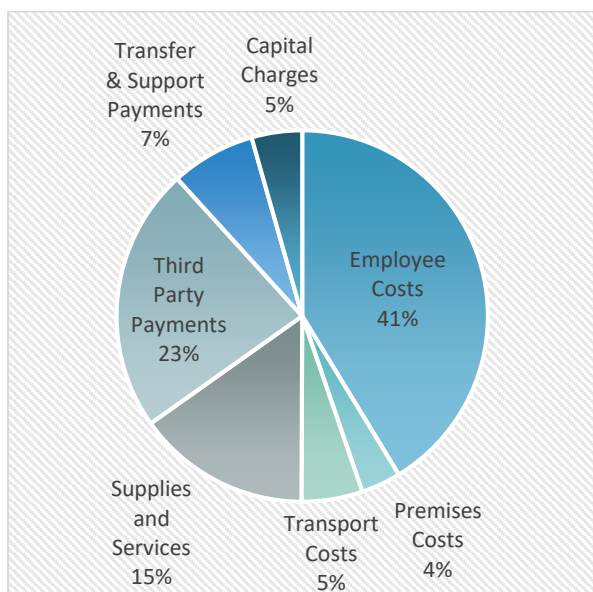
Revenue

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:

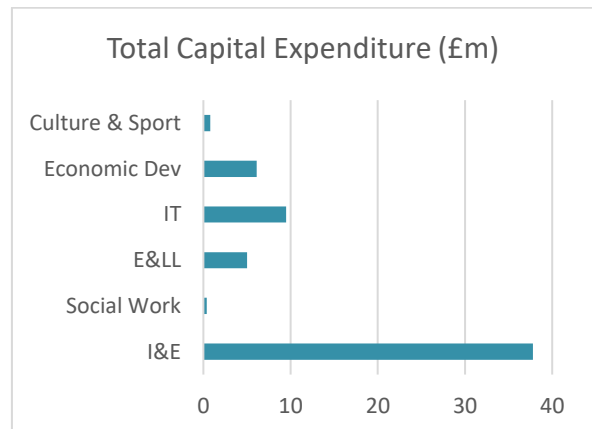


Revenue net expenditure of £289.6m for the year includes income of £167.4m, and gross expenditure of £457m as analysed in the chart below:



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	£20.0m
• 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
TOTAL	23,660

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 49. It should be noted that the net impact of these Statutory Adjustments have no impact on the Council Taxpayer.

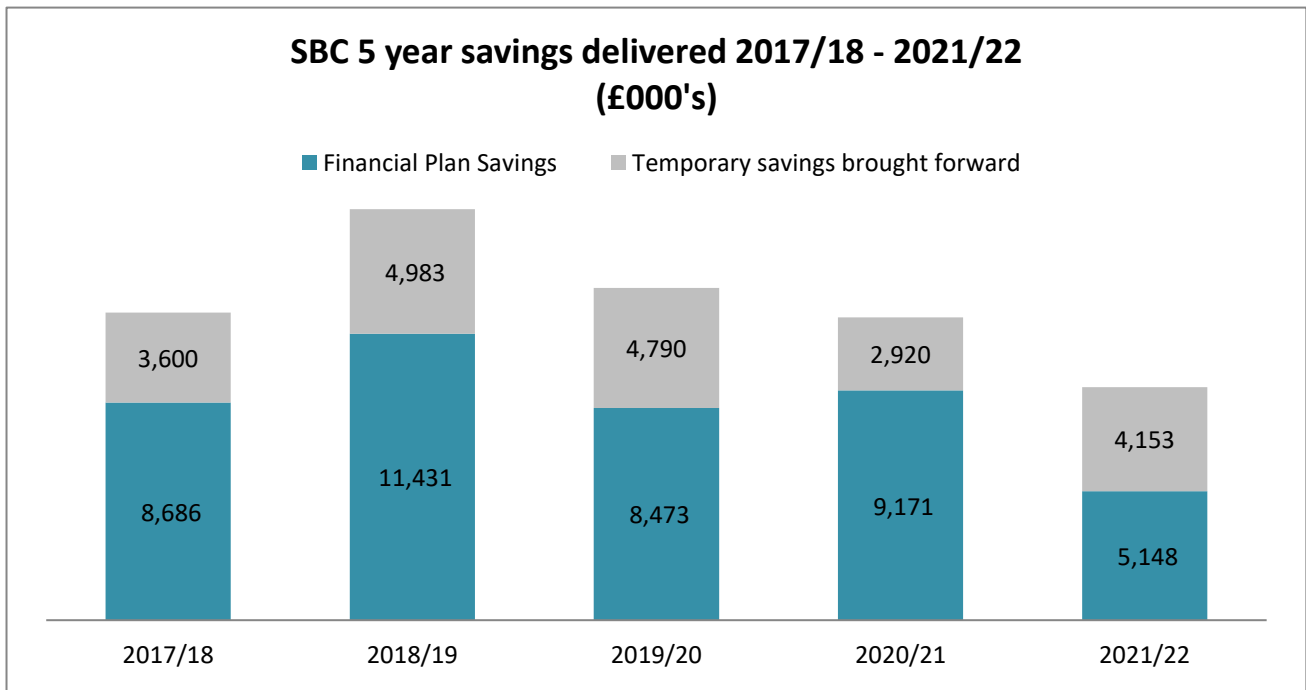
Net Surplus on Revenue Out-turn	(1.763)
Net Statutory Adjustments to Net Cost of Services (inc. Depreciation/Impairment on Revaluation/Loan Charges/PPP/Non Distributed Costs)	27.040
Other Asset (Gains)/Losses	(57.722)
Net Interest Costs	9.917
Net Changes on Pension Assets/Liabilities (IAS19 at 31 st March 2022)	(82.610)
Capital Grants & Contributions Applied (exc.Reserves used)	(42.522)
SBc Contracts External Operating Deficit	0.257
Net Surplus - Total Comprehensive Income & Expenditure	(147.403)

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 49 shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management outturn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 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 £34.5m being required to revise the net cost of services of £324.1m 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 49. These include net gains/losses on disposal and revaluation of assets and interest payable. These accounting adjustments result in an overall Surplus on the Provision of Council Services for the year of £1.763m.

This position and its impact on the General Fund is reflected in the following table showing the cumulative surplus on the General Fund of £51.991m as at 31st 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
Net Cost of Services	289,605	34,511	324,117
Other Income and Expenditure	(305,155)	(20,725)	(325,880)
(Surplus) or Deficit on Provision of Services	(15,550)	13,787	(1,763)

Opening Balance on General Fund	(36,441)
(Surplus) or Deficit on Income & Expenditure Account for the Year	(1,763)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(13,787)
Closing Balance on General Fund	(51,991)

Note 5 – Expenditure and Funding Analysis on pages 66 – 69 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 and Revaluations of Non-Current Assets at the balance sheet date of 31st March 2022. This revises the £1.763m surplus position on the Provision of Council Services to a Net Comprehensive Income surplus of £147.403m (deficit of £42.611m in 2020/21).

Balance Sheet

During 2021/22 the Net Asset position increased by £147.4m to £230.8m (£83.4m 2020/21). The table below details the movement during the year.

	Balance Sheet as at		
	31-Mar-21	31-Mar-22	Movement
	Restated		
	£m	£m	£m
Long Term Assets	614.8	681.6	66.8
Current Assets	72.8	96.1	23.3
Current Liabilities	(79.4)	(64.9)	14.5
Long Term Liabilities	(309.1)	(322.5)	(13.4)
Net Assets excluding Pension Liability	299.1	390.3	91.2
Pension Liability	(215.7)	(159.5)	56.2
Net Assets/(Liabilities) including Pension Liabilities	83.4	230.8	147.4

More details in relation to the Net Assets Excluding pension liabilities can be found within the Balance Sheet on page 51.

The net position including the pension liabilities is as a result of the underlying assumptions used in the actuarial valuation. The actuarial valuation for the accounts are calculated in accordance with IAS19 and uses a number of high level assumptions including pension increases, salary increase and discount rate.

Treasury and Debt Management

The Council publishes an annual Treasury Management Strategy to coincide with the approval of the financial plans in February. This strategy links the Council's capital investment plans to its treasury management activities including borrowing and investment strategies. An annual report on Treasury Management is also published each year and can be accessed at the following link.

https://www.scotborders.gov.uk/download/downloads/id/11288/treasury_management_strategy_2022-23.pdf

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 48).

Unusable Reserves – result from accounting adjustments and cannot be spent

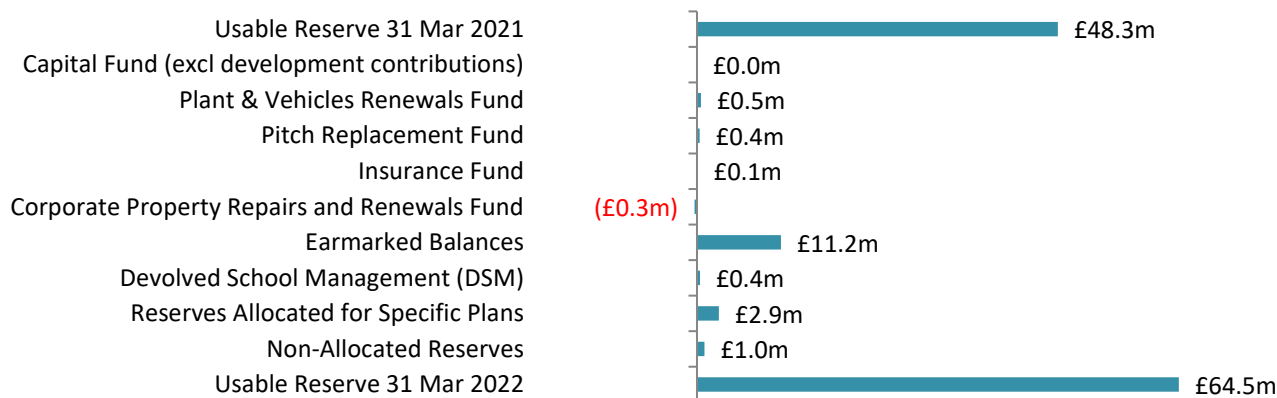
Usable Reserves – result from the Council’s activities and can be spent in the future

Note 31, page 100 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 112. 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

Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets have been transferred from Scottish Borders Council's Balance Sheet to the Common Goods Funds as a prior period adjustment. These assets amount to a value of £0.491m. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet at a carrying value of £8.971m. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made following agreement.

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 or email performance@scotborders.gov.uk
Correct at time of publication: 25th 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



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 25th 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

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**



Page 91

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

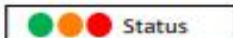
Annual absence rate **3.44%**

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



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 25th May 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)

3

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

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 25th May 2022

INDEPENDENT, ACHIEVING PEOPLE

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



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<p>Social Care Care at Home ●</p> <p>78% of adults (aged 65yrs+) received care at home compared to a care home/residential setting (end Dec-21)</p> <p>Remains the same from 78% at end of Mar-21</p>		<p>Mediation Service ●</p> <p>14.8% of cases showing agreement or improvement after mediation</p> <p>Down from 63.3% at end of 20/21</p>
<p>Social Care Self Directed Support ●</p> <p>95.3% of adults are using the Self Directed Support approach (end Dec-21)</p> <p>Down from 96% at end of Mar-21</p>		<p>Mediation Service ●</p> <p>14.8% of cases showing agreement or improvement after mediation</p> <p>Down from 63.3% at end of 20/21</p>
<p>Bed Days Associated With Emergency Admissions #</p> <p>3,627.40 bed days associated with emergency admissions (aged 75+) (rate per 1000 population) (20/21)</p> <p>Up from 3,285.38 19/20</p>		
<p>Delayed Discharges From Hospital</p> <p>601 bed days associated with delayed discharges in residents aged 75+ (rate per 1000 population) (20/21)</p> <p>Down from 656 during 19/20</p>		

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

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 25th May 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)

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



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 25th 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

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 or email performance@scotborders.gov.uk
Correct at time of publication: 25th May 2022

Our Plans for the Future

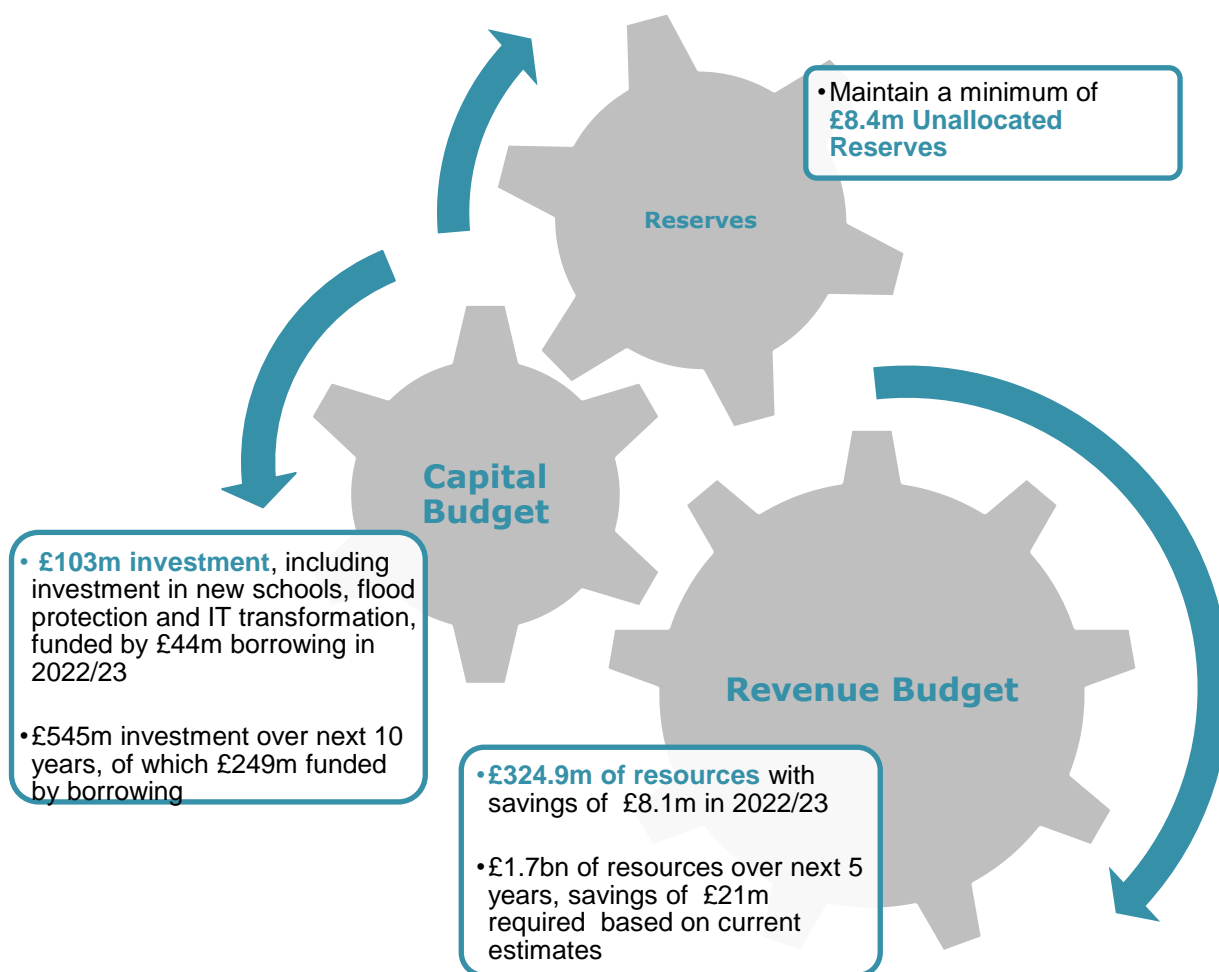
The Council has successfully delivered £66m of savings over the past 9 years through a Corporate Transformation Programme. The current Fit for 2024 programme was launched at the start of 2019/20 to deliver significant savings, ensure sustainability and deliver service improvements over the 5 years from 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

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

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, 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
Acting Chief Executive

Euan Jardine
Council Leader

Suzy Douglas CPFA
Acting Chief Financial Officer

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 Council at its meeting on 24 November 2022.

The Acting Chief Financial Officer responsibilities:-

The Acting Chief Financial Officer 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 Acting Chief Financial Officer 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 Acting Chief Financial Officer 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.

Euan Jardine
Council Leader

Suzy Douglas CPFA
Acting Chief Financial Officer

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Account, Trust Funds and Common Good Funds and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is 6 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going

Independent Auditor's Report

concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Acting Chief Financial Officer and Audit and Scrutiny Committee for the financial statements

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

In preparing the financial statements, the Acting Chief Financial Officer is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

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

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness

Independent Auditor's Report

of the council's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

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

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

Other information

The Acting Chief Financial Officer is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

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

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

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

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

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

Independent Auditor's Report

Matters on which I am required to report by exception

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

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

I have the following to report in respect of these matters.

Scottish Borders Council has a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over a rolling three-year period. Scottish Borders Council has failed to comply with this statutory requirement for the three-year period ending 31 March 2022 in respect of their significant trading operation, SBc Contracts.

I have nothing to report in respect of the other matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Date:

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, leading 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. This activity is underway in 2022/23.

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.

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. It is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption'.

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 (A&SC) (Audit functions) is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance. The Audit functions of A&SC are undertaken in compliance with the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition, including the production of an annual report on the performance of the A&SC against its remit (Audit functions) for submission to the Council.

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.

David Robertson
Acting Chief Executive

Euan Jardine
Council Leader

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. The following information in this Remuneration Report has been audited by Audit Scotland:-

- Pay Bandings Information Page 39
- Senior Councillor Remuneration Page 40
- Senior Officer Remuneration Page 42
- Exit Packages Page 43
- Pension Benefits Information for Senior Councillors Page 45
- Pension Benefits Information for Senior Officers Page 46

The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Please note that the Council 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	-	-	-	-	-	-	-	-
Total	17	17	199	199	45	71	261	287

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
62,498		Leader and Convener Remuneration	65,227	90	65,317
-	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
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
283,664		Total Other Senior Councillor Remuneration	303,884	1,353	305,237
346,162		Total Senior Councillor Remuneration	369,111	1,443	370,554

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
686	Total	737

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

Remuneration Report

Remuneration of Senior Employees

The table below provides details of the remuneration paid to the Council's Senior Employees and reflects the Council corporate management restructure.

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
Senior Employees departed post before 01/04/22							
113,200	JR Dickson	Executive Director, Corporate Improvement and Economy (left 10 August 2021) (6)	44,086 (FYE 114,000)	-	-	-	44,086
651,597		Total	791,201	107	-	-	791,308

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 6th 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 23rd 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	-	-	-	-
Total	4	-	4	104,303

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	-	-	-	-
Total	1	2	3	30,151

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.

Common Good and Trust Funds – Chief Executive, Netta Meadows - details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables.

Live Borders – Chief Executive Officer, Ewan Jackson – see table below.

Remuneration Report

2020/21			2021/22					In-year pension contributions		Accrued Pension Benefits	
Total Remuneration £	Name	Post Title	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 £
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

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 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

As of 1 April 2015, the Local Government Pension Scheme (Scotland) Regulations 2014 came into effect. This changed the accrual rate of guaranteed pension to 1/49th of career average salary, effective from 1 April 2015.

The value of accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive pension benefits on retirement without reduction (where benefits are paid on earlier than "normal date of retirement") 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	3,621	771
				Lump Sum	-	-
D Parker	Convenor	4,821	5,024	Pension	9,214	1,008
				Lump Sum	2,783	177
A Aitchison	Executive Member for Sustainable Development	4,223	4,400	Pension	6,696	856
				Lump Sum	1,826	145
S Bell	Chair of Audit & Scrutiny	3,503	3,650	Pension	4,317	585
				Lump Sum	-	-
G Edgar	Executive Member for Infrastructure, Travel & Transport (also Area Partnership Chair)	4,223	4,400	Pension	4,834	701
				Lump Sum	-	-
T Weatherston	Executive Member for Adult Wellbeing (also Depute Convener)	4,223	4,400	Pension	11,373	1,276
				Lump Sum	17,447	1,441
C Hamilton	Executive Member for Children & Young People	4,223	4,400	Pension	2,449	572
				Lump Sum	-	-
G Turnbull	Executive Member for Public Protection	4,223	4,400	Pension	6,274	846
				Lump Sum	1,748	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	2,543	667
				Lump Sum	-	-
S Mountford	Executive Member for Enhancing the Built Environment & Natural Heritage	3,816	4,400	Pension	4,253	706
				Lump Sum	-	-
E Jardine	Executive Member for Wellbeing, Sport & Culture	4,223	4,400	Pension	2,449	572
				Lump Sum	-	-
J Fullarton	Area Partnership Chair	3,503	3,650	Pension	5,798	713
				Lump Sum	1,712	124
R Tatler	Executive Member for Community Development and Localities (also Area Partnership Chair for full year)	4,223	4,400	Pension	2,339	569
				Lump Sum	-	-
N Richards	Area Partnership Chair	3,503	3,650	Pension	1,990	474
				Lump Sum	-	-
S Hamilton	Executive Member for Transformation & Service Improvement (also continuing as Area Partnership Chair)	3,933	4,400	Pension	2,122	563
				Lump Sum	-	-
Total		63,291	66,621			

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
Senior Employees in post as at 01/04/21		£	£		£	£
N Meadows	Chief Executive	621	23,261	Pension Lump Sum	2,565	2,494
					-	-
				Pension Lump Sum	49,357	3,323
KD Robertson	Director - Finance & Corporate Governance (from 1 September 2021); Executive Director, Finance & Regulatory (to 31 August 2021)	20,028	20,295		70,259	1,179
				Pension Lump Sum	44,186	2,596
J Craig	Director - Resilient Communities (from 1 September 2021); Service Director Customer & Communities (to 31 August 2021)	16,220	16,400		65,655	721
				Pension Lump Sum	21,961	2,355
C Hepburn	Director - People, Performance & Change (from 1 September 2021); Service Director HR and Communications (to 31 August 2021)	15,870	16,137		2,984	49
				Pension Lump Sum	29,678	3,084
CS Easingwood	Director - Social Work & Practice (from 1st September 2021); Service Director Social Work & Public Protection (to 31st August 2021)	14,705	15,523		31,462	1,657
				Pension Lump Sum	43,232	41,767
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	4,623	2,103
JM Holland	Director - Strategic Commissioning & Partnerships (from 1 September 2021); Chief Operating Officer SB Cares (to 31 August 2021)	16,609	17,320		-	-
JR Curry	Director - Infrastructure & Environment from 1st October 2021	-	8,007	Pension Lump Sum	936	936
					-	-
Senior Employees departed post before 01/04/22						
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
Total		117,287	140,333			

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
Total	12

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.

David Robertson
Acting Chief Executive

Euan Jardine
Council Leader

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Balances of the General Fund line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked Balances of the General Fund undertaken by the Council. Further detail on the movement in reserves can be found at Note 31 on page 100.

Movement in reserves during 2020/21 - Restated

	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)	(95,964)	(126,085)	

Movement in reserves during 2020/21

Total Comprehensive Income & Expenditure	(14,211)	-	-	-	(14,211)	56,822	42,611	C I & E
Adjustments between accounting basis & Funding basis under regulations	(3,051)	(385)	(361)	(135)	(3,933)	3,933	-	31
(Increase) or Decrease In 2020/21	(17,262)	(385)	(361)	(135)	(18,145)	60,755	42,611	
Balance at 31/03/2021 carried forward	(36,441)	(9,929)	(362)	(1,532)	(48,265)	(35,209)	(83,474)	

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)	(48,265)	(35,209)	(83,474)	

Movement in reserves during 2021/22

Total Comprehensive Income & Expenditure	(1,763)	-	-	-	(1,763)	(145,640)	(147,403)	C I & E
Adjustments between accounting basis & Funding basis under regulations	(13,787)	(887)	311	(91)	(14,454)	14,454	-	31
(Increase) or Decrease In 2021/22	(15,550)	(887)	311	(91)	(16,217)	(131,186)	(147,403)	
Balance at 31/03/2022 carried forward	(51,991)	(10,816)	(51)	(1,623)	(64,482)	(166,395)	(230,877)	

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	
88,448	(18,118)	70,330	Infrastructure & Environment	91,231	(15,845)	75,386	
46,399	(3,549)	42,850	Strategic Commissioning & Partnerships	44,475	(2,303)	42,172	
135,699	(82,934)	52,765	Social Work & Practice	141,806	(79,852)	61,954	
112,841	(21,333)	91,508	Education & Lifelong Learning	120,890	(21,208)	99,682	
40,825	(26,277)	14,548	Resilient Communities	40,906	(24,405)	16,501	
19,611	(3,082)	16,529	Finance & Corporate Governance	25,757	(5,846)	19,911	
8,089	(236)	7,853	People Performance & Change	9,164	(653)	8,511	
451,910	(155,529)	296,381	Net Cost of Services	474,228	(150,113)	324,116	
2,099	(2,100)	(1)	Roads Trading Operation (Surplus)/Deficit (External)	5,427	(5,170)	257	8
			Other Operating Expenditure				
2,316	(1,915)	401	(Gain)/Loss on Disposal of Assets	1,465	(730)	735	
			Financing & Investment Income and Expenditure				
11,943	-	11,943	Interest Payable & Similar Charges	10,144	-	10,144	29
-	(250)	(250)	Interest Receivable & Similar Income	-	(227)	(227)	
17,902	(14,524)	3,378	Net Interest Expense on the Net Defined Benefit Liability	19,426	(14,853)	4,573	20
			Taxation and Non-Specific Grant Income				
-	(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
-	-	-		-	-	-	
486,172	(500,383)	(14,211)	(Surplus)/Deficit on Provision of Services	510,691	(512,454)	(1,763)	

Comprehensive Income and Expenditure Statement

Restated 2020/21				2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
486,172	(500,383)	(14,211)	(Surplus)/Deficit on Provision of Services	510,691	(512,454)	(1,763)	
		(2,944)	(Surplus)/Deficit on revaluation of Non Current Assets			(58,457)	
		(74)	Any Other (Gains) Or Losses			-	
		59,840	Actuarial (gains)/losses on pension assets/liabilities			(87,183)	
		56,822	Other Comprehensive Income and Expenditure			(145,640)	
		42,611	Total Comprehensive (Income)/Expenditure			(147,403)	

Balance Sheet

The Balance Sheet shows the value as at the 31st March of the assets and liabilities recognised by the authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 2020/21 £'000		2021/22 £'000	Notes
396,837	Property Plant and Equipment		
27,517	Other Land and Buildings	451,529	12
133,554	Vehicle, Plant, Furniture & Equipment	30,814	
5,425	Infrastructure	136,316	
42,600	Surplus Assets	6,725	
1,014	Assets Under Construction	53,247	
1,014	Heritage Assets	1,014	13
1,182	Intangible Assets	882	14
6,711	Long Term Debtors	1,106	29
614,840	Long Term Assets	681,633	
-	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
72,759	Current Assets	96,055	
-	Bank Overdrafts	-	29
(28,513)	Short Term Borrowing	(4,836)	29
(50,718)	Short Term Creditors	(59,887)	30
(134)	Provisions	(148)	25
(79,365)	Current Liabilities	(64,871)	
(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
(23,347)	Capital Grants Receipts in Advance	(25,393)	
(309,093)	Long Term Liabilities	(322,459)	
299,140	Net Assets excluding pension liability	390,358	
(215,666)	Pension Liability	(159,481)	20
83,474	Net Assets/(Liabilities) including pension liability	230,877	

Balance Sheet

Restated 2020/21 £'000	Financed By:	2021/22 £'000	Notes
	Useable Reserves		
(9,929)	Capital Fund	(10,816)	} 31
(36,441)	General Fund Balance	(51,991)	
(362)	Property Maintenance Fund	(51)	
(1,532)	Insurance Fund	(1,623)	
	Unusable Reserves		
(152,897)	Capital Adjustment Account	(174,125)	} 31
6,122	Financial Instruments Adjustment Account	5,814	
(110,788)	Revaluation Reserve	(164,118)	
215,666	Pension Reserve	159,481	
6,687	Employee Statutory Adjustment Account	6,552	
(83,474)	Total Reserves	(230,877)	

The audited accounts were authorised for issue on 24 November 2022.

Suzy Douglas CPFA
Acting Chief Financial Officer

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.

Restated 2020/21 £'000		2021/22		Notes
		£'000	£'000	
(14,211)	Net (Surplus) or deficit on the provision of services		(1,763)	
(51,176)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(77,454)		32
31,065	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	43,309		32
(20,111)	Net Cash Flows From Operating Activities		(34,145)	
	Investing Activities			
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)		
25,841	Net Cash Flows from Investing Activities		5,713	
	Financing Activities			
(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)		
(8,815)	Net Cash Flows from Financing Activities		11,694	
(17,296)	Net (Increase) or Decrease in Cash and Cash Equivalents		(18,501)	
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
(17,296)	Movement		(18,501)	

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 (CIES) 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.

Notes to the Core Financial Statements

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:-

- A charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability.
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Private Finance Initiative (PFI)

PFI Contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet.

Notes to the Core Financial Statements

The original recognition of the assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition: expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associate with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis limit of £5,000 for single items of expenditure and £20,000 for groups of items costing less than £1,000 each. Items below these amounts are charged to the Comprehensive Income and Expenditure Statement. These limits have been applied in order to exclude individual assets, or works below these amounts, from the asset register.

Measurement: assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council currently capitalises borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, vehicles, plant, furniture & equipment and assets under construction – depreciated historical cost. It is the Council's policy that infrastructure assets are replaced at the end of their useful life and therefore carrying value is zero.
- 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.

- IFRS 16 Leases
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) –amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) –clarifies the intention of the standard.
 - IFRS 16 (Leases) –amendment removes a misleading example that is not referenced in the Code material.
 - IAS 41 (Agriculture) –one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 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.
- Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets have been transferred from Scottish Borders Council's Balance Sheet to the Common Goods Funds as a prior period adjustment. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made when agreement has been reached.

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.

Notes to the Core Financial Statements

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.

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 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					
			2020/21			2021/22		
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	24,219	70,330	Infrastructure & Environment	45,575	29,811	75,386		
34,211	8,639	42,850	Strategic Commissioning & Partnerships	29,683	12,488	42,172		
51,115	1,649	52,765	Social Work & Practice	58,127	3,827	61,954		
93,863	(2,355)	91,508	Education & Lifelong Learning	99,371	311	99,682		
13,122	1,426	14,548	Resilient Communities	21,437	(4,936)	16,501		
29,879	(13,348)	16,531	Finance & Corporate Governance	27,994	(8,083)	19,911		
7,342	511	7,853	People, Performance & Strategy	7,418	1,093	8,511		
275,643	20,741	296,383	Net Cost of Services	289,605	34,512	324,118		
(292,905)	(17,689)	(310,594)	Other Income and Expenditure	(305,155)	(20,725)	(325,880)		
(17,262)	3,052	(14,211)	(Surplus) or Deficit on Provision of Services	(15,550)	13,787	(1,763)		
(19,179)			Opening General Fund Balance	(36,441)				
(17,262)			Less/Plus (Surplus) or Deficit on General Fund Transfer (to)/from reserves	(15,550)				
(36,441)			Closing General Fund as 31 March	(51,991)				

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	14,301	7,347	(458)	21,190	8,621	29,811
Strategic Commissioning & Partnerships	9,005	3,980	(132)	12,853	(364)	12,489
Social Work & Practice	312	3,751	(27)	4,036	(209)	3,827
Education & Lifelong Learning	3,320	5,230	43	8,593	(8,282)	311
Resilient Communities	459	2,661	(12)	3,109	(8,044)	(4,935)
Finance & Corporate Governance	(10,257)	2,346	(123)	(8,034)	(50)	(8,084)
People, Performance & Change	-	1,110	(15)	1,094	(2)	1,092
	17,141	26,425	(724)	42,842	(8,330)	34,511
Other income and expenditure from the Expenditure and Funding Analysis	(33,350)	4,573	2,589	(26,188)	5,463	(20,726)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(16,209)	30,998	1,865	16,654	(2,867)	13,787

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	15,019	2,999	(559)	17,459	6,760	24,218
Strategic Commissioning & Partnerships	7,138	1,783	80	9,001	(362)	8,639
Social Work & Practice	502	1,480	(160)	1,822	(173)	1,649
Education & Lifelong Learning	1,834	1,938	169	3,941	(6,296)	(2,354)
Resilient Communities	280	1,184	(35)	1,429	(3)	1,426
Finance & Corporate Governance	(14,155)	1,002	(50)	(13,203)	(145)	(13,348)
People, Performance & Change	-	458	56	514	(3)	511
	10,618	10,844	(499)	20,962	(222)	20,741
Other income and expenditure from the Expenditure and Funding Analysis	(20,731)	3,378	(336)	(17,689)	-	(17,689)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(10,113)	14,222	(835)	3,273	(222)	3,052

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	Restated 2020/21 £`000	2021/22 £`000
Expenditure		
Employee Benefits Expenses	179,384	187,839
Other Service Expenses	260,511	272,247
Support Services Recharges	334	344
Depreciation, Amortisation, Impairment	33,601	39,382
Interest Payments	11,943	10,144
Loss on Disposal of Assets	401	735
Total Expenditure	486,173	510,691
Income		
Fees, Charges and Other Service Income	(155,529)	(150,112)
Interest and Investment Income	(250)	(227)
Income from Council Tax and Non Domestic Rates	(83,603)	(87,691)
Government Grants and Contributions	(261,001)	(274,424)
Total Income	(500,384)	(512,454)
(Surplus) or Deficit on the Provision of Services	(14,211)	(1,763)

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. There was no impact on the reported surplus on provision of services for 2020/21 as a result of these restatements,

The Council's Comprehensive Income and Expenditure statement, Movement in Reserves Statement and Balance Sheet have been restated to reflect the transfer of assets from the Council to the Common Good Funds arising from the public consultation on the identification of Common Good assets in the Scottish Borders. These changes have also been reflected in the Group accounts. The financial impact of these restatements can be found at Note 12.

The Council's group accounts contains a prior year restatement for Bridge Homes where there was an adjustment of £0.004m for a post audit amendment.

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:

Notes to the Core Financial Statements

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

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

Notes to the Core Financial Statements

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.

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.

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

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)

Notes to the Core Financial Statements

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 Council's Group Accounts on the basis of materiality.

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:

	2020/21	2021/22
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:

	2020/21	2021/22
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 6th February 2016. This is a partnership between Scottish Borders Council and NHS Borders which has been established to bring about change in the way health and social care services are planned, commissioned and delivered 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. There was an additional £8m provided from the Social Care Fund which is included in Social Work and Practice outturn. At 31st March 2022 a debtor of £2.570m and creditor figure of £3.606m between the Board and Scottish Borders Council was outstanding (see Page 113 of Group Accounts detailing amounts relating to this entity).

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.

Notes to the Core Financial Statements

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.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. Payments of £6.149m (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 Council's 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 subsidiaries (see pages 108-111 for further information and detail of transactions administered by Scottish Borders Council on behalf of Common Good and Trusts).

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						Total Assets £'000
	Other Land & Buildings	VPFE *	Infrastructure	Assets under Construction	Surplus Assets	Heritage Assets	
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2021	458,203	84,709	259,640	43,374	5,485	1,014	852,425
Acquisitions & Recognition in the year	6,438	13,051	11,712	25,492	12	-	56,705
Revaluation Increase/(Decrease) To Revaluation Reserve	(8,508)	-	-	-	(1,450)	-	(9,958)
Revaluation Increase/(Decrease) To CIES	(614)	-	-	-	(3,644)	-	(4,258)
Transfers	5,564	861	795	(14,661)	7,268	-	(173)
Disposals	(6,220)	(5,297)	(1,502)	(31)	(930)	-	(13,980)
Gross book value (GBV) at 31 March 2022	454,863	93,324	270,645	54,174	6,741	1,014	880,761
Cumulative depreciation at 31 March 2021	(61,366)	(57,192)	(126,086)	(774)	(60)	-	(245,478)
Depreciation for the year	(14,617)	(10,419)	(8,706)	-	(116)	-	(33,858)
Revaluation Written Out To Revaluation Reserve	67,474	-	-	-	941	-	68,415
Revaluation Written Out To CIES	(903)	-	-	-	14	-	(889)
Impairment Losses Recognised In Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses Recognised In CIES	(590)	(170)	(1,039)	(184)	(12)	-	(1,995)
Transfers	962	-	-	-	(789)	-	173
Disposals	5,706	5,271	1,502	31	6	-	12,516
Cumulative depreciation at 31 March 2022	(3,334)	(62,510)	(134,329)	(927)	(16)	0	(201,116)
Net book value at 31 March 2022	451,529	30,814	136,316	53,247	6,725	1,014	679,645
Net book value at 31 March 2021	396,837	27,517	133,554	42,600	5,425	1,014	606,947

* VPFE – Vehicles, Plant, Furniture and Equipment

Notes to the Core Financial Statements

Comparative Movements in 2020/21

	Property Plant & Equipment - Restated					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2020	424,622	71,006	247,787	27,343	4,835	1,036	776,629
Acquisitions & Recognition in the year	5,277	15,339	9,839	53,825	125	-	84,405
Revaluation Increase/(Decrease) To Revaluation Reserve	150	-	(164)	-	(165)	(22)	(201)
Revaluation Increase/(Decrease) To CIES	(3,912)	-	(540)	-	(56)	-	(4,508)
Transfers	32,812	721	2,718	(37,509)	1,258	-	0
Disposals	(746)	(2,357)	-	(285)	(512)	-	(3,900)
Gross book value (GBV) at 31 March 2021	458,203	84,709	259,640	43,374	5,485	1,014	852,425
Cumulative depreciation at 31 March 2020	(50,925)	(49,252)	(117,845)	(1,017)	(45)	-	(219,084)
Depreciation for the year	(13,867)	(8,965)	(8,521)	-	(60)	-	(31,413)
Revaluation Written Out To Revaluation Reserve	2,657	-	70	-	517	-	3,244
Revaluation Written Out To CIES	882	-	528	-	116	-	1,526
Impairment Losses Recognised In Revaluation Reserve	(101)	-	-	-	-	-	(101)
Impairment Losses Recognised In CIES	(493)	(256)	(318)	(42)	(124)	-	(1,233)
Transfers	481	-	-	-	(481)	-	-
Disposals	-	1,281	-	285	17	-	1,583
Cumulative depreciation at 31 March 2021	(61,366)	(57,192)	(126,086)	(774)	(60)	-	(245,478)
Net book value at 31 March 2021	396,837	27,517	133,554	42,600	5,425	1,014	606,947
Net book value at 31 March 2020	373,697	21,754	129,942	26,326	4,790	1,036	557,545

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
Total	60,991

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

Due to the potential effect of unprecedented economic pressures on valuations of buildings, the Council undertook an exercise to revalue its assets as at 31 March 2022. As a result of this future valuations will take place at 31 March of the current financial year. Education & Lifelong Learning Properties will be revalued as at 31 March 2023 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	359,297	93,324	270,751	54,174	15,584	1,036	794,166
New Certified Valuation							
31st March 2022	57,449	-	-	-	(4,140)	-	53,309
1st April 2020	(223)	-	(106)	-	412	(22)	61
1st April 2019	681	-	-	-	(1,155)	-	(474)
1st April 2018	1,194	-	-	-	218	-	1,412
1st April 2017	36,465	-	-	-	(4,178)	-	32,287
Gross book value (GBV) at 31 March 2022	454,863	93,324	270,645	54,174	6,741	1,014	880,761

Common Good Assets Judicial Review

Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets have been transferred from Scottish Borders Council's Balance Sheet to the Common Goods Funds as a prior period adjustment. These assets amount to a value of £0.491m. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet at a carrying value of £8.971m. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made when agreement has been reached.

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. 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
1,176	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)
(34)	Amortisation for the year	(398)
-	- Impairment Losses Recognised in CIES	-
(1,409)	Cumulative amortisation at 31 March	(1,807)
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. Since then, agreements have been entered into for Kelso High School and Jedburgh Intergenerational Community Campus. These schools have been recognised as net assets 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 £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'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	51,341
Payable within twenty one to twenty five years	2,212	4,700	3,906	10,818
Total	168,286	86,937	61,907	317,130

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure they incurred and interest payable.

Further details of the arrangements under Private Finance Initiatives can be found in our Accounting Policies on pages 60 and 61.

Notes to the Core Financial Statements

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	124,750
111,289		124,750

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
	Finance Lease Liabilities	
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
	Finance Costs Payable in Future Years	
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
156,926	Minimum Lease Payments	148,844

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
2,645	Total	2,511

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
5,560	Total	5,285

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
	Capital Investment		
	- Consent to Borrow	-	
	- Subordinated Debt	-	
86,115	Property, plant and equipment	59,388	
1,176	Intangible assets	98	59,486
	Sources of Finance		
(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)
350,556	Closing Capital Financing Requirement		342,781

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

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
28,891	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	46,355
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
(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
59,840	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(87,183)
	<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
215,666	Net liability arising from defined benefit obligation	159,481

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	Opening Fair Value of Scheme Assets	746,050
14,524	Interest Income	14,853
	Remeasurement (gains) and losses:-	
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	
746,050	Closing Fair Value of Scheme Assets	777,080

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	Opening Defined Benefit Obligation	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	-
	Remeasurement (gains) and losses:-	
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)
961,716	Closing Defined Benefit Obligation	936,561

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
	Equity Instruments	
	<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
191,390		193,542
	Investment Funds - Quoted in Active Market	
147,679	Managed Fund - UK Equities Passive	116,282
82,460	Managed Fund - Property	118,962
155,499	Managed Fund - Bonds	156,690
385,638		391,934
	Investment Funds - Not Quoted	
155,409		161,743
746,050	Total Assets	777,080

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	Equity instruments: <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 2022	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
100	746,050	Total	100	777,080

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 1st April 2021 to 31st 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

Further information from the pensions actuaries after the reporting period indicates that the fair value of scheme assets is higher than reported as at 31 March 2022. The actuaries estimated based on data to 31 December 2021 and forward forecast to 31 March 2022. However, due to complexities of estimations, the actual estimated figure using data to 31 March 2022, results in an increase of the fair value of scheme assets. The resultant difference from the annual accounts to the final estimated figures is £14.01m more than the reported figure of £777.080m. This has not been adjusted for in the annual accounts due to the nature of the complexities of the assumptions and the extent of the estimations.

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

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 £323,614, 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 £204,902 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 disclosed 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 previously provided figures based on the projected bond level that would be needed to be established to reflect these pension fund liabilities with the most recent estimate being £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.
- Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets have been transferred from Scottish Borders Council`s Balance Sheet to the Common Goods Funds as a prior period adjustment. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council`s balance sheet. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made when agreement has been reached. Consequently the Council considers any potential remaining transfers to be a contingent liability.
- A recent case regarding child abuse has resulted in the Council admitting liability in respect of these events. To date no claims have been brought regarding this and no evidence as to the nature of the harm occasioned has been produced. As such, no reliable estimate can be made of potential damages the Council would be liable for. In additions, this is an insured risk and our insurers have been made aware of the situation. As the financial implications remain unclear this has been included as a contingent liability in the year`s annual accounts.

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 has joined 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
	Credited to Taxation and Non Specific Grant Income	
(11,545)	General Capital Grant	(34,187)
(18,818)	Other Grants	(7,984)
(534)	Developer Contributions	(351)
(30,896)	Total	(42,522)
	Credited to Services	
(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	(17,582)
(24,970)	Resilient Communities	(22,758)
(1,356)	Finance & Corporate Governance	(716)
(107)	People Performance & Change	(40)
(54,206)		(50,292)

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
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt		(291,309)		(291,309)
Market Debt		(582)		(582)
Other debt		(62,518)		(62,518)
Total	-	(354,409)	-	(354,409)

	31st March 2021			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(305,961)	-	(305,961)
Market Debt	-	(587)	-	(587)
Other debt	-	(84,671)	-	(84,671)
Total	-	(391,219)	-	(391,219)

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

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

Notes to the Core Financial Statements

Analysis of Borrowing by Maturity.

2020/21 Restated £'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)
(220,793)	Total	(215,326)

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 £'000	Loans and receivables £'000	Total £'000
Interest expense	10,144	-	10,144
Interest payable and similar charges	10,144	-	10,144
Interest Income	-	(227)	(227)
Interest and investment income	-	(227)	(227)
Net (gain) / loss for the year	10,144	(227)	9,917

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

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:

	Restated 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)
Total debt	(220,793)	(391,219)	(215,326)	(354,409)
Creditors	(50,718)	(50,718)	(59,887)	(59,887)
Total financial liabilities	(271,511)	(441,937)	(275,213)	(414,296)

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
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	27,417	27,417	45,918	45,918
Debtors	43,698	43,698	48,692	48,692
Total loans and receivables	71,115	71,115	94,610	94,610

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	4,836
Between one and two years			79,540	20	1,778	572
Between two and seven years			79,540	20	27,047	26,463
Between seven and fifteen years			79,540	20	7,500	27,500
More than fifteen years	79,540	20	397,700	100	155,955	155,955
Total					220,793	215,326

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

Notes to the Core Financial Statements

and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

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
55,646		61,222

Creditors

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

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	25,665
28,592		29,396

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.

	Restated Balance as at 31 March 2021	Transfers between reserves and funds	Gains or Losses for the Year	Balance as at 31 March 2022
	£'000	£'000	£'000	£'000
Usable Reserves				
General Fund Balances	(36,441)	(13,787)	(1,763)	(51,991)
Capital Fund	(9,929)	(887)	-	(10,816)
Property Maintenance Fund	(362)	311	-	(51)
Insurance Fund	(1,532)	(91)	-	(1,623)
Unusable Reserves				
Capital Adjustment Account	(152,897)	(21,228)	-	(174,125)
Financial Instruments Adjustment Account	6,122	(308)	-	5,814
Revaluation Reserve	(110,788)	5,127	(58,457)	(164,117)
Pensions Reserve	215,666	30,998	(87,183)	159,481
Employee Statutory Adjustment Account	6,687	(135)	-	6,552
Total	(83,474)	0	(147,403)	(230,876)

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 - Restated

	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	(31,447)	-	-	-	(31,447)	31,447	-	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	2,989	1,530	(361)	(136)	4,022	(4,022)	-	
Total in year adjustments	(3,051)	(385)	(361)	(136)	(3,933)	3,933	-	

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	(34,256)	-	-	-	(34,256)	34,256	-	12 & 14
Impairment Losses (charged to CI&ES)	(1,995)	-	-	-	(1,995)	1,995	-	
Revaluation Losses	(5,147)	-	-	-	(5,147)	5,147	-	
Capital grants and contributions applied	42,522	-	-	-	42,522	(42,522)	-	28
Employee Statutory Adjustments	135	-	-	-	135	(135)	-	
Profit/(Loss) on disposal of assets	(735)	(730)	-	-	(1,465)	1,465	-	
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	2,354	(157)	311	(91)	2,417	(2,417)	-	
Total in year adjustments	(13,787)	(887)	311	(91)	(14,455)	14,454	-	

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
	Earmarked Balances of the General Fund	
(1,220)	Education & Lifelong Learning - Devolved School Management	(1,599)
	Specific Departmental Reserves	
(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	(4,953)
(27,609)		(42,142)
(8,832)	Non-Earmarked Balances of the General Fund	(9,850)
(36,441)	Total General Fund Reserve	(51,991)

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

Restated			
2020/21			2021/22
£'000			£'000
	Reconciliation to General Fund Surplus		
(14,211)	Net (Surplus) or deficit on the provision of services		(1,763)
	Adjustments to (surplus) or deficit on the provision of services for non cash movements		
(31,413)	Depreciation		(33,858)
(4,216)	Impairment & Revaluation Loss through I & E		(7,143)
(34)	Amortisation of intangible assets		(398)
(14,222)	Movement in pension liability		(30,998)
(401)	Gain/Loss on carrying amounts of assets disposed		(735)
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)
(51,176)			(77,454)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		
30,896	Capital grants received		42,522
169	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E		787
31,065			43,309
(34,322)	Net Cash Outflow / (Inflow) from Operating Activities		(35,908)

Note 33

Impairment & Revaluation Losses

During 2021/22, Scottish Borders Council recognised a net impairment and revaluation loss of £7.142m 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
27,417	Total	45,918

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			5,463	
8,175		Discounts and Exemptions	8,407	
807		Allowance for Impairment	812	
-		Miscellaneous		
	14,907			14,682
	(60,215)			(61,023)
	(60,215)	Total Income Credited to the Comprehensive Income & Expenditure Statement		(61,023)

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
Total	58,986	59,390			

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 £212.49 for water and £246.69 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	
Restated				
£'000	£'000		£'000	£'000
	(52,679)	Gross Rates Levied & Contribution in Lieu		(51,687)
	3,952	Prior Year Adjustments		1,547
27,541		Less: Reliefs and Other Deductions	22,694	
253		Write-offs of uncollectable debts & allowance for impairment	647	
-		Interest paid on overpaid rates	-	
	27,793			23,341
	(20,934)			(26,799)
	(20,934)	Net Non-Domestic Rate Income		(26,799)
	-	Adjustment to Previous Years National Non-Domestic Rates		-
	(20,934)	Contribution to National Pool		(26,799)
	23,388	Distribution received from National Pool		26,668
	(23,388)	Income Credited to the Comprehensive Income & Expenditure Statement		(26,668)

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
Total	8,723	103,935

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
	Income			
(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	(349)	(304)	(653)
	Expenditure			
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
(259)	(Surplus) / Deficit for the Year	(266)	(248)	(514)
(1,195)	(Surplus) brought forward	(727)	(563)	(1,290)
(145)	Funding (brought forward/carried forward) to Revaluation Reserve	221	214	435
309	Transfer to Capital Reserve	(1)	(1)	(2)
(1,290)	(Surplus) carry forward	(773)	(598)	(1,371)

Balance Sheet

2020/21 Total £'000		Charitable £'000	Other £'000	2021/22 Total £'000
	Non-current Assets			
1,936	Tangible Fixed Assets	530	1,840	2,370
2,058	Investments	1,022	1,036	2,058
-	Long term Loan	-	-	-
	Current Assets			
483	Short Term Investments	325	243	568
14	Sundry Debtors	5	5	10
	Current Liabilities			
-	Sundry Creditors	-	(1)	(1)
4,491	Net Assets	1,882	3,123	5,005
	Financed by			
(1,290)	Revenue Reserve	(773)	(598)	(1,371)
(1,335)	Capital Reserve	(631)	(702)	(1,333)
(1,866)	Revaluation Reserve	(478)	(1,823)	(2,301)
(4,491)		(1,882)	(3,123)	(5,005)

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 54 to 63.

All funds are invested in the Aegon Asset Management diversified income fund.

The Common Good Financial Statements are presented in line with previous years. A separate set of financial statements is published compliant with OSCR requirements and subject to full external audit.

Comprehensive Income and Expenditure Statements

Restated 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
	Income													
(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	-	-	-	-	-	-	-	-	-	-	-	-	-
(87)	Revaluation Of Fixed Assets	(30)	-	-	(163)	(49)	(94)	(35)	(182)	(114)	(16)	(260)	(365)	(1,308)
	Recognition Of Fixed Assets & - Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
(940)		(30)	(2)	-	(171)	(175)	(94)	(84)	(196)	(138)	(17)	(342)	(442)	(1,691)
	Expenditure													
628	Raising Funds	10	-	-	56	151	31	12	61	64	4	128	151	668
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
774		10	1	0	59	194	31	39	65	77	4	149	174	803
(166)	(Surplus) / Deficit carry forward	(20)	(1)	-	(112)	19	(63)	(45)	(131)	(61)	(13)	(193)	(268)	(888)

Common Good Funds

Balance Sheet

Restated 2020/21 Total £'000		2021/22												
		Coldstream £'000	Duns £'000	Eymouth £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Melrose £'000	Peebles £'000	Selkirk £'000	Total £'000
	Non-current Assets													
13,509	Tangible Assets	286	-	2	737	4,387	546	552	1,008	1,681	38	1,073	4,048	14,358
2,857	Investments	-	17	-	161	460	-	953	283	251	10	507	260	2,902
24	Long Term Loan to Third Party	-	-	-	-	-	-	5	-	-	-	-	-	5
	Current Assets													
57	Sundry Debtors	-	-	-	1	23	-	4	1	10	-	12	8	59
430	Short Term Investments	-	2	-	16	141	-	100	37	16	9	79	57	457
	Current Liabilities													
(28)	Sundry Creditors	-	-	-	-	(12)	-	-	-	(11)	-	(9)	(12)	(44)
16,849	Net Assets	286	19	2	915	4,999	546	1,614	1,329	1,947	57	1,662	4,361	17,737

	Financed by													
(3,980)	Restricted Income Funds	(122)	(19)	(1)	(331)	(746)	(135)	(1,065)	(321)	(269)	(37)	(639)	(334)	(4,019)
(12,869)	Revaluation Reserve	(164)	-	(1)	(584)	(4,253)	(411)	(549)	(1,008)	(1,678)	(20)	(1,023)	(4,027)	(13,718)
(16,849)	Total Reserves	(286)	(19)	(2)	(915)	(4,999)	(546)	(1,614)	(1,329)	(1,947)	(57)	(1,662)	(4,361)	(17,737)

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 120.

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 109 to 111. 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 £218.076m and income of £234.432m for the year of which £89.243m and £81.066m 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 £26.595m 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 - Restated

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2020	(30,121)	(10,762)	(40,883)	(95,965)	(13,067)	(109,032)	(149,915)

Movement in reserves during 2020/21

Total Comprehensive Income & Expenditure	(14,211)	(5,145)	(19,356)	56,822	2,189	59,011	39,655
Adjustments between accounting basis & funding basis under regulations	(3,933)	(517)	(4,450)	3,933	517	4,450	-
Increase or Decrease in 2020/21	(18,144)	(5,662)	(23,806)	60,755	2,706	63,461	39,655
Balance at 31/03/2021 carried forward	(48,265)	(16,424)	(64,689)	(35,209)	(10,361)	(45,570)	(110,259)

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
Balance at 01/04/2021	(48,265)	(16,424)	(64,689)	(35,209)	(10,361)	(45,570)	(110,259)

Movement in reserves during 2021/22

Total Comprehensive Income & Expenditure	(1,763)	(6,881)	(8,644)	(145,640)	(2,602)	(148,242)	(156,886)
Adjustments between accounting basis & funding basis under regulations	(14,454)	(677)	(15,131)	14,454	677	15,131	-
Increase or Decrease in 2021/22	(16,217)	(7,558)	(23,775)	(131,186)	(1,925)	(133,110)	(156,886)
Balance at 31/03/2022 carried forward	(64,482)	(23,982)	(88,464)	(166,395)	(12,286)	(178,681)	(267,145)

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
88,556	(17,914)	70,642	Infrastructure & Environment	91,231	(15,845)	75,386
49,488	(7,587)	41,901	Strategic Commissioning & Partnerships	49,274	(6,040)	43,234
135,188	(82,934)	52,254	Social Work & Practice	141,806	(79,852)	61,954
112,841	(21,333)	91,507	Education & Lifelong Learning	120,890	(21,208)	99,682
41,228	(26,480)	14,747	Resilient Communities	40,906	(24,405)	16,501
19,698	(3,357)	16,341	Finance & Corporate Governance	25,853	(6,094)	19,759
8,089	(236)	7,853	People Performance & Change	9,164	(653)	8,510
773	(290)	483	Common Good	803	(235)	568
182	(23)	159	Trust Funds	313	(43)	270
-	(3,249)	(3,249)	Share of Operating Results Of Associates & Joint Ventures	-	(8,178)	(8,178)
456,041	(163,404)	292,637	Services provided by the Council	480,239	(162,554)	317,686
456,041	(163,404)	292,637	Net Cost of Services	480,239	(162,554)	317,686
2,099	(2,100)	(1)	Roads Trading Operation (Surplus)/Deficit (External)	5,427	(5,170)	257
			Other Operating Expenditure			
2,316	(1,915)	401	(Gain)/Loss on Disposal of Assets	1,465	(730)	735
			Financing & Investment Income and Expenditure			
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	-	-	-
			Taxation and Non-Specific Grant Income			
-	(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)
		(18,072)	(Surplus)/Deficit on Provision of Services			(8,365)

Group Comprehensive Income and Expenditure Statement

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		(18,072)	(Surplus)/Deficit on Provision of Services			(8,365)
		(3,170)	(Surplus)/Deficit on revaluation of Non Current Assets			(60,418)
		(828)	Any Other (Gains) Or Losses			2,267
		61,725	Actuarial (gains)/losses on pension assets/liabilities			(90,370)
		57,727	Other Comprehensive Income and Expenditure			(148,521)
		39,655	Total Comprehensive (Income)/Expenditure			(156,886)

Group Balance Sheet

Restated 2020/21 £'000		2021/22 £'000
422,195	Property Plant and Equipment	470,217
27,545	Other Land and Buildings	30,823
133,554	Vehicle, Plant, Furniture & Equipment	136,316
5,425	Infrastructure	6,725
42,600	Surplus Assets	53,247
1,039	Assets Under Construction	1,039
1,182	Heritage Assets	882
4,915	Intangible Assets	4,960
5,120	Long Term Investments	13,298
1,123	Investments In Associates & Joint Ventures	1,111
644,698	Long Term Debtors	718,618
0	Long Term Assets	-
1,673	Intangible Assets - Current	1,507
56,206	Inventories	61,800
(11,948)	Short Term Debtors	(12,530)
30,086	less Impairment of Receivables	48,601
76,016	Cash and Cash Equivalents	99,378
-	Current Assets	-
(28,513)	Bank Overdrafts	(4,836)
(51,976)	Short Term Borrowing	(61,220)
(134)	Short Term Creditors	(148)
(80,623)	Provisions	(66,204)
(192,280)	Current Liabilities	(210,490)
(89,115)	Long Term Borrowing	(82,161)
(3,438)	Deferred Liabilities	(3,389)
(23,348)	Provisions	(25,393)
(308,181)	Capital Grants Receipts in Advance	(321,433)
331,910	Long Term Liabilities	430,359
(221,652)	Net Assets excluding pension liability	(163,214)
110,259	Pension Liability	267,145
	Net Assets/(Liabilities) including pension liability	

Group Balance Sheet

Restated 2020/21 £'000	Financed By:	2021/22 £'000
	Useable Reserves	
(9,929)	Capital Fund	(10,816)
(36,441)	General Fund Balance	(51,991)
(362)	Property Maintenance Fund	(51)
(1,532)	Insurance Fund	(1,623)
(16,424)	Share of Group Entities Usable Reserves	(23,982)
	Unusable Reserves	
(152,897)	Capital Adjustment Account	(174,125)
6,122	Financial Instruments Adjustment Account	5,814
(110,788)	Revaluation Reserve	(164,118)
215,666	Pension Reserve	159,481
6,687	Employee Statutory Adjustment Account	6,552
(10,361)	Share of Group Entities Unusable Reserves	(12,286)
(110,259)	Total Reserves	(267,145)

The audited accounts were authorised for issue on 24 November 2022.

Suzy Douglas CPFA
Acting Chief Financial Officer

Group Cash Flow Statement

Restated 2020/21 £'000		2021/22	
		£'000	£'000
(18,072)	Net (Surplus) or deficit on the provision of services		(8,366)
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	8,178	
(51,177)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(79,479)	
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	
(34,936)	Net Cash Flows From Operating Activities		(36,358)
	Investing Activities		
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	160	
(23,771)	Other Items which are Investing Activities	(51,993)	
26,476	Net Cash Flows from Investing Activities		6,167
	Financing Activities		
(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)	
(8,839)	Net Cash Flows from Financing Activities		11,675
(17,299)	Net (Increase) or Decrease in Cash and Cash Equivalents		(18,516)
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
(17,299)	Movement		(18,516)

Notes to the Group Accounts

Note 1 Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 54 to 63.

The Council has accounted for its interest in each subsidiary using the acquisition method of accounting. The Council's interests in associates and joint ventures have been accounted for using the equity method of accounting. Where applicable, consolidation adjustments have been made to eliminate inter-group transactions.

Note 2 Group Cash Flow

A reconciliation between the Group Income and Expenditure Statement and the revenue activities in the Group Cash Flow Statement is provided in the table below:

Restated 2020/21 £'000		2021/22 £'000
	Reconciliation to General Fund Surplus	
(18,072)	Net (Surplus) or deficit on the provision of services	(8,366)
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	8,178
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(32,418)	Depreciation	(34,924)
(4,216)	Impairment & Revaluation Loss through I & E	(7,143)
(34)	Amortisation of intangible assets	(398)
(14,665)	Movement in pension liability	(31,932)
(401)	Gain/Loss on carrying amounts of assets disposed	(735)
663	Net movement in inventories charged to I & E	(167)
(2,710)	Net movement in debtors charged to I & E	6,745
2,504	Net movement in creditors charged to I & E	(10,813)
100	Net movement in provisions charged to I & E	(112)
(51,177)		(79,479)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
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
31,064		43,309
(38,185)	Net Cash Outflow / (Inflow) from Operating Activities	(44,536)

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 £147.403m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group surplus of £156.887m. The net asset position of the Council's single entity Balance Sheet of £230.877m becomes £267.146m on group consolidation. Overall, the Group Balance Sheet position has increased by £156.887m from 2020/21 largely as a result of the decrease in pension liability and increase in fixed asset valuations

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 12th Century onwards. They are held by the Council as custodian for the benefit of residents of the 12 former burghs, Coldstream, Duns, Eyemouth, Innerleithen, Galashiels, Hawick, Jedburgh, Kelso, Lauder, Melrose, Peebles and Selkirk. They are administered by the Council to have regard to the interest of the inhabitants of the area to which the Common Good formally related. All of the Common Good Funds are presently registered as a single charity with OSCR.

Component Accounting: where fixed assets are valued and depreciated on the basis of individual components i.e. roof, heating system etc, opposed to one overall value.

Contingent Liability: a possible future financial obligation which is reported as a specific note to the annual accounts because it cannot be judged as probable enough to warrant a provision.

Council Tax: the major part of locally raised revenue income, based on a property being classified into one of eight bands. In the interests of consistency all Councils determine their Council Tax at the Band D level and the charges for properties in all other bands are expressed as a proportion of Band D.

Council Tax Reduction Scheme (CTRS): Replaced Council Tax Benefit which stopped on 1 April 2013 as part of the welfare reform programme. CTRS is a reduction on your council tax that you may be entitled to if you are on a low income. Responsibility for assisting those who need help to pay their Council Tax in Scotland now sits with the Scottish Government and Scottish Local Authorities.

Current Assets: assets of a short-term nature, e.g. short term investments, inventories, short term debtors and cash and cash equivalents.

Current Liabilities: liabilities expected to be due within the next year, e.g. short term creditors, short-term borrowing and provisions.

Depreciation: the measure of the value of a fixed asset used during the year.

Fair Value: is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instruments Adjustment Account: an account that enables the effects of accounting for financial instruments to be neutral in terms of Council Tax.

General Fund: the principal usable reserve of the Council that covers most areas of activity, the main exclusions being SBc Contracts and the Pension Fund.

Group Accounts: statements that reflect the Council's interest in any subsidiaries, associates and joint ventures.

Heritage Assets: assets preserved in trust for future generations because of their cultural, environmental or historical association. It applies to assets held and maintained by the authority principally for the contribution to knowledge and culture.

IAS19: the International Accounting Standard (IAS) which lays down the disclosure and reporting requirements for Retirement Benefits paid from our Pension Fund.

IFRS: The Council's accounts are governed by International Financial Reporting Standards.

Impairment: an asset is impaired when its carrying amount exceeds its recoverable amount.

Infrastructure: assets of a general and supporting nature, e.g. the roads and bridges network, car parks, pathways, sea defences and water/drainage systems.

Insurance Fund: a fund that meets the costs of premiums for a range of external insurance cover, meets the cost of claims not covered by external insurance, and receives contributions from Council services.

Glossary of Terms

Interest on Revenue Balances: the Council's loans fund acts as an internal banker and pays interest where it has utilised any internal credit balances, e.g. the General Fund Reserves.

Inventories: materials etc. that have been purchased but not yet consumed in the delivery of Council services.

Loan Charges: sometimes called debt charges, these are the annual repayments of principal, interest and expenses in respect of loans taken to finance capital expenditure.

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds. The Local Government (Scotland) Act 1975 has been replaced by The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

Long-Term Borrowing: are sums borrowed to finance capital expenditure and not yet repaid, nor due to be repaid within one year. The majority of this is borrowed from the Public Works Loan Board and can be for periods of up to 60 years.

Pension Fund: under relevant legislation the Council administers a Pension Fund for its employees (other than teachers, who are members of a national scheme) and employees of certain other 'Admitted Bodies'. It is what is known as a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested.

Provision: a liability of uncertain timing or extent for which an estimate must be included in our annual accounts.

Ratios: financial analysis tools to support the evaluation of the financial health of the organisation.

Rents, Fees and Charges: add in charges for specific service; examples include home care charges, commercial rents, hall lets and library fines.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses/deficits generated by the various funds. They are split between 'usable' and 'unusable' reserves.

Usable Reserves: Capital Fund, General Fund Balance, Property Maintenance Fund and Insurance Fund.

Unusable Reserves: Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and STACA Statutory Mitigation Account.

Revaluation Reserve: the balance represents the difference between the depreciated revalued amount and the depreciated historic cost of fixed assets at 1 April 2007. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure: the day to day recurring costs of providing services. It includes wages and salaries, property costs such as power and light, transport costs and supplies and services. It also includes the annual repayment of loans which have financed capital expenditure. Revenue expenditure is always paid for in full as and when it happens either from Council Tax, rents, fees, charges, grants and Revenue Support Grant (RSG) and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Significant Trading Operations: services provided in a competitive environment and which are charged for on a basis other than a straightforward recharge of costs, e.g. quoted lump sums, fixed rates etc.

Trust Funds: The Council administers 116 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 77 of which have charitable status and have been reorganised into 5 charities registered with the Office of the Scottish Charity Regulator (OSCR).

Glossary of Terms

Virement: because circumstances change, budgets need to remain flexible. Virement is the approved transfer of resources from one area of the budget to another, the creation of new budgets to reflect additional income and related expenditure or the transfer of budget from one financial year to the next.

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Scottish Borders Council Pension Fund

annual report and accounts

for the year to 31 March 2022



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SECTION 1

INTRODUCTION

CHAIRMAN'S REPORT

Introduction

Welcome to the Annual Report and Accounts for the Scottish Borders Council Pension Fund for the year ended 31 March 2022. This Annual Report has been produced to provide Elected Members, Scheme Members and Employers and other interested parties with information concerning the administration and performance of the Fund in financial year 2021/22.

Highlights of the Year

Pension Fund Committee/Pension Board

The Fund has continued to strengthen its governance and stewardship of the Fund over the year. This work was recognized at the LAMP Investments Awards which saw the Fund winning the LGPS Fund of Year (assets under £2.5bn).

The Joint meetings of the Committee and Board continued as virtual meetings during 2021/22 ensuring all necessary governance and decision making continued. Most Members fully engaged successfully with new ways of working online, including meeting their individual training requirements.

The Investment and Performance Sub-Committee, met all of the Fund's investment managers during the year, which allowed the committee full scrutiny and oversight of the assets under management.

Funding

The Fund's 2020 Triennial valuation resulted in a funding position of 110% and contributions rates maintained for the first 2 years, despite uncertainties arising from court cases, such as the McCloud judgement and the LGPS cost cap mechanism. The Fund continues to monitor this position and the effect of the changes required to resolve the judgements. The strong performance of the Fund's investments has resulted in this continued strong funding position.

Investment Assets

The volatile market conditions caused by the continuation of Covid-19 and the growing political conditions with Russia has resulted in very difficult market environments. Despite this the fund has

grown by £50m with an overall positive 5.9% performance.

Statement of Responsible Investment

The Committee believes that a positive approach to Environmental, Social and Governance (ESG) issues can positively affect the investment performance of the Fund. The Fund fully reviewed and updated its policy, to include key priorities and improved monitoring. The Fund also continues to monitor and work with all its managers to ensure ESG is fully integrated into all their investment decisions.

The Fund undertook a full strategic asset review during 2021/22 with responsible investment being a key focus of the review. The review resulted in the transition of its global equities with Baillie Gifford into their Global Alpha Paris Aligned fund and to change the passive equity allocation with UBS to ESG focused passive fund. These changes add further to the Funds move to increased responsible investment. The Fund also continued to support the Climate Action 100+ initiative, as a signatory, which is an initiative actively working to ensure the Paris Agreement on climate change targets are met.

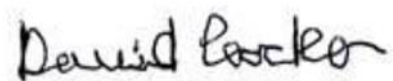
Pensions Administration

Key targets have been met by the Pension Administration team with all payments processed on time and annual benefit statements issued within the required timescales. The implementation of the Member Self Service portal is a welcome addition for scheme members which enhances communication and access to real time quotes with no detrimental impact on administrative resources.

Covid-19 continued to bring challenges, which the service has met, with good progress made on the delivery of actions set out in the Pension Fund's business plan. Updates were made to the Communication Policy and Pensions Admin Strategy to reflect this and the implementation of the new portal and website.

Acknowledgement

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



Chairman, Pension Fund Committee
Scottish Borders Council

MANAGEMENT COMMENTARY SUMMARY

OVERVIEW OF FUND BUSINESS

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

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

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

STRATEGY AND OBJECTIVES

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

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

KEY NUMBERS OF THE FUND

- Total membership of 12,178 (11,664 in 2020/21)
- Total pension paid £25.4m (£25.1m 2020/21)
- Total contributions received £22.6m (£20.6m 2020/21)
- Total investments held £909.4m (£859.7m 2020/21)
- Investment performance of 5.9% for 2021/22 (20.1% 2020/21)

GOVERNANCE

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

As required within the Local Government Pension Scheme (Government)(Scotland) regulations the Fund has an established Pension Fund Board which meets jointly with the Pension Fund Committee. The Pension Fund Board is responsible for assisting the Fund in securing compliance with the regulations and other legislation relating to the administration and governance of the Fund. The Pension Fund Board has 4 members representing the employers and 4 trade union members representing the employees.

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The Fund, annually, agrees a three year business plan which sets out the action plan to deliver the key work areas identified to ensure objectives continue to be met and any new legislative requirements are built into work plans. The actions are monitored and reported to the Joint Pension Fund Committee and Pension Fund Board. The key actions completed in 2021/22 were:-

- Full review and update of the Funding Strategy Statement with inclusion of new cessation policy and correct employer contribution rates received.
- Completion of the agreed training programme for all members of the Pension Fund Committee and Pension Fund Board.
- Full review of Strategic Asset Allocation completed and implementation commenced.
- Completion of a procurement exercise for ESG passive equity manager and Infrastructure manager per the approved strategic asset allocation.
- Implementation and roll out of Members Self Service.
- Review completed of Responsible investment policy further enhancing the Funds commitment to responsible investing.
- Review completed of services provided by IT providers to ensure data is secure and adheres to cyber security requirements.

Due to limited access to the office due to Covid-19 the review of Employer covenants has been re-scheduled to be completed by December 2022. The finalisation of the GMP reconciliation has also been delayed due to the Pensions Administration team processing the recalculation of Pensions and Lump Sums following the late settlement of the SJC Pay Award for Scottish Borders Council employees, which was backdated to January 2021. There have been no further legislative changes announced in relation to the remedy for McCloud; the Fund awaits confirmation of the requirements before developing an action plan to avoid repeated requests for information from the Employers.

The Fund has agreed the following key areas of development and improvement within its 2022/23 Business Plan.

- Review of all forms of communication material.
- Accuracy of Pension records including requirements for pension dashboard
- System improvement to support home working
- Submission of application for the Stewardship Code.
- Commence preparation for 2023 triennial valuation
- Review of the Funds strategic asset allocation following the 31 March 2020 valuation.
- Implementation of approved Responsible Investment policy and its monitoring requirements.
- Review and implementation of The Pension Regulator's "Single Code".

RISKS AND UNCERTAINTIES

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

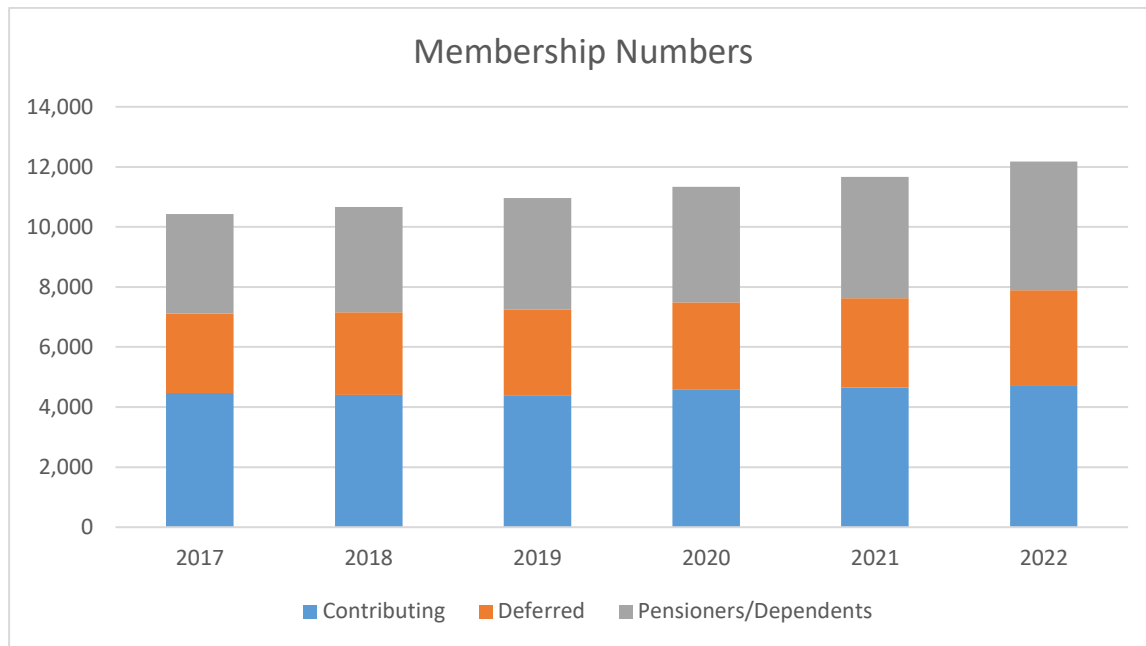
A full risk register is maintained by the Fund in line with CIPFA guidance and the Council's approach to risk management. Each risk identified is assessed for likelihood and impact with no controls in place and after controls are applied. Further controls are identified and progress monitored and reported to the Joint Pension Fund Committee and Pension Fund Board on a quarterly basis as part of Risk update reports. The Fund currently has 51 identified risks spread over Assets & investments, Employer, Resource & skill, Liability, Administrative, Regulatory & Compliance and Reputation. There is one risk remaining as a red assessment at 31 March 2022 which is "Legislation and other regulatory framework changes impacting on the Fund". The Fund is managing and monitoring this risk by ensuring it actively participates in all consultations and keeps abreast of all legislative and regulatory changes. Further information on risk management and risks can be found on page 16.

ADMINISTRATION AND MEMBERSHIP

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

The Fund has paid pensions benefits of £25.4m during the year (£25.1m in 2020/21) and received contributions of £22.6m (£20.6m in 2020/21). The Fund is a mature fund but has seen a small reversal of this position during 2021/22 due to an increase in transfers in during the period. The Fund had a net withdrawal of £0.1m (£6.5m in 2020/21) during the year which was funded from investment returns. Throughout the Covid-19 crisis, pensions have been paid on time and contributions have been collected in accordance with scheme regulations in all instances. The ability for staff to work from home has allowed the administration function to continue to perform as normal through the adoption of alternative working practices. Further information on the performance of Pension Administration and the Pension Administration Strategy can be found in section 4.

The maturing nature of the Fund is reflected in the membership numbers which are shown in the table over. Overall members at 31 March 2022 increased during the year to 12,178 but active contribution members now only represent 39% of the membership compared to 43% at 31 March 2017. The continued decrease in active members has resulted in the Fund looking to investments to provide income to ensure cash is available to pay the pensions as they are due.



COMMUNICATION

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

Due to Covid-19 the annual employer meeting was once again held virtually with additional information being shared virtually. Information was posted on the website for both members and employers including information on the Shared Costs AVC, pension increases, guidance on how to sign up to online access for payslips and all publications such as the Annual Report. The deployment of the Member Self Service functionality in August 2021 added an additional dimension to the communication methods and allowed us to move towards a more digital approach in line with best practice and expectation of the scheme members. A new version of the website was deployed during the year and following a drop off in visits over November and December there was a significant increase in the number of hits recorded on the website from January to March 2022.

FUNDING

The three yearly Actuarial Valuation for 31 March 2020 was completed in March 2021 which resulted in a funding position of 110% (114% at 31 March 2017) for the Fund. The next formal valuation of the Fund will be as at 31 March 2023. Interim monitoring has been undertaken between the 2020 valuation during the year. Monitoring of the funding position is undertaken on a quarterly basis and reported to the Pension Fund Committee.

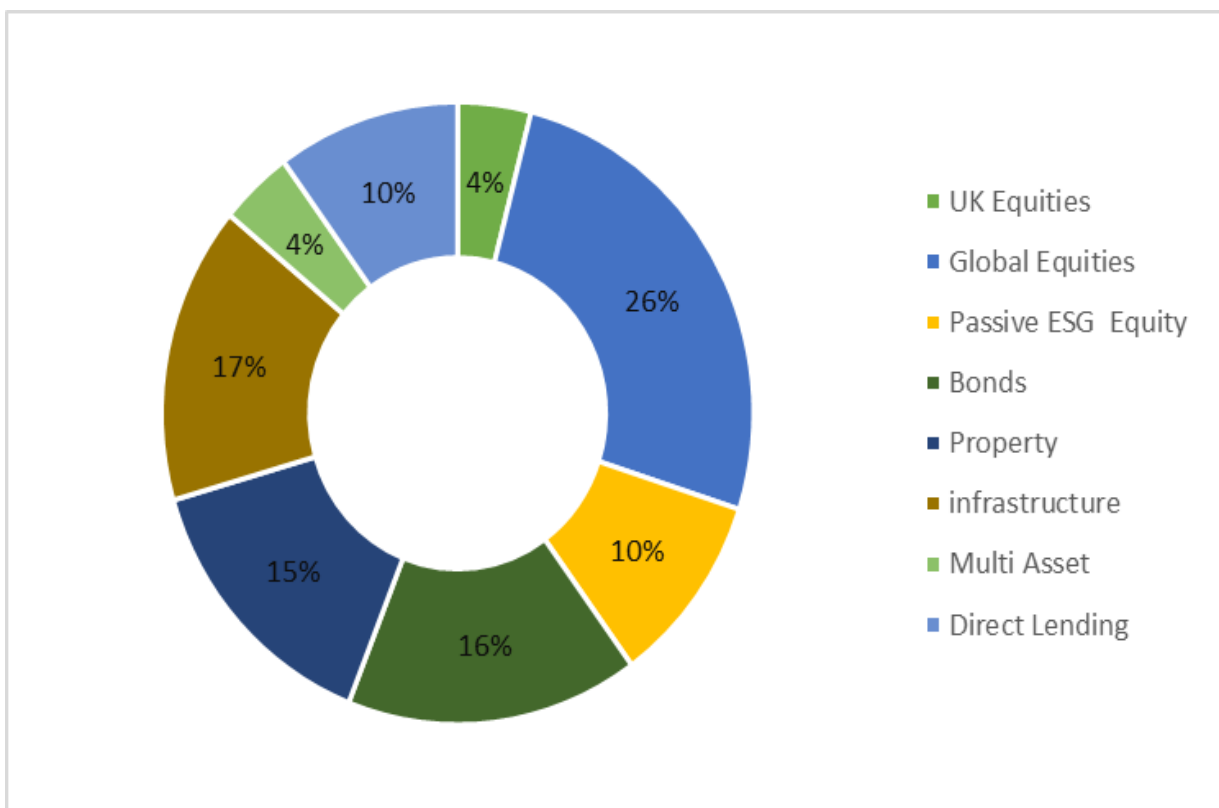
Uncertainties caused by GMP reconciliation, the scheme cost cap mechanism and legal challenges on the grounds of age discrimination, arising from the McCloud judgement may have an impact on the funding position. The 2020 valuation has included allowance for McCloud but not cost cap. The impact of any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

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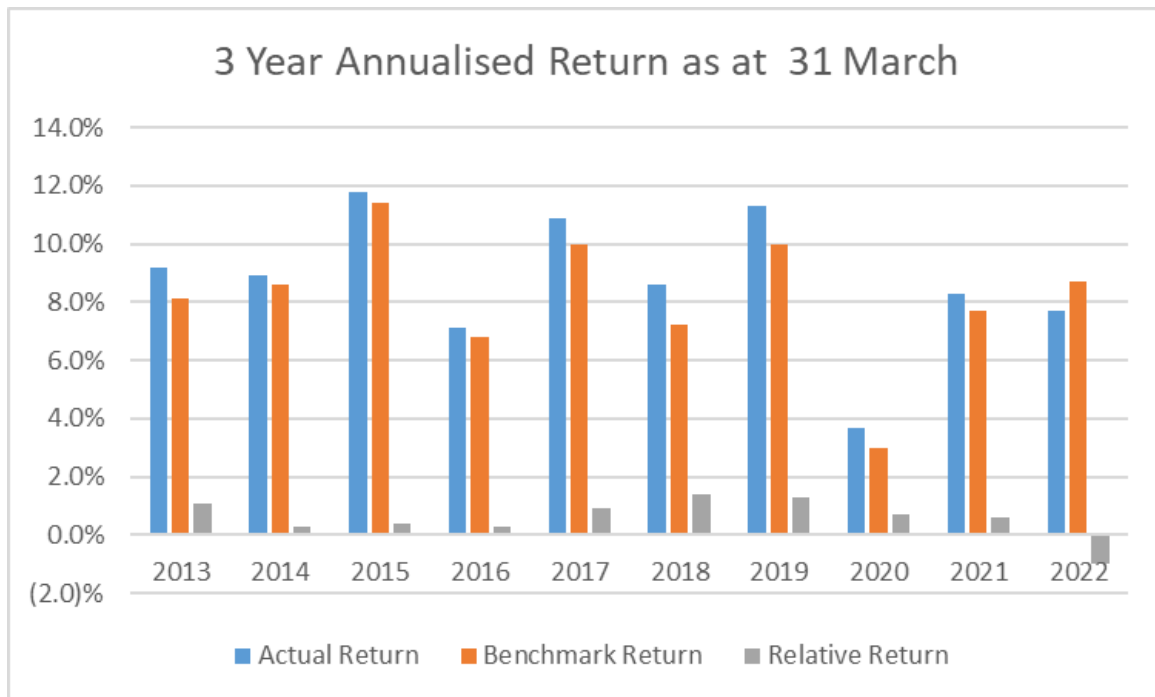
The Funding Strategy Statement approved on 4 March 2021 sets out the approach to funding. Further detail can be found in section 5 of the report and the full version of the Funding Strategy Statement is available via the Scottish Borders Council Pension Fund website.

INVESTMENT RETURNS

The Fund's investment objective is to support the Funding Strategy by adopting an investment strategy and structure, which incorporates an appropriate balance between risk and return. Following the 2020 Triennial Valuation, the Fund approved a revised asset allocation, which is shown in the diagram below. The revised asset allocation further spreads investments over a number of key asset markets, thus further spreading the risk and increasing the diversification of the Fund. Good progress has been made during the year in the implementation of the revised strategy.



The Fund's investment returns delivered a positive return of 5.9% during 2021/22 (20.1% 2020/21) against a benchmark of 10.6% (18.3% 2020/21) for the year to 31 March 2022. Overall the Fund's assets increased by £50m from 31 March 2021. The 2021/22 performance although under its benchmark was a positive return in volatile and difficult market conditions. The table over details the 3 year annualised return which is also slightly under benchmark for 2021/22.



Investment markets during April 2021 and December 2021 saw equities markets delivering strong returns due to sustained economic recovery from Covid-19, supported by fiscal and monetary measures taken by governments and central banks. However, some of these gains were lost during January to March 2022 following Russia’s invasion of Ukraine.

Global credit markets experienced a difficult 12 months. UK investment grade credit performance was negative due to rising interest rate expectations and in light of heightened inflationary pressures.

Work to fully implement the strategy has continued, with equity exposure decreasing and the funds being invested in longer term illiquid assets such as infrastructure and infrastructure debt. The Fund has increased its infrastructure and infrastructure debt investment over the year by £17m.

The Strategy has also resulted in increased levels of investment income which has allowed the Fund to meet the increasing net withdrawal for dealing with payments to members.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

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

The Fund has, in line with its Statement of Responsible Investment Policy, completed its third annual monitoring report on all the Fund’s managers. 16 out of the 17 managers are signatories of UNPRI with the one remaining manager only representing 0.3% of the Fund’s assets. The Fund has during the year declined investment opportunities offered by managers not signatories of UNPRI.

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The Fund has also during 2021/22 undertaken a full review of its Responsible Investment Policy and on 17th March 2022 approved 6 key responsible investment objectives. These are

- SDG 13 – Climate Change
- SDG 7 – Affordable & Clean Energy
- SDG 1 – No Poverty
- SDG 2 – Zero Hunger
- SDG 3 – Good Health & Well-being
- SDG 10 – Reduce Inequalities

Work has commenced in the assessment and collection of data to allow reporting and monitoring of SDG13 Climate change and SDG 7 Affordable & clean energy. Due to the lack of robust measurement criteria or data the remaining objectives will be reviewed regularly as data collection is developed.

The Fund also as part of its Strategic Asset Allocation review invested £94m into a Global ESG passive fund with LGIM and transitioned £114m of global equities into the Baillie Gifford Global Alpha Paris Aligned. Both investments further enhance the Fund's commitment to responsible investment.

The Fund continues to look for further opportunities to enhance its commitment to sustainability and climate change which will form key criterion in future investment and procurement decision making.

CLIMATE ACTION 100+

The Fund, as a signatory, continued to support the work undertaken by Climate Action 100+ which is working with Investors and Fund Managers to reduce carbon emission and ensure the Paris Agreement targets are met. The three main aims are:-

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

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

ACKNOWLEDGMENT

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

Councillor David Parker
Chair

Pension Fund Committee

David Robertson
Acting Chief Executive

Scottish Borders Council

Suzanne Douglas CPFA
Acting Chief Financial Officer

Scottish Borders Council

KEY TRENDS

Membership	2017/18	2018/19	2019/20	2020/21	2021/22
Active Members	4,409	4,376	4,573	4,647	4,703
Deferred Members	2,751	2,878	2,909	2,977	3,194
Pensioners	3,507	3,707	3,856	4,040	4,281
Total Members	10,667	10,961	11,338	11,664	12,178

Investments	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Opening Net Value	653,207	685,681	731,048	712,319	859,794
Movement in year	32,475	45,367	(18,728)	147,475	49,587
Closing Net Value	685,681	731,048	712,319	859,794	909,381
Investment Income	8,195	13,314	13,938	12,749	17,600
Investment Fees	8,192	5,848	5,296	5,310	5,668

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Administrative costs	(292)	(391)	(363)	(352)	(378)
Oversight & Governance costs	(233)	(289)	(263)	(318)	(349)
Pensions Income	19,610	20,647	21,200	21,727	25,939
Pensions Expenditure	(22,189)	(24,257)	(26,555)	(28,296)	(26,071)
Net Pensions Cash flow	(2,579)	(3,610)	(5,355)	(6,569)	(132)

SECTION 2

GOVERNANCE

SCHEME ADMINISTRATION

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

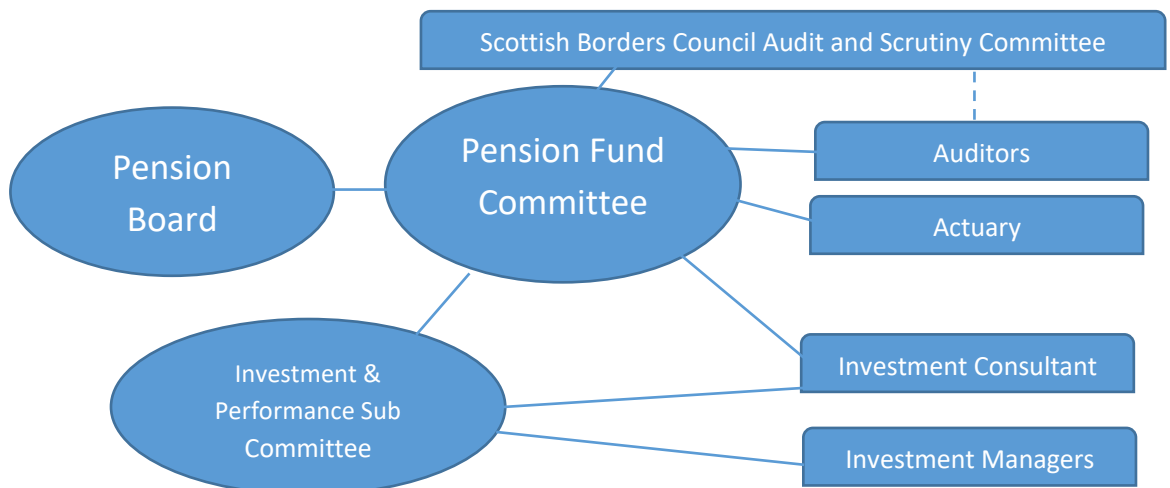
The Fund is administered in accordance with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance)(Scotland) Regulations 2014. The Fund adheres to Scottish Borders Council policies for managing conflicts of interests, codes of conducts and register of interests.

Suzy Douglas – Acting Chief Financial Officer (Section 95 Officer) is responsible for the financial administration of the Fund.

SCHEME GOVERNANCE

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

Scottish Borders Council Pension Fund Governance:-



Pension Fund Committee – is the main decision making body for the Fund and is comprised of seven Scottish Borders Council Councillors; the Convener, one member of the Executive, three members of the Administration and two members of the opposition.

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

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

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

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

Investment Managers – manage the investment portfolios.

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

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

PENSION FUND COMMITTEE

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



Councillor David Parker - Chair



Councillor Simon Mountford – Vice Chair



Councillor Pam Brown
from 26/5/2022



Councillor Watson McAteer
from 26/5/2022



Councillor Carol Hamilton



Councillor Donald Moffat



Councillor Sandy Scott

Councillor Jim Brown to 4/5/2022

Councillor Gordon Edgar to 4/5/2022

PENSION FUND BOARD

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

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

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As at 31 March 2022 the Scottish Borders Council Pension Board membership comprised the following:-

Employer Representatives:

- Councillor Sandy Aitchison – Scottish Borders Council to 4/5/2022
- Hazel Robertson – Borders College
- Linda Ross – LIVE Borders to 5/4/2022
- Anthony Daye – South of Scotland Enterprise

Employee Representatives:

- David Bell – UNITE
- Malcolm Drysdale - GMB
- Marc Everett - UNISON
- Kay Marie Hughes – UNISON

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

INVESTMENT & PERFORMANCE SUB-COMMITTEE

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

RISK MANAGEMENT

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

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

A full risk review was undertaken in June 2021. All identified actions are monitored and reported on a quarterly cycle, with the addition of any new risks that have materialised during the intervening period from the full risk review.

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The headings under which the Council consider risk and the analysis of the level and number of risks are set out below:

Risk Category	Risk Assessment					
	Before Controls			After Controls		
	Red	Amber	Green	Red	Amber	Green
Asset & Investment	5	7	-	-	9	3
Employer	1	6	-	-	2	5
Resource & Skill	-	5	-	-	1	4
Liability	2	5	-	-	2	5
Administrative	-	8	-	-	1	7
Regulatory & Compliance	4	2	-	1	3	2
Reputation	2	4	-	-	2	4
Total Number of Risks	14	37	0	1	20	30

RED -Very High (15-25)

AMBER – High (6-12)

GREEN – Low (1-5)

The one risk remaining as a red assessment, as at 31 March 2022, is “Legislation and other regulatory framework changes impacting on the Fund”. The Fund is managing and monitoring this risk by ensuring it actively participates in all consultations and keeps abreast of all legislative and regulatory changes.

TRAINING POLICY & PRACTICE STATEMENT

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

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

The Training Policy applies to members of the Pension Fund Committee and the Pension Board. It requires all members to complete the Pension Regulator’s Toolkit within six months of joining the Board and to attend at least two training events a year. The Policy also requires an annual training plan to be agreed. The 2021/22 plan was approved on 10 June 2021 and was based on assessment returns completed by all members. The table over shows all members attended two or more events. The toolkit has been completed by all members of the Committee and seven members of the Board.

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Training attendance

No of events	Committee Members		Board Members	
	%	Number	%	Number
6	42.8%	3	-	-
5	-	-	12.5%	1
4	14.3%	1	25.0%	2
3	14.3%	1	50.0%	4
2	28.6%	2	12.5%	1

The training covered the following areas:

- Financial Markets and Investment Products
- Investment Concepts and Terminology
- Environmental, Governance and Social governance
- Fund governance and Stewardship
- Key Pension Administration issues
- Regulatory Environment

All members are also required to attend, as a minimum, two meetings of the joint Pension Fund Committee and Pension Board a year. The table below shows Six Members of the Pension Fund Committee and seven members of the Pension Fund Board have met the attendance requirement for 2021/22

No of meetings	Committee Members		Board Members	
	%	Number	%	Number
5 meetings	57%	4	-	-
4 meetings	29%	2	63%	5
3 meetings	-	-	25%	2
2 meetings	-	-	-	-
Less than 2	14%	1	12%	1

ANNUAL GOVERNANCE STATEMENT

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

The key document summarising the governance arrangements for the Pension Fund is the Governance Policy and Compliance Statement (as amended on 29 June 2022) which is available on the Council's website: [Governance Policy and Compliance Statement](#)

Governance Framework

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

- a) Scottish Borders Council is the Administering Authority for the Local Government Pension Scheme for the Scottish Borders geographical area. The Council has acknowledged its responsibility for ensuring that there is a sound system of governance (incorporating the systems of internal control) and this is reflected in the Council's governance arrangements.
- b) The Council has delegated its responsibilities as Scheme Manager, to the Pension Fund Committee. The Members of the Committee act as quasi-trustees and oversee the management of the Scottish Borders Council Pension Fund. The overall responsibility of ensuring there is a sound system of governance remains with the Chief Executive.
- c) The Pension Board meets jointly with the Committee, and formalises the involvement of the employers and trade unions representing the membership. All members of the Committee and Board are covered equally by the Training Policy to give them full opportunity to contribute effectively.
- d) The approval of the Pension Fund Business Plan covering the period 2021/22 – 2023/24, to improve planning and monitoring of the performance of the Fund and to demonstrate the "Myners Principle" relating to effective decision making. The Business Plan supports the delivery of the objectives of the Fund which are to deliver a high quality pension service to members that is managed effectively, transparently and is compliant. The Business Plan ensures actions are included to address issues raised in the Annual Governance Statement.
- e) The Pension Fund appoints professional advisers and external service providers, covering investment advisory, custodian and actuarial services.
- f) The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and Councillors embodied in procedural standing orders, financial regulations, Scheme of Delegation and Scheme of Administration. This is supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular, the system includes comprehensive accounting systems that record income and expenditure for both member and investment activities, regular reviews of investment reports that measure investment returns against agreed benchmarks and targets, and independent performance reviews of the Fund by the investment consultant and performance monitoring service provider.
- g) The Pension Fund follows the Council's approach to risk management and assesses risk using a scoring methodology and subjects the Risk Register to regular review.
- h) The Acting Chief Financial Officer (Section 95 Officer) for the Council is responsible for ensuring the proper administration of the financial affairs of the Pension Fund. This includes ensuring appropriate professional advice is sought and is given to the Pension Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control. The Fund complies with the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2016." The Chief Executive left the Council on the 12th September 2022. Interim arrangements were agreed by Scottish Borders Council on the 12th July 2022 and have been enacted, with an acting Chief Executive and an acting Chief Financial Officer appointed while the Council undertakes a formal recruitment process.

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

Review of Framework

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

The review is informed by the work of an officer assessment of the Fund's compliance with the best practice principles, details of which are set out in the Governance Compliance Statement 2021-22 (page 24 -28).

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

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

Internal Audit Opinion

The Chief Officer Audit & Risk's opinion is that the systems of internal control operating within the Scottish Borders Council Pension Fund during 2021/22 are sound, and governance and risk management arrangements are effective

During 2021/22 the Internal Audit work included:

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

The Fund has effective governance arrangements in place through the joint meetings of the Pension Fund Committee and the Pension Fund Board that support scrutiny and transparency of decisions made. A Skills and Knowledge self-assessment is carried out annually by Members, a Training Plan is proposed to meet those needs, and Members' participation in training events is monitored to ensure Training policy commitments are met. Risk Management is fully embedded into the culture of the Pension Fund with evidence of risk deliberations in decision-making and

regular reviews / updates of the Pension Fund risk register being carried out and reported to the joint meetings of the Committee and Board to demonstrate appropriate scrutiny and oversight of risk management.

There was no specific testing of Pensioner Payroll payments within Internal Audit work on Business World ERP System Key Controls which focused on new areas of system functionality. Reliance can be placed on the previous year's Internal Audit work which concluded comprehensive assurance on key controls and processes to ensure that payroll transactions are valid, complete and accurate. Internal Audit reviewed reports associated with Pensions resulting from the National Fraud Initiative (NFI) Data Matching exercise for 2020/2021. There was one discrepancy highlighted, this has been investigated and arrangements are in place for the repayment of the monies to the Fund.

Best practice suggested that having a Business Plan for the Pension Fund was a good way of demonstrating compliance with the "Myners Principle" relating to effective decision making. The Business Plan 2021/22 to 2023/24 for the Pension Fund was approved by the Joint Pension Fund Committee and Pension Fund Board on 10 June 2021. It identified an Action Plan which would be delivered during the next three years to support the aims and objectives of the Pension Fund. The HR Shared Services Manager gave a demonstration of the Self Service Pension System under development at the joint Committee and Board meeting on 16 September 2021. This system would save considerable time for the Pension Administration team, and provide pension scheme members with a valuable tool. A Business Plan Performance Update, outlining progress on the Business Plan actions at mid-year, was presented to the Joint Pension Fund Committee and Pension Fund Board meeting on 14 December 2021. Quarter Performance Updates are presented in private by the Investment Advisor at the joint Committee and Board meetings. Pension Administration Performance is reported annually to the joint Committee and Board for its inclusion in the Fund's Annual Report and Accounts.

Internal Audit were involved in the testing phase of the Member Self-Service facility (MSS) which has been developed for members of the Councils pension fund. This provides direct access for active and deferred scheme members to view personalised pension data on the portal and was completed in time for the Annual Benefit Statement issue. Work is ongoing to increase uptake.

External access to Business World ERP system for pension members to view payslips and P60s is in place. Work continues to promote this facility.

The 2021/22 annual internal self-assessment against the Public Sector Internal Audit Standards (PSIAS) demonstrates sufficient evidence that the Council's Internal Audit section conforms with the Definition of Internal Auditing, Code of Ethics, Attribute Standards and Performance Standards.

Improvement Areas of Governance

The Committee agrees a three year business plan on an annual basis to ensure the ongoing management and development of the Fund is in line with the longer term policy, objectives and strategy of the Fund. The plan sets out the key actions and sets timescales of each. The progress of the actions are reported mid-year to the Committee. The actions completed from the 2021/22 business plan are as follows;

- Full review and update of the Funding Strategy Statement with inclusion of new cessation policy and correct employer contribution rates received.
- Completion of the agreed training programme for all members of the Pension Fund Committee and Pension Fund Board.

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- Full review of Strategic Asset Allocation completed and implementation commenced.
- Completion of a procurement exercise for ESG passive equity manager and Infrastructure manager per the approved strategic asset allocation.
- Implementation and roll out of Members Self Service.
- Review completed of Responsible investment policy further enhancing the Funds commitment to responsible investing.
- Review completed of services provided by IT providers to ensure data is secure and adheres to cyber security requirements.

The following areas have been identified and included in the 2022/23 action plan submitted to the Joint Pension Fund Committee and Board for approval. These will enhance the existing governance arrangements:

- Review of all forms of communication material.
- Accuracy of Pension records including requirements for pension dashboard.
- System improvement to support home working.
- Submission of application for the Stewardship Code.
- Commence preparation for 2023 triennial valuation.
- Review of the Fund's strategic asset allocation following the 31 March 2020 valuation.
- Implementation of approved Responsible Investment Policy and its monitoring requirements.
- Review and implementation of The Pension Regulator's "Single Code".

Impact of COVID-19

At the start of the global Covid-19 pandemic Scottish Borders Council agreed temporary decision making arrangements to minimise social contact during the pandemic. It was agreed all formal Council and Committee meetings be cancelled unless required for statutory reasons and additional powers delegated to the Chief Executive in consultation with Officers and Members. Business continuity plans were implemented with staff mainly working at home with full access to systems and files.

During 2021/22 all meetings were held virtually. The overall governance of the Fund remained in place with all meetings being held and papers and decisions being made available via the internet. All services have been fully maintained and all payments made in a timely manner. Investments which initially fell at the start of the pandemic bounced back quickly and additional monitoring meetings with Officers and fund managers were held to ensure risks were identified and mitigating measures put in place. A full review will be undertaken and future business continuity plans updated to reflect findings.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council Pension Fund's systems of internal control, governance and risk management. The annual review demonstrates sufficient evidence that the Pension Fund's Governance Policy is operating effectively and that the Pension Fund fully complies with the best practice principles as demonstrated in the Governance Policy and Compliance Statement (pages 24- 28).

**Councillor David Parker
Chair
Pension Fund Committee**

**David Robertson
Acting Chief Executive
Scottish Borders Council**

ANNUAL GOVERNANCE COMPLIANCE STATEMENT

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

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

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Principle		Full Compliance	Comments
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Yes	Minutes of the Sub-Committee and any other Sub-Groups are submitted to the Pension Fund Committee for approval. Two members from the Pension Board and all Members of the Committee are part of the Sub-Committee which has a remit to monitor investment performance.
D	Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	The Scheme of Administration states that any Sub-Group established will have member(s) of the Committee as part of its membership.
Committee Membership and Representation			
A	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) where appropriate, independent professional observers, and (iv) expert advisors (on an ad-hoc basis)	Yes	The Pension Board and Pension Fund Committee meet jointly ensuring employer and member (trade union) representation at meetings. The Investment Sub-Committee has two non-voting members from the Pension Board. The Independent Investment Consultant, Finance and HR Officers also attend in an advisory capacity.
B	Where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training They are given full opportunity to contribute to	Yes	All members of the Committee and Board are covered equally by the Training Policy (as amended annually in June). The Board was established by Council on 2 April 2015. The Scheme of Administration for the Pension Fund Committee, and the Pension Board Constitution, provide for joint meetings, with equal rights to receive

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Principle		Full Compliance	Comments
	the decision making process, with or without voting rights.		papers and access meetings.
Selection and role of lay members			
A	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	For Councillors this is part of the Council's Code of Governance along with the Members' induction programme. In addition, the Fund's Training Policy provides for an annual training needs assessment, and an annual programme of training to be made available to all members of the Committee and Board. All new members of the Committee and Board are also required, within six months of joining, to complete the Pension Regulator Trustee Toolkit.
B	At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Yes	Part of the Council's Code of Governance requires the declaration of Members' interests for all committees as a standard agenda item.
Voting			
A	The policy of individual administrating authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	This is set out in the Council's Scheme of Administration and the Pension Board's Constitution.
Training/Facility time/Expenses			
A	In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses	Yes	Councillors expenses are managed under the Council's policies. The Training Policy also covers the reimbursement of training related expenses.

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Principle		Full Compliance	Comments
	in respect of members involved in the decision-making process.		
B	Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	The training policy for all members of the Pension Board and Pension Fund Committee is approved annually at the joint meeting in June.
C	The administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Annual Training Plan is produced and implemented with logs of training attendance maintained. Compliance to the plan is reported to the Joint Pension Fund Committee and Board.
Meetings (frequency/quorum)			
A	An administering authority's main committee or committees meet at least quarterly	Yes	The joint meetings of the Pension Fund Committee and Pension Board are quarterly.
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the main committee dates.	Yes	The Investment Sub-Committee meets every four months between the joint Committee/Board meetings.
C	An administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	The Pension Board formally provides for stakeholders' engagement.
Access			
A	Subject to any rules in the Council's Constitution, all members of main and secondary committees or	Yes	Papers sent to all Committee/Board members as detailed in the Scheme of Administration.

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Principle		Full Compliance	Comments
	panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee		
Scope			
A	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes	The Scheme of Administration sets out the Committee as having a remit which covers all matters relating to the Council's role as Administering Authority for the Scottish Borders Council Pension Fund, within the terms of all relevant Local Government Pension Scheme legislation and the requirements of the Pension Regulator.
Publicity			
A	Administering authorities have published details of their governance arrangements in such a way that stakeholders, with an interest in the way in which the scheme is governed, can express an interest if wanting to be part of those arrangements.	Yes	Scottish Borders Council Pension Fund has a standalone website with all governance documents and Fund information. A link is provided to Minutes and public papers available via the Council's website.

SECTION 3

FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITIES

COUNCIL'S RESPONSIBILITIES

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

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

ACTING CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

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

In preparing the Annual Accounts, the Acting Chief Financial Officer has:

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

The Acting Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of Scottish Borders Council Pension Fund as at 31 March 2022 and the transactions of the Fund for the year then ended.

Councillor David Parker
Chair
Pension Fund Committee

Suzanne Douglas CPFA
Acting Chief Financial Officer
Scottish Borders Council

FUND ACCOUNT for year ending 31 March 2022

2020/21 £'000		2021/22 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme:		
20,666	Contributions	22,593	7
1,061	Transfers in from other pension funds	3,346	8
21,727		25,939	
(25,157)	Benefits	(25,390)	9
(3,139)	Payments To And On Account Of Leavers	(681)	10
(28,296)		(26,071)	
(6,569)	Net Additions/(Withdrawals) from Dealings with Members	(132)	
(5,979)	Management expenses	(6,395)	11
	Return on Investments:		
12,749	Investment Income	17,600	12
146,680	Profits and (Losses) on Disposal of Investments and Changes in the Market Value of Investments	40,765	14
(45)	Taxes on Income	(387)	
159,384	Net Return on Investments	57,978	
146,836	Net Increase/(Decrease) in the Fund during the Year	51,451	
712,858	Opening Net Assets of the Scheme	859,694	
859,694	Closing Net Assets of the Scheme	911,145	

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

NET ASSETS STATEMENT as at 31 March 2022

2020/21 £'000		2021/22 £'000	Notes
860,013	Investment Assets	910,784	14
(219)	Investment Liabilities	(1,403)	14
859,794	Total net investment	909,381	
	Current Assets & Liabilities		
2,614	Current Assets	4,174	21
(2,714)	Current Liabilities	(2,410)	22
(100)		1,764	
859,694	Net Assets of the Fund available to fund benefits at the period end	911,145	

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

The unaudited accounts were issued on 29 June 2022 and the audited accounts were authorised for issue on 24 November 2022.

Suzanne Douglas CPFA
Acting Chief Financial Officer
Scottish Borders Council

NOTES TO THE ACCOUNTS

1 DESCRIPTION OF THE FUND

A) General

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

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

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

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

Organisations participating in the Fund include:

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

B) Funding

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

The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions. For 2021/22 this was based on the valuation undertaken as at the 31 March 2020, as amended by specific changes, agreed by the Committee relating to an individual employer. The overall contribution rate was 18% for the Fund as a whole; however employers' contribution rates during 2021/22 ranged from 18% to 21.1%.

Contributions from active members of the Fund are paid on a tiered basis, the contribution rate being determined by the amount of salary falling into each earnings tier. These rates are made in accordance with the 2008 Regulations and ranged from 5.5% to 12.0% of pensionable pay for the financial year ending 31 March 2022. From 1 April 2015 these contributions are based on the LGPS Regulations 2014 in line with the updated LGPS Scheme.

C) Benefits

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

The table below gives a summary of the scheme benefits:

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements summarise the Fund's transactions for the 2021/22 financial year and its position as at the 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. In addition, consideration has been given to the *Local Government Pension Scheme Fund Accounts 2020/21 - example accounts and disclosure checklist* published by the Chartered Institute of Public Finance Accountants (CIPFA).

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

The accounts have been prepared on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account

Accruals Basis

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

Contributions Income

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

Transfers to and from other schemes

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

Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Benefits Payable

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

Taxation

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

Administration Expenses

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

Investment Management Expenses

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

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

Net Assets Statement

Valuation of Investments

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

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

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

The processes of the fund managers, who are listed in Note 14b, (page 45) are subject to external audit and verification and this is reported in their respective assurance reports on internal controls (in accordance with Technical Release AAF 01/06).

Foreign Currency Transactions

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

Derivatives

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

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

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

Cash and Cash Equivalents

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

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme Actuary in accordance with the requirements of International Accounting Standards (IAS) 19 and relevant actuarial standards. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20, page 58).

Additional Voluntary Contributions (AVCs)

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

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

Accounting Standards that were issued but not yet adopted.

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

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed Actuary (currently Hymans Robertson), with annual updates in the intervening years. The methodology used is in line with the accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised on page 57. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The items in the financial statements at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of Promised Retirement Benefits (Note 20, page 58).	Estimation of the net liability to pay pensions in the future depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson is	The effects on the net pension liability of changes in individual assumptions can be measured. - A 0.1% decrease in the discount rate assumption would result in a increase in the pension liability of £20m

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	<p>engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<ul style="list-style-type: none"> - A 0.1% increase in the Consumer Price Index assumption for inflation would increase the value of the liabilities by £18m - A 0.1% increase in the long-term rate of salary increase would increase value of the liabilities by £2m, and - A 1 year increase in assumed life expectancy would increase the liability by £42m <p><i>Source – IAS26 report 2022</i></p>
<p>Portfolio of Level 3 assets held</p>	<p>Level 3 assets are those which do not have observable market data. The valuations are provided by administrators of the funds and are validated by independent administrators. Such valuations are prepared in accordance with the valuation principles of IFRS and GAAP. There is, however a degree of estimation involved in the valuations.</p>	<p>The total assets held in Level 3 £323.7m and include Private Credit, Property, Infrastructure and Alternatives. There is a risk that this investment may be under or overstated in the accounts. Based on historical data and current market trends actual valuation could be between £356.3m and £291.1m</p>

6 EVENTS AFTER THE REPORTING DATE

There are no known events since 31 March 2022 which directly affect these accounts.

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7 CONTRIBUTIONS RECEIVABLE

2020/21				2021/22		
Employers	Members	Total		Employers	Members	Total
£'000	£'000	£'000		£'000	£'000	£'000
15,472	5,135	20,607	Normal	17,030	5,506	22,536
28	-	28	Special/Pension Fund Strain	42	-	42
-	31	31	Additional Voluntary	-	15	15
15,500	5,166	20,666	Total	17,072	5,521	22,593

2020/21		2021/22
£'000		£'000
17,739	Administering Authority	18,597
917	Scheduled Bodies	989
2,010	Admitted Bodies	3,007
20,666		22,593

8 TRANSFERS IN

There were no group transfers in to the scheme during 2021/22 or 2020/21 and the total of £3.346m (2020/21: £1.061m) represents the total of transfer values in respect of individual members joining the scheme.

9 BENEFITS PAYABLE

2020/21		2021/22
£'000		£'000
19,754	Pension Payments	20,410
4,727	Commutation and lump sum retirement benefits	4,254
676	Lump Sums death benefits	726
25,157		25,390

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2020/21		2021/22
£'000		£'000
22,918	Administering Authority	22,361
438	Scheduled Bodies	845
1,801	Admitted Bodies	2,184
25,157		25,390

10 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2020/21		2021/22
£'000		£'000
49	Refunds to members leaving service	82
1,286	Individual Transfers	599
1,804	Group Transfers	-
3,139		681

11 MANAGEMENT EXPENSES

2020/21		2021/22
£'000		£'000
352	Administrative costs	378
5,310	Investment management expenses	5,668
317	Oversight and governance costs	349
5,979	Total	6,395

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11(a) Investment Management Expenses

	Total	Management fees	Transaction cost
2021/22	£'000	£'000	£'000
Equities	1,035	772	263
Pooled Investments	2,290	1,648	642
Private Equity/Infrastructure	1,400	1,274	126
Property	880	442	438
Total	5,605	4,136	1,469
Custody fees	63		
Total	5,668		
	Total	Management fees	Transaction cost
2020/21	£'000	£'000	£'000
Equities	1,027	738	289
Pooled Investments	2,917	2,415	502
Private Equity/Infrastructure	722	620	102
Property	560	232	328
Total	5,226	4,005	1,221
Custody fees	84		
Total	5,310		

12 INVESTMENT INCOME

2020/21		2021/22
£'000		£'000
2,571	Dividends from equities	2,931
6,521	Income from Pooled Investment vehicles	8,523
3,657	Income from Pooled Property Investment vehicles	6,146
0	Interest on Cash Deposits	0
12,749		17,600

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13 OTHER FUND ACCOUNT DISCLOSURES

13(a) External Audit Costs

In 2021/22 the agreed audit fee for the year was £22,110 (2020/21 £21,510). The external auditor is Audit Scotland.

14 INVESTMENTS

Market Value at 31 March 2021 £'000		Market Value at 31 March 2022 £'000
	Investment Assets	
217,762	Equities	140,492
172,971	Pooled Equities	212,653
179,002	Pooled Bonds	184,351
110,739	Pooled Other	116,036
95,298	Pooled Property Investments	139,927
69,690	Private Equity/Infrastructure	86,838
-	Diversified Alternatives	-
-	Derivative Contracts	-
13,132	Cash Deposits	28,737
994	Investment Income Due	858
425	Amounts receivable for sales	892
860,013	Total Investment Assets	910,784
	Investment Liabilities	
(219)	Amounts payable for purchases	(1,403)
859,794	Net Investment Assets	909,381

14(a) Reconciliation of Movement in Investment and Derivatives

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

	Opening Market Value 1/4/2021 £'000	Purchases & Derivative Payments £'000	Sales & Derivative Receipts £'000	Change to Market value during year £'000	Closing Market Value 31/3/2022 £'000
Equities	217,762	48,057	(116,948)	(8,379)	140,492
Pooled Investments	462,713	104,403	(84,906)	30,830	513,040
Pooled Property Investments	95,298	53,906	(23,065)	13,788	139,927
Private Equity/Infrastructure	69,691	17,715	(5,417)	4,849	86,838

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Derivative Contracts	-		(1)	1	0
	845,464	224,081	(230,337)	41,089	880,297
Other Investment Balances					
Cash Deposits	13,132			(337)	28,737
Amount receivable for sales	424				892
Investment Income due	993				858
Spot FX Contract	1			10	-
Amount Payable on Purchase	(220)				(1,403)
Net Investments	859,794			40,762	909,381

Significant Transactions during the year:

The Fund approved a revised Investment Strategy approved in June 2021. The review maintained the allocation for equities but approved the movement of the passive equities into a ESG focused passive fund and the movement of Baillie Gifford Global Equities into their Paris Aligned Global Equity Fund. The review also introduced an allocation to Housing, increased the allocation to Long Lease property and increased the allocation to infrastructure. The Fund has made good progress on the implementation of these changes with the full funding of the new ESG passive equity fund with LGIM and has fully implemented the increased allocation to Long Lease property with Blackrock.

14(b) Investment Analysed by Fund Managers

Investment Management was undertaken on behalf of the Fund during the financial year by 20 firms of investment managers, these are shown below. The Fund has also during 2021/22, continued to make investments into infrastructure, via collaborative working with Lothian Pension Fund and directly with Macquarie. As at 31 March 2022 the market value of the assets under management, broken down by manager and mandate (including cash held within each mandate) was:

31-Mar-21		31-Mar-22			
£'000	%			£'000	%
51,592	6.0	UBS	Pooled Fund -UK Equities	0	-
61,178	7.1	Baillie Gifford	UK Equities	29,134	3.2
164,059	19.1	Baillie Gifford	Global Equities	114,705	12.6
118,407	13.8	Morgan Stanley	Pooled Fund - Global Equities	118,980	13.0
-	-	LGIM	Pooled Fund – Passive Global Equities	93,673	10.3

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116,311	13.5	M&G	Pooled Fund - Diversified Income	117,271	12.9
62,691	7.3	M&G	Pooled Fund - Bonds	67,080	7.3
37,221	4.3	UBS	Pooled Fund -Property	26,563	2.9
58,181	6.7	Blackrock	Pooled Fund – Property	121,500	13.3
59,823	7.0	LGT	Pooled Fund - Alternatives	67,882	7.4
27,424	3.2	Partners Group	Pooled Fund – Private Credit	31,517	3.5
24,728	2.9	Permira	Pooled Fund – Private Credit	15,578	1.7
3,100	0.4	Alinda	Infrastructure	3,443	0.4
3,449	0.4	KKR	Infrastructure	2,940	0.3
1,226	0.1	Infrared	Infrastructure	1,107	0.1
13,595	1.6	Dalmore	Infrastructure	14,263	1.6
1,421	0.2	Brookfield	Infrastructure	3,602	0.4
1,636	0.2	Macquarie	Infrastructure	3,249	0.4
1,701	0.2	Equitix	Infrastructure	2,013	0.2
2,162	0.3	Gaia	Infrastructure	3,097	0.3
2,342	0.3	Oaktree	Infrastructure	66	0.0
-	-	Gresham House	Infrastructure	7	0.0
39,059	4.5	Macquarie	Pooled Fund -Infrastructure Debt	53,053	5.8
8,488	0.9	Internal	Internally Managed Cash & Investments	18,658	2.4
859,794				909,381	

The benchmarks and performance targets for each manager as at the 31 March 2022 are contained in the Statement of Investment Principles published on the Pension Fund website.

Investments representing more than 5% of Net Assets

The value of the following investments exceeds 5% of the total value of the net assets of the Pension Fund at 31 March 2022. Each of the investments comprises units in a managed fund.

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	As at 31 March 2021		As at 31 March 2022	
	£'000	% of Fund	£'000	% of Fund
Blackrock – Long Lease Property	58,181	6.8	121,500	13.3
Morgan Stanley Global Brands Fund	118,407	13.8	118,980	13.0
M&G Alpha Opportunities Fund	116,311	13.5	117,271	12.9
LGIM – Future World Global Equity Index			93,673	10.3
LGT Crown SBC Segregated Portfolio	59,823	7.0	67,882	7.4
M&G Index Linked	62,691	7.3	67,080	7.3

Fund Performance

The total Fund return for the year was 5.9% with a relative return under benchmark of 4.7%. Over three years the Fund has generated an annualised return of 7.7% per annum, with a relative return under benchmark of 1.0% per annum. Further information on this is contained in Section 6 -- Investments.

14 (c) Stock Lending

The Fund may participate in the stock lending programme managed by its Global Custodian, Northern Trust. All loans are fully collateralised. As at 31 March 2022 stock with a market value of £9.1m was on loan.

14(d) Property Holdings

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

15 ANALYSIS OF DERIVATIVES

The Funds approach to derivatives is to allow individual managers to decide to participate in derivative contracts subject to limits set out in their investment management agreements. The Fund holds cash assets to allow for cash flow purposes. Fund managers will also, on occasions, hold forward currency contracts. There were no derivatives held at 31 March 2022 or 31 March 2021.

16 FAIR VALUE BASIS OF VALUATION

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

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

16(a) Fair Value Hierarchy

Values as at 31 March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£000's	£000's	£000's
Financial assets at fair value through profit & loss				
Equities	139,802	-	690	140,492
Pooled Investments	303,330	94,835	68,071	466,236
Pooled Property Investments	-	18,610	121,317	139,927
Private Equity/Infrastructure	-	-	133,642	133,642
Cash Deposits	28,737	-	-	28,737
Other Investment assets	-	-	-	-
Investment Income due	858	-	-	858
Amounts receivable for sales	-	892	-	892
Net Investment Assets	472,727	114,337	323,720	910,784
Financial liabilities at fair value through profit & loss				

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Payable for investment purchase		(1,403)		(1,403)
Total	472,727	112,934	323,720	909,381

Values as at 31 March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£000's	£000's	£000's
Financial assets at fair value through profit & loss				
Equities	217,762			217,762
Pooled Investments	349,001	2,972	110,739	462,712
Pooled Property Investments		29,795	65,503	95,298
Private Equity/Infrastructure			69,691	69,691
Cash Deposits	13,132			13,132
Investment Income due		2		2
Amounts receivable for sales	990	3		993
Net Investment Assets		423		423
Financial liabilities at fair value through profit & loss	580,885	33,195	245,933	860,013
Financial liabilities at fair value through profit & loss				
Payable for investment purchase		(219)		(219)
Total	580,885	32,976	245,933	859,794

16(b) Transfers between Levels 1 and 2

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

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

	Market Value 1 April 2021 £'000	Transfer in to level 3 £000	Purchases during year & derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market Value 31 March 2022 £'000
Overseas Venture Capital	9,985		2,063	(3,264)	391	729	9,904
Overseas Equity Funds	59,822		34	-	8,027	-	67,883
Private Credit Funds	50,916		10,508	(13,806)	(440)	(185)	46,993
UK Property	65,505		54,265	(7,909)	8,656	800	121,317
UK Venture Capital	59,705		15,696	(2,146)	3,170	508	76,933
Overseas Equities	-	830	-	-	(140)	-	690
	245,933	830	82,566	(27,125)	19,664	1,852	323,720
	Market Value 1 April 2020 £'000	Transfer in to level 3 £000	Purchases during year & derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market Value 31 March 2021 £'000
Alternatives	50,583			(50,583)	(11,200)	11,200	-
Overseas Venture Capital	8,508		2,541	(1,321)	(227)	484	9,985
Overseas Equity Funds			50,583		9,239		59,822
Private Credit funds	51,230		3,998	(5,099)	787		50,916
UK Property	66,088		1,200		(1,783)		65,505
UK Venture Capital	49,950		7,257	(333)	2,831		59,705
Total	226,359		65,579	(57,336)	(353)	11,684	245,933

Transfers to level 3 reflect the investment into Infrastructure as part of the implementation of the revised Investment Strategy and the holdings with Brilliance China which have been temporarily suspended from trading in Hong Kong due to financial irregularities of a subsidiary in the group.

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

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

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Sensitivity of Assets Valued at Level 3

Having considered historical data and current market trends, and consulted with independent advisors, the Fund has determined the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-) %	Value at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Overseas Venture Capital	15.0	9,904	11,389	8,418
Overseas Equities Fund	13.5	67,883	77,047	58,718
Private Credit	10.5	46,993	51,927	42,058
UK Property	8.0	121,317	131,022	111,612
UK Venture Capital	9.5	76,933	84,241	69,624
Overseas Equities	5.5	690	727	652
Total		323,720	356,353	291,082

17 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2021				31 March 2022		
Fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000		Fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000
			Financial assets			
217,762	-	-	Equities	140,492	-	-
462,713	-	-	Pooled Investments	513,040	-	-
95,298	-	-	Pooled Property Investments	139,927	-	-
69,691	-	-	Infrastructure	86,838	-	-

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-	13,132	-	Cash		28,737	
-	994	-	Other Investment balances		858	
-	423	-	Debtors		892	
845,464	14,549	-		880,297	30,487	
			Financial Liabilities			
-	-	(219)	Creditors			(1,403)
-	-					
845,464	14,549	(219)	Total			(1,403)
	859,794				909,381	

17 (a) Net Gains and Losses on Financial Instruments

31 March 2021 £000		31 March 2022 £000
	Financial assets	
146,959	Designated at fair value through profit & loss	41,089
	Loans & receivables	11
-	Financial Liabilities	-
9	Fair value through profit & Loss	1
(288)	Loans & receivables	(336)
146,680	Total	40,765

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

18 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

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

acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for managing the Fund's risk rests with the Pension Fund Committee. A Risk Register for the Fund has been established to identify and analyse the risks that the Fund faces and the key messages from this process are covered in the Risk Management Statement on page 16. The Market Risk and Credit Risk aspects below come under the risk category of Assets and Investment in the Risk Register, whilst Liquidity Risk is a separate category of risk. In addition, the Funding Strategy Statement and Statement of Investment Principles address risk management considerations as they apply to the particular objectives of each document.

Market Risk

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

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

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

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

Asset Type	Potential Market Movement %
UK Equities	20.5

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Global Equities	20.4
UK Bonds	11.5
Property	8.9
Alternatives	10.5
Cash	1.0

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

Asset Type	Value as at 31 Mar 22 £'000	+/- % Change *	Value on Increase £'000	Value on Decrease £'000
UK Equities	29,134	20.5	35,107	23,164
Global Equities	327,672	20.4	394,376	260,968
UK Bonds	67,080	11.5	74,794	59,366
Property	148,064	8.9	161,237	134,890
Alternatives	319,088	10.5	352,701	285,476
Cash	18,343	1.0	18,526	18,160
Total Assets	909,381		1,036,741	782,024

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

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2022 is set out below and includes investment and operational cash balances. These disclosures present interest rate risk based on the underlying financial assets at fair value:

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Asset Type	At 31 March 2021	At 31 March 2022
	£'000	£'000
Cash and Cash Equivalents	10,091	21,310

Interest rate risk sensitivity analysis

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

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

Asset Type	Value as at 31 Mar 22 £'000	Effect on Asset Values	
		Favourable Rate Move + 100 BPS £'000	Unfavourable Rate Move -100 BPS £'000
Cash and Cash Equivalents	21,310	213	(213)

Currency Risk

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

The following table summarises the Fund's currency exposure at 31 March 2022:

Currency exposure by asset type	As 31 March 2022 £'000
Overseas Equities	110,218
Overseas Fixed Income Funds	117,271
Overseas Equity Funds	280,535
Overseas venture capital	9,904
Total	517,928

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Currency risk – sensitivity analysis

Asset Type	Value as at 31 Mar 22 £'000	+/- % Change *	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	110,218	9.2	120,358	100,078
Overseas Fixed income	117,271	8.2	126,888	107,655
Overseas Equity Funds	280,535	9.1	306,063	255,006
Overseas venture capital	9,904	8.6	10,756	9,052
Total Assets	517,928		564,024	471,791

Credit Risk

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

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

The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its internal treasury management arrangements at 31 March 2022, including current account cash, was £2.9m (31 March 2021: £1.9m). This was held with the following institutions:

	Rating	Balance at 31 March 2021 £'000	Balance at 31 March 2022 £'000
Bank Current Accounts			
Bank of Scotland	A+	1,952	2,967
Northern Trust	AA	8,139	18,343
Total		10,091	21,310

Liquidity Risk

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

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2022, the Fund's illiquid assets under this definition are some of the Property fund of funds holdings and the infrastructure holdings.

19 FUNDING ARRANGEMENTS

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

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

2020 Actuarial Valuation

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

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

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

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

The next detailed Actuarial Valuation will be carried out for the Fund as at 31st March 2023.

Valuation Assumptions

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

Financial Assumptions

The principal assumptions used in the last triennial valuation (to March 2020) were:

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

Demographic Assumptions

The mortality assumptions used and applied to all members are bespoke set of Vita Curves tailored to fit the membership profile of the Fund. The assumptions are shown below.

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

Commutation Assumption

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

50:50 option

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

20 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

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

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	Net Pension Asset/(Liability) as at:		
	31 March 2020 £m	31 March 2021 £m	31 March 2022 £m
Present value of the defined benefit obligations	(887)	(1,088)	(1,057)
Fair Value of Fund Assets* (bid value)	713	860	909
Net Asset/(Liability)	(174)	(228)	(148)

The McCloud judgement, which relates to age discrimination arising from public sector pension scheme transition arrangements has been included in the obligations figures above. The obligations also include a calculation for the Guaranteed Minimum Pension (GMP) equalisation which guidance from Treasury is awaited. The GMP reconciliation exercise is still ongoing but is unlikely to be significant, no allowance has therefore been made in the obligations. The allowance included in the obligations is used for statutory accounting purposes by the Fund and complies with the requirements of IAS 26. The assumptions underlying the figure are detailed below:

	At 31 March 2020	At 31 March 2021	At 31 March 2022
	% p.a.	% p.a.	% p.a.
Discount Rate	2.3	2.00	2.7
Pay Increases – Long Term	2.9	3.5	3.9
Pension Increases	1.9	2.8	3.2

As noted above, liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2020 Triennial Funding Valuation (see Note 19) because IAS 19 stipulates a discount rate, rather than a rate that reflects the market rate for investment returns on the Fund's assets.

21 CURRENT ASSETS

Current Assets	As 31 March 2021 £'000	As 31 March 2022 £'000
Short term debtors		
Contributions Due – Employees	30	22
Contributions Due - Employers	87	67
	117	89
Transfer value receivable (joiners)	456	1,013
Sundry Debtors	7	13
Prepayments	82	92
Total	662	1,207
Cash Balances	1,952	2,967
Total	2,614	4,174

22 CURRENT LIABILITIES

Current Liabilities	As 31 March 2021 £'000	As 31 March 2022 £'000
Transfer value payable (leavers)	566	258
Sundry Creditors	1,939	1,582
Benefits payable	209	570
Total	2,714	2,410

23 ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions are invested separately from the main Fund, securing additional benefits on a money purchase basis for those members that have elected to contribute. All AVCs are managed by Standard Life and the value at 31 March 2022 was £1.949m (2021 £1.636m). During the year contributions in totalled £0.458m, while payments out of the AVC fund totalled £0.202m. In accordance with regulation 4(2)(b) of the Government Pension Scheme (Management and Investment of Funds)(Scotland) Regulations 2009 (SI 2009/3093), AVCs are not included in the Pension Fund balance sheet.

24 AGENCY SERVICES

There are no agency service agreements in place.

25 RELATED PARTY TRANSACTIONS

During the year, the Pension Fund had an average balance of £1.40m (2021: £1.43m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.001m (2021 £0.005m). The Council charged the Pension Fund £0.320m (2021 £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 to Scottish

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Borders Council by the Pension Fund at the balance sheet date and disclosed in the net assets statement was as follows:

As at 31 March	2021 £'000	2022 £'000
Due (to)/from Scottish Borders Council	(244)	(50)

Governance

Six members of the Pension Fund Committee were active members of the Pension Fund during 2021/22. One member of the Pension Fund Committee was in receipt of pension benefits from the Fund.

26 KEY MANAGEMENT PERSONNEL

The key management personnel, during 2020/21 and 2021/22, of the Fund is Scottish Borders Council Director- Finance & Corporate Governance. Total remuneration payable is set out below. As the Fund does not employ any staff directly a full remuneration report is not required.

31 March 2021 £000's		31 March 2022 £000's
111	Short-term benefits	113
-	Post-employment benefits	-
7	Other long-term benefits	5
-	Termination benefits	-
118	Total	118

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

27 CONTINGENT ASSETS

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

28 CONTINGENT LIABILITIES

GMP Equalisation

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. The Fund recognises the potential for liabilities arising from GMP equalisation. As guidance has not yet been issued by the Treasury it is not possible to quantify the impact this will have on the Fund at this time, however, an allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the 31 March 2022 accounts.

GMP Reconciliation

The exercise known as GMP Reconciliation to reconcile HM Revenue contracted out records with those of pension funds is reaching a conclusion. The full cost implication of this is not yet known.

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Scottish Ministers are expected to legislate that any LGPS pensions that have been overpaid due to incorrect GMPs being held should not be reduced. Instead it is expected that overpayments will be ring fenced and frozen at their current level. Final information has been received from HMRC and will be added to the Pensions Administration System, this has been delayed since 2021-22 due to other competing priorities.

Goodwin

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

29 POST BALANCE SHEET EVENTS

The unaudited Statement of Accounts was issued by the Acting Chief Financial Officer on 30 June 2022. Events taking place after this date are not reflected in the financial statements or notes.

SECTION 4

ADMINISTRATION

PENSION ADMINISTRATION STRATEGY

The Pension Administration Strategy approved in 14 December 2021 sets out the procedures and performance standards required by both Scottish Borders Council, as administrating authority and the employers with the Fund. The procedures and performance standards are agreed to ensure the efficient and effective administration of the pension scheme. The strategy aims to ensure that

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

PERFORMANCE

The Pension Administration Strategy sets out the statutory responsibilities of Scottish Borders Council as the administrating authority. Service standards and key performance measures are agreed. The performance against these agreed standards and measures are reported annually to the Scottish Borders Council Pension Fund Committee and Pension Fund Board. The performance for the year to 31 March 2022 is set out below.

Employer Performance Measures

Service Standards

Standard – target completion 90%	Volume	%age Met
New starts notification – within 20 working days	905	99.45%
Change notification – within 20 days	872	100%
Retirement info – at least 20 working days before	289	100%
Early leaver notification – within 20 working days	663	100%
Death in service notification – within 10 working days	4	100%

Contribution Payments

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

Employer Body	By Target Date	Late	% On Time
Scottish Borders Council	12	-	100%
Visit Scotland	12	-	100%
Borders College	12	-	100%
Scottish Borders Housing Association	12	-	100%

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Jedburgh Leisure Facilities Trust	12	-	100%
Borders Sport and Leisure Trust	12	-	100%
AMEY Community Limited	12	-	100%
SB Cares	12	-	100%
CGI	12	-	100%
South of Scotland Enterprise	13	-	100%

There were no late payments received during 2021-22.

Administering Authority Performance Measures

Service Standards

Standard	Volume	Target	%age Met
Estimates – Transfer In	51	20 days	68.00%
Estimates – Transfer Out	64	20 days	56.25%
Estimate – All Other	1,367	10 days	

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

Type of Query	Volume	Target	%age Met
Phone Calls logged	59	5 days	100%
Phone Calls to team	6,022	Not measured	
Emails to pensions@scotborders.gov.uk mailbox	4,102	Not measured	
Emails to team members directly	6,692	Not measured	
Correspondence via Members Self Service	550	Not measured	
Total	17,425		

Other Measures

Area	Measure	Completed
Employer Liaison Meetings	1 per annum	15th March 2022
Benefit Statements	by end of August	Issued by 16th August 2021

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The seventh liaison meeting, held virtually, with all Admitted and Scheduled Bodies was held during 2021/22 and re-enforced the changes that had been made to the annual reporting with the Fund Actuary from the 2020/21 year end and afforded the employers the chance to ask questions to the Pensions Team. Going forward we will continue to hold the liaison meeting towards the end of the financial year where we will discuss up-coming legislative changes and requirements for the year end processing.

The Annual Benefit Statements were issued in paper format to Deferred Members and loaded into the Member Self Service (MSS) portal, all Deferred Members were invited to sign up for MSS and advised that they will be published here going forward. The Annual Benefit Statements for Active Members were published to MSS and personal invitations to sign up were issued to all members either via the email address held on system or through the Employers.

Key Administration Tasks

Task	Total received
New entrants	878
Early leavers	663
Retirements	289
Deaths in service	4
Deaths in deferment	3
Deaths in retirement	120
New Widows(ers), Child Pensions	63
Estimates	1367
Pension credit members	0
Pay all Pensioners on 15th of the month or prior working day when 15th is a non-banking day	100% achieved

Member Self Service Statistics

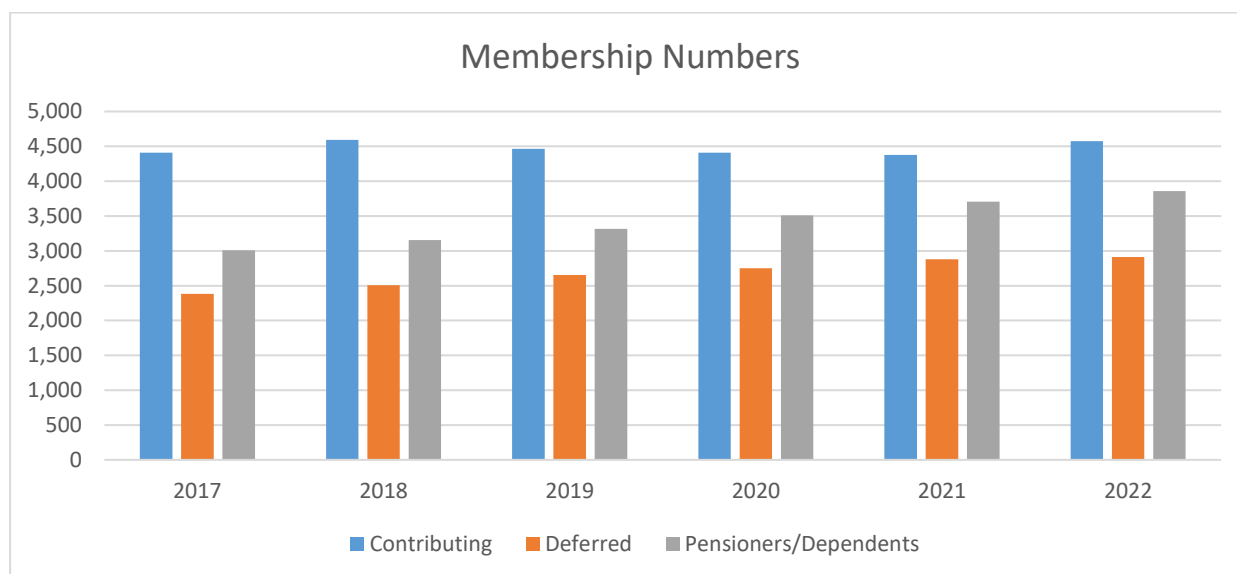
Task	Total Active	Target	% Completed in target
Active Members	4,703	100%	27.52%
Deferred Members	3,194	100%	
Benefit calculations run	12,579		

MEMBERSHIP

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

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

The current membership of the Fund is 12,178, of which 4,703 are actively contributing and 4,281 are in receipt of their benefits. The table over provides a summary of the trends in membership:



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

Membership Details as at 31 March 2022	Number of Contributors	Pensioners	Deferred Pensioners	Total
Scheduled Bodies:				
Scottish Borders Council	4,158	3,806	2,756	10,720
Borders College	211	104	81	396
	4,369	3,910	2,837	11,116
Scottish Borders Housing Association	60	109	73	242
LIVE Borders	119	70	77	266
Jedburgh Leisure Facilities Trust	2	2	-	4
Amey Community Limited (TUPEE Staff only)	2	10	2	14
CGI (TUPEE Staff only)	26	10	9	45
South of Scotland Enterprise	125	1	1	127
	334	202	162	698

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SB Cares	-	126	170	296
Gala Youth Project	-	2	-	2
Scottish Borders Careers	-	3	1	4
L&B Community Justice Authority	-	3	6	9
BC Consultants	-	16	14	30
Others	-	19	4	23
	-	169	195	364
Total	4,703	4,281	3,194	12,178

COMMUNICATION POLICY AND PERFORMANCE

COMMUNICATION POLICY

The Fund approved the current Communications Policy on 16 September 2021. The overall aim of the Communications Policy is to provide communication in an efficient manner to all stakeholders, ensuring that it is: -

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

The objective of this policy is to ensure that: -

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

The communication methods utilized are:-

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

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

The Fund has deployed a secure portal for all active and deferred members of the LGPS, which provides direct access for scheme members to view personalised pension data and further enhances the communications with active and deferred scheme members in a modern digital manner. The portal also allows members to carry out the following: -

- View all the details they need about their LGPS Pension in real time
- Carry out pension quotes on demand without needing to contact [The Pensions Team](#)
- Annual Benefit Statements available to view

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- Check and update nominations of beneficiary
- Upload any documents that the Pensions Team request
- Use the contact facility to raise any questions in an electronic manner
- Provide feedback on the MSS application

Scottish Borders Council Website for Pension Committee and Local Pension Board agendas and minutes can be found on the main Council website, www.scotborders.gov.uk The Fund uses both surface and e-mail to send and receive general correspondence. Roadshows and presentations are available to employer workplaces and attend roadshows, seminars, induction and pre-retirement presentations on request, a minimum period of four weeks' notice will be required to allow for appropriate preparations. Scheme members can arrange to visit our offices to speak to a member of our Pensions Administration Team, they can arrange to pre-book appointments by e-mail or telephone.

The introduction of the Pension Fund website in June 2018 has allowed members to access information and documents. The table below details the number of visits to the site since it was launched to end of March 2022. The scheme website can be found at www.scottishborderscouncilpensionfund.org



COMMUNICATION PERFORMANCE

The following communications took place during 2021/22

- The Employer Liaison meeting was held as a virtual meeting due to the restrictions in place as a result of the Covid-19 situation. In addition to the meeting an email was issued to all employers providing the details of the requirements for the year end reporting for the scheme and action to be taken in preparation for the coming years' payroll
- Deployment of Member Self Service with emails issued to all active members to encourage sign up and provide access to the Annual Benefit Statement
- Annual Benefit Statements were issued in hard copy format to all deferred members including information on how to sign up for the Member Self Service portal and newsletter
- Information continues to be posted within the Scottish Borders Council Pension Fund website, this included the following: -

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- Notice that we were unable to issue payslips and guidance on how to sign up for online access to payslips
- Information regarding Pensions Increase
- Details of Shared Cost AVC

SECTION 5

FUNDING

FUNDING STRATEGY STATEMENT

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

The purpose of the Funding Strategy Statement is:

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

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

The latest Funding Strategy Statement (FSS) was approved by the Pension Fund Committee on 4 March 2021 and a copy of this document can be found at [Funding Strategy Statement](#). Key elements of the Funding Strategy Statement are the Funding Objective and Funding Strategy for the Pension Fund, an extract of these are included below.

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

Aims To:

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

Purpose To:

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

Funding Strategy (Section 5, page 5 of FSS)

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

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

- Ensuring the solvency of the Fund and the long-term cost efficiency of the Scheme; and
- As stable an employer contribution rate as is practical.

ACTUARIAL STATEMENT

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

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

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

Triennial Valuation 2020

The Triennial Funding Valuation as at the 31 March 2020 was undertaken during 2020 and the final certified report was presented to the joint meeting of the Pension Fund Committee and Pension Board on 4 March 2021. The valuation was undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Administration)(Scotland) Regulations 2014. A copy of the report is available via the Council's committee papers website [Pension Fund/Board Committee papers](#)

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

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

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Note 19 to the Statement of Accounts on page 57, contains details of the outcome and assumptions used in the 2020 Valuation and the impact that it had on employer contribution rates.

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

Employer Contribution Rates

As part of the 2020 Actuarial Valuation, the Actuary certified the primary rate at 21.9%. However in agreement with the Actuary a secondary rate of 3.96% has been deducted to allow the common rate of contribution as 18% of payroll for the next two years with an increase of 0.5% on 1 April 2023. The secondary rate will reduce the surplus of £63m over 50 years.

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

Employers Contribution Grouping	Employers Contribution Rate	
	2020/21	2021/22
Scottish Borders Council Common Pool	18.0%	18.0%
Scottish Borders Housing Association – Individual	20.3%	20.3%
CGI	21.1%	21.1%
South of Scotland Enterprise	20.6%	20.6%

Valuation for Statutory Accounts at 31 March 2022

Note 20 to the Statement of Accounts on page 58, contains the present Actuarial Valuation for the Fund as required by the International Accounting Standard (IAS) 26. This shows a net liability for the Fund of £148m. However, the liabilities for this figure are calculated on an IAS 19 basis and therefore will differ from the results of the 2020 Triennial Funding Valuation because IAS 19 stipulates a specific discount rate to enable comparability rather than a rate that reflects the market rate for investment returns on the Fund's assets. It is therefore not appropriate to use this as a measure for setting employer contribution rates or assessing the overall long term funding health of the Fund. The full version of the Actuary report and the current Funding Strategy is available via the Pension Fund website: [Pension Fund](#)

SECTION 6

INVESTMENTS

STATEMENT OF INVESTMENT PRINCIPLES

The Statement of Investment Principles (SIP) is the Funds' investment policy document and is reviewed regularly. The SIP is updated to reflect any changes agreed by the Pension Fund Committee, the latest approved document, approved on 17 March 2022, can be found at [Statement of Investment Principles](#).

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

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

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

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

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

The 2017 Triennial Valuation reported a funding position of 114% with investment returns targeted at 5% per annum. Following the 2020 Triennial Valuation which reported a funding position of 110% and investment target returns of 3.8% the Fund undertook a review of its Statement of Investment Principles and its target asset allocation.

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

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

INVESTMENT STRATEGY

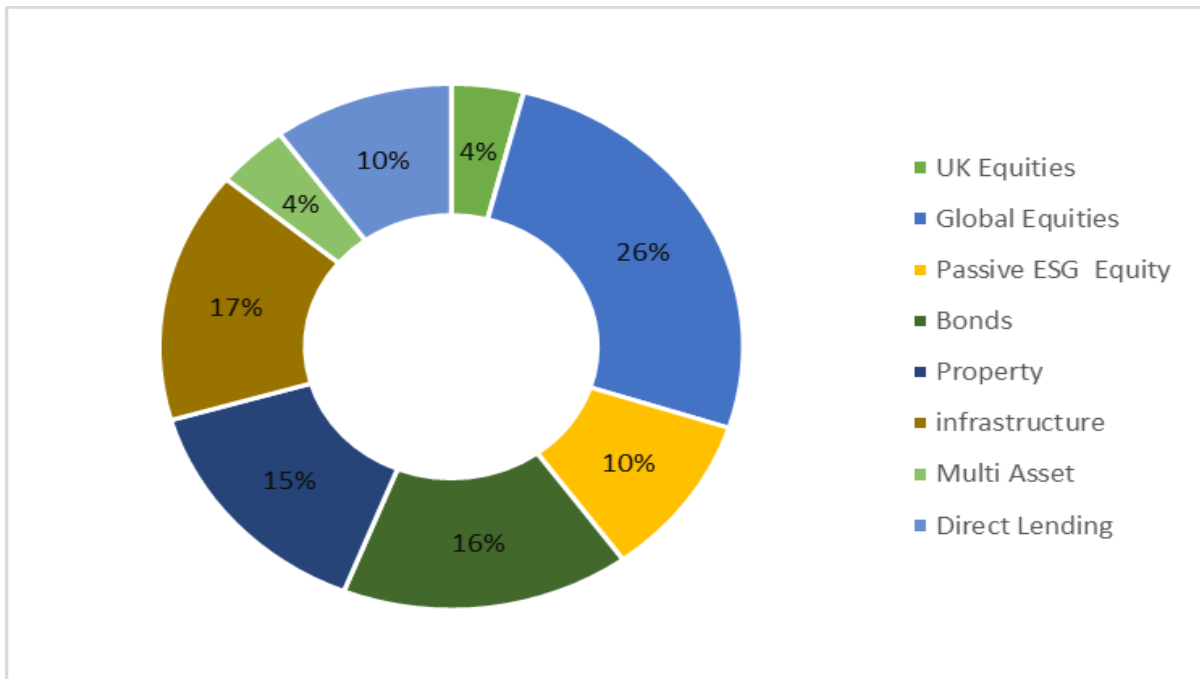
The Fund's investment objective is to support the Funding Strategy by adopting an Investment strategy and structure, which incorporates an appropriate balance between risk and return.

Following the 2020 Triennial Valuation, which showed the Fund at 110% funded, the Fund looked to increase diversification from volatile equity markets and to spread the risk across an increased number of managers.

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

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

Using the asset liability model, which assess risk/return against liabilities as the basis for modelling a revised Investment Strategy was approved in June 2021. The diagram below shows the revised approved strategic asset allocation.



The strategic asset allocation approved maintained the allocation for equities but approved the movement of the passive equities into a ESG focused passive fund and the movement of Baillie Gifford Global equities into their Paris Aligned global equity fund. The review also introduced and allocation to Housing, increased the allocation to Long Lease property and increased the allocation to infrastructure. These changes were made to increase the alignment of investments with liabilities and to increase the income generating investments to ensure funds are available to pay liabilities as they become due.

The strategic asset allocation also diversifies the risk exposure in its use of managers. The Fund currently has 11 Fund Managers over 13 funds; excluding Infrastructure. Shown below are the current Fund Managers,



BLACKROCK



Morgan Stanley



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



Brookfield



DALMORE CAPITAL



KKR



OAKTREE

The implementation of the Investment Strategy commenced in June 2021 saw the appointment of LGIM for ESG Passive Equity and IFM for Infrastructure (funding not yet drawn down). The table over shows the position as at 31 March 2022 against the Strategy:

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Asset Class	Asset Allocation at 31/3/21 %	Asset Allocation at 31/3/22 %	Strategic Benchmark %
UK Equity	13.1	3.2	4.0
Global Equity	32.9	36.0	36.0
Bonds	20.8	20.3	16.0
Alternatives	13.0	12.7	14.0
Property	11.1	16.3	14.5
Infrastructure	8.1	9.5	15.5
Cash	1.0	2.0	0.0
Total	100.0	100.0	100.0

Investment Manager Allocation

Each external Investment Manager is appointed to manage a specified % allocation of total fund investment assets. The breakdown of the Fund's assets by Investment Manager, mandate type and asset class at 31 March 2021 and 31 March 2022 are show in the table below

Manager	Mandate Type	31 Mar 2021 (%)	31 Mar 2022 (%)
UBS	Pooled Fund -UK Equities	6.0	0.0
Baillie Gifford	UK Equities	7.1	3.2
Baillie Gifford	Global Equities	19.1	12.6
Morgan Stanley	Pooled Fund - Global Equities	13.8	13.0
LGIM	Pooled Fund – Global Passive Equities	-	10.3
M&G	Pooled Fund - Diversified Income	13.5	12.9
M&G	Pooled Fund - Bonds	7.3	7.3
UBS	Pooled Fund -Property	4.3	2.9
Blackrock	Pooled Fund – Property	6.8	13.3
LGT	Pooled Fund - Alternatives	6.9	7.4

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Partners Group	Pooled Fund – Private Credit	3.2	3.5
Permira	Pooled Fund – Private Credit	2.9	1.7
KKR	Infrastructure	0.4	0.3
Infrared	Infrastructure	0.1	0.1
Dalmore	Infrastructure	1.6	1.6
Brookfield	Infrastructure	0.2	0.4
Macquarie	Infrastructure	0.2	0.4
Equitix	Infrastructure	0.2	0.2
Allinda	Infrastructure	0.4	0.4
Gaia LP	Infrastructure	0.2	0.3
Oaktree	Infrastructure	0.3	0.0
Macquarie	Pooled Fund -Infrastructure Debt	4.5	5.8
Cash	Internally Managed Cash & Investments	1.0	2.4

Holdings

The table below shows the top 20 direct holdings at 31 March 2022. All holdings are held with the Baillie Gifford Global and UK equities portfolios.

Company	Market Value of Holding £ m	Company	Market Value of Holding £ m
Anthem Inc Com	4.5	Alphabet Inc Cap	3.9
Microsoft Corp	3.8	Moodys Corp	3.6
Taiwan Semicon	3.0	Amazon Com Inc	2.9
Prosus N.V	2.9	Tesla Inc	2.7
Gallager Arthur J & Co	2.7	Pernod Ricard NPV	2.4
Service Corp Intl	2.4	Mastercard Inc	2.2
Prudential	2.2	AIA Group Ltd	2.1
Olympus Corp	2.0	CBRE Group	1.9
The Trade Desk Inc	1.8	Cloudflare Ince	1.7

Thermo Fisher Corp

1.7

Estee Lauder Companies

1.6

INVESTMENT PERFORMANCE

MARKET CONTEXT

The start of 2021/22 was dominated by continuing effects of Covid-19 across the globe as countries continued to implement supportive monetary policies and fiscal support to their economies which were received positively by the markets.

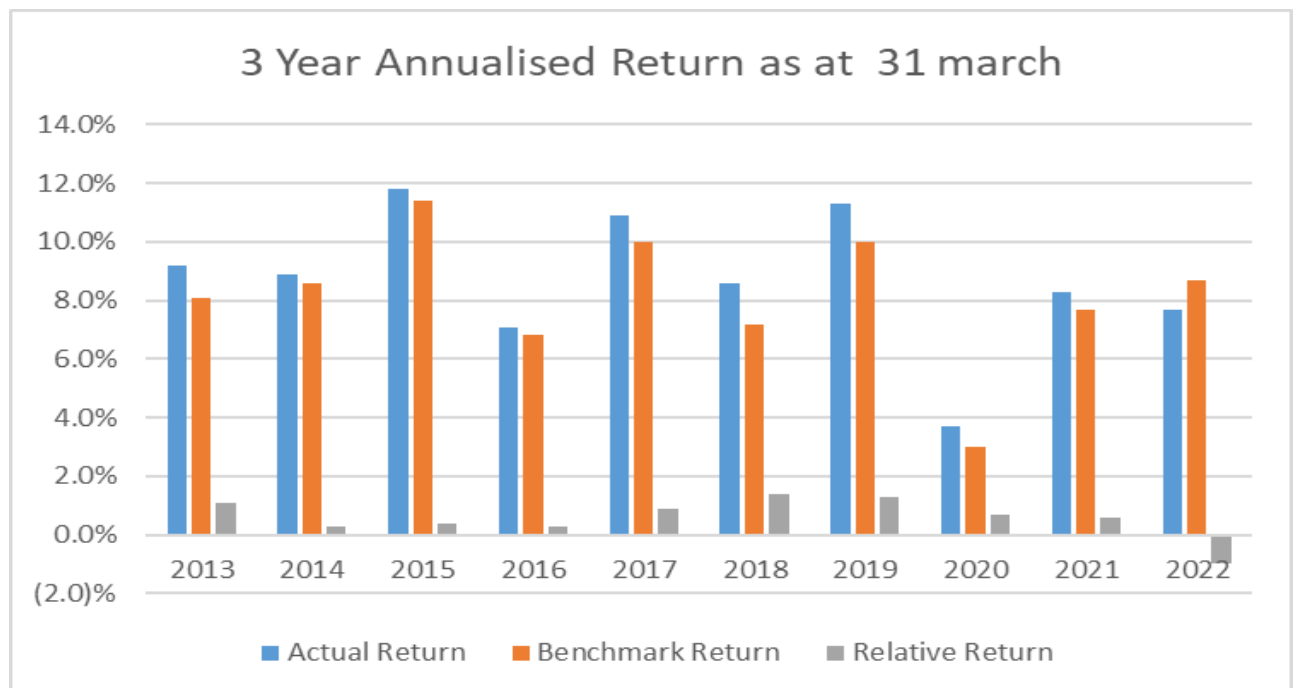
February 2022 saw Russia's invasion of Ukraine resulting in significant ramifications for asset classes globally. The expected impact of economic sanctions and supply chain issues underpinned equity markets volatility and a widening credit spread (meaning valuation fell). Commodity prices also spiked, given the region is a key exporter of several important raw materials including oil, gas and wheat. This contribute to a further surge in inflation.

Nominal and real gilt yields rose sharply driven by the Bank of England raising the base interest rate twice and the increasingly inflationary outlook. Given the high inflationary environment, index linked gilts outperformed nominal gilts, albeit still driving negative returns.

Real assets such as long lease property and infrastructure have been resilient and posted positive performance during the year despite the global volatility.

FUND PERFORMANCE

The Fund's investment returns delivered a positive return of 5.9% during 2021/22 (20.1% 2020/21) against a benchmark of 10.6% (18.3% 2020/21) for the year to 31 March 2022. Overall the Fund's assets increased by £50m from 31 March 2021. The 2021/22 performance although under its benchmark was a positive return in volatile and difficult market conditions. The table over details the 3 year annualised return once which is also slightly under benchmark for 2021/22.



Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2022

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

The Fund achieved a positive return of 5.9% against a benchmark of 10.6% for the year.

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

Return on Investment as at 31/3/2022	1 year rolling return		3 year rolling return	
	Fund %	Bench ¹ %	Fund %	Bench ¹ %
Total Fund	5.9	10.6	7.7	8.7
Global Equities	0.5	14.0	12.3	14.7
UK Equities	0.9	13.2	2.5	5.6
Bonds	2.9	3.9	4.5	3.5
Alternatives	8.1	5.3	6.3	4.7
Property	17.3	15.0	6.1	7.2
Cash	-	-	-	-

The table over shows the key driver of fund underperformance over the 1 and 3 years were UK and Global Equities, particularly over the 1 year period. This was driven by marked underperformance from Baillie Gifford and their growth style over the periods

Over the 1 year period Bonds also underperformed slightly with Alternatives and Property outperforming. Over the 3 year period Bonds and Alternatives outperformed their respective benchmark whilst Property, UK and Global Equities underperformed.



RESPONSIBLE INVESTMENT

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

The Fund approved a revised Statement of Responsible Investment Policy on 17 March 2022 setting out the approach to responsible investment and arrangements to monitoring manager performance against the principles of the policy on an annual basis. The key principles within the policy are:

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

The approved Policy also approved 6 key responsible investment objectives. These are

- SDG 13 – Climate Change
- SDG 7 – Affordable & Clean Energy
- SDG 1 – No Poverty
- SDG 2 – Zero Hunger
- SDG 3 – Good Health & Well-being
- SDG 10 – Reduce Inequalities

Work has commenced in the assessment and collection of data to allow reporting and monitoring of SDG13 Climate change and SDG 7 Affordable & clean energy. Due to the lack of robust measurement criteria or data the remaining objectives will be reviewed regularly as data collection is developed.

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

The Responsible Investment Policy also requires the Fund to review and report on an annual basis the performance of Managers. The third monitoring report was presented and approved by the Pension Fund Committee on 14 December 2021. The key highlights of this report are as follows:

- 16 out of 17 Managers are signatories of UNPIR representing 99.8% of the Fund.

Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2022

- Internal scoring methodology scored 98.8%; of the funds managed by managers, scored 80% or more than the total available scores, compared to 96.8% in the previous monitoring period.

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

The Fund actively investigates opportunities to increase investment in sustainable funds. This active management resulted in a £94m investment with LGIM in their Global ESG Passive Equity fund and the transition of £114m from the Baillie Gifford Global Equity Fund to their Global Paris Aligned Fund.



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

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



The Pension Fund as part of its responsible investment policy has become a signatory to Climate Action 100+ which was launched in December 2017 with the support of 225 investors representing \$26.3 trillion of assets. It now has 575 investors with assets of \$54 trillion under management. Scottish Borders Council Pension Fund became a signatory to this in March 2020.

Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2022

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

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

Due to the work of Climate Action 100 and other there were a record 215 climate-related shareholder resolutions in the recent 2022 proxy season. Work undertaken also saw the first ever net zero accounting related resolution at a FSTE 100 AGM. Climate Action 100 with support of signatories like Scottish Borders Council Pension Fund continue to work with companies to make improvements and commitments to Climate change targets.

SECTION 7

INDEPENDENT AUDITORS REPORT

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Scottish Borders Council Pension Fund for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the financial transactions of the fund during the year ended 31 March 2022 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 18 July 2016. The period of total uninterrupted appointment is 6 years. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the fund's current or future financial sustainability. However, I report on the fund's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Acting Chief Financial Officer and Scottish Borders Council Pension Fund Committee for the financial statements

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

In preparing the financial statements, the Acting Chief Financial Officer is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the fund's operations.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to

detect material misstatements in respect of irregularities, including fraud. Procedures include:

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

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

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

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

Reporting on other requirements

Other information

The Acting Chief Financial Officer is responsible for other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Annual Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and my auditor's report thereon.

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

performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

CONTACT DETAILS

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

Pensions Team

Telephone 01835 – 825052/3

E-mail pensions@scotborders.gov.uk

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

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

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

Suzanne Douglas

Telephone 01835 – 824000 ext 5881

Acting Chief Financial Officer

E-mail Sdouglas@scotborders.gov.uk

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

Contact us at Suzy Douglas, Acting Chief Finance Officer,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 824000 Ext 5881 Fax: 01835 825011 or email: SDouglas@scotborders.gov.uk

Scottish Borders Council

Common Good Funds

Charity Registration Number: SC031538

annual report and financial statements

for the year to 31 March 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.

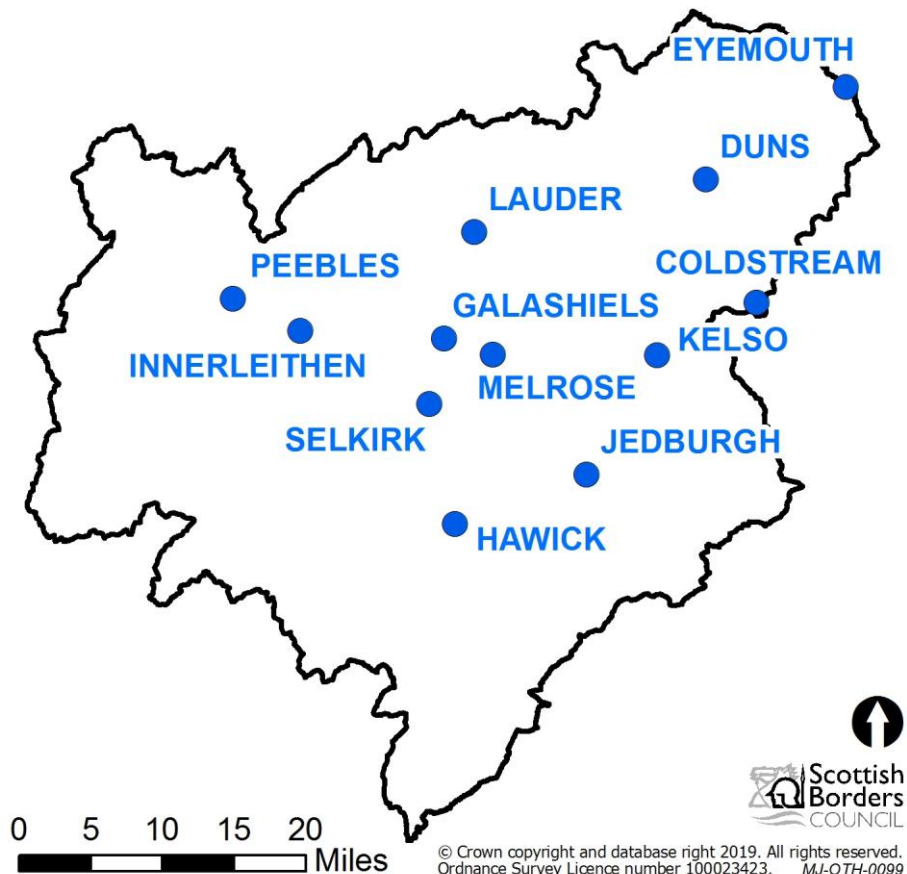
TRUSTEES' ANNUAL REPORT

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 from page 15 onwards.
- 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 - £13,718k

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 - During the period of these financial statements, the Chief Executive of Scottish Borders Council was Netta Meadows; at the date the audited accounts are authorised for issue, the Director Finance & Corporate Governance, David Robertson, is covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Common Good Funds which is recognised within *Other: governance costs* in the financial statements. All financial transactions go through the Council's books of account and their Bankers are the 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.

Euan Jardine
Trustee
Scottish Borders Council Common Good Funds

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity and within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2022

2020/21 £'000 RESTATED		2021/22 £'000	Notes
	Income from:		
3	Donations and legacies	3	1
120	Investments	148	2
287	Charitable activities	232	3
410	Total Income	383	
	Expenditure on:		
(628)	Raising funds	(668)	
(92)	Charitable activities	(77)	
(54)	Other: governance costs	(55)	5
(774)	Total Expenditure	(800)	4
443	Gains / (losses) on investment assets – unrealised	(3)	7, 12
79	Net Income / (Expenditure)	(420)	
	Other Recognised Gains / (Losses)		
87	Profit on Revaluation of Fixed Assets	1,308	6
166	Net Movement in Funds	888	
	Reconciliation of Funds		
16,683	Total funds brought forward	16,849	
16,849	Total Funds Carried Forward	17,737	12, 13

BALANCE SHEET as at 31 March 2022

as at 31 March 2021 RESTATED			as at 31 March 2022		Notes
£'000	£'000		£'000	£'000	
		Long Term Assets			
		Tangible fixed assets:			
13,484		- Land & buildings	14,333		6
25		- Heritage assets	25		
2,857		Investments	2,902		7
24		Long term loan to third party	5		8
	16,390	Total Long Term Assets		17,265	
		Current Assets			
57		Debtors	59		9
430		Short term investment in SBC loans fund	457		10
	487	Total Current Assets		516	
		Current Liabilities			
		Creditors:			
	(28)	Amounts falling due within 1 year		(44)	11
	459	Net Current Assets		472	
	16,849	Total Net Assets		17,737	
		The Funds of the Charity			
	(3,980)	Restricted income funds		(4,019)	12
	(12,869)	Revaluation reserve		(13,718)	13
	(16,849)	Total Charity Funds		(17,737)	

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 and the audited accounts were authorised for issue on 24 November 2022.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Common Good
Funds

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 RESTATED			as at 31 March 2022		Notes
£'000	£'000		£'000	£'000	
		Cash Flows from Operating Activities			
	(43)	Net cash provided by / (used in) operating activities		(93)	14
		Cash flows from Investing Activities			
120		Dividends and Interest	148		
0		(Purchase) of tangible fixed assets	0		
(79)		(Purchase)/Disposal of investments	(48)		
(29)		Movement in short term investments	(26)		
	12	Net Cash Flows from Investing Activities		74	
		Cash flows from Financing Activities			
31		Cash Received from Loans	19		
	31	Net Cash Flows from Financing Activities		19	
	0	Net Movement in Cash		0	

ACCOUNTING POLICIES

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

Basis of Preparation

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

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

Funds Structure

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

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

Income Recognition

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

Full recognition criteria are:

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

Accruals of Income and Expenditure

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

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

Donations & Legacies

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

Resources Expended

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

Tangible Fixed Assets and Depreciation

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

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

Land is held at current valuation and is not depreciated. All land and buildings are subject to revaluation every five years, with the last revaluation being undertaken in 2021/22. 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 a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets have been transferred from Scottish Borders Councils' Balance Sheet to the Common Good Funds as a prior period adjustment. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets by the Council and remain on the Councils' balance sheet. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made following agreement.

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
3		3

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
120		148

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
287		232

4 Analysis of Charitable Expenditure

2020/21 Total RESTATED £'000		Activities Undertaken Directly £'000	Support and Governance Costs £'000	Property Cost & Depreciation £'000	2021/22 Total £'000
10	Coldstream	0	0	10	10
1	Duns	0	1	0	1
0	Eyemouth	0	0	0	0
61	Galashiels	0	3	56	59
245	Hawick	30	13	151	194
31	Innerleithen	0	0	31	31
19	Jedburgh	22	4	12	38
68	Kelso	2	2	61	65
66	Lauder	2	11	64	77
3	Melrose	0	0	4	4
95	Peebles	11	9	128	148
175	Selkirk	10	12	151	173
774		77	55	668	800

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 RESTATED £'000		As at 31 March 2022			
		Asset Additions £'000	Gain/(Loss) on Revaluation of Assets £'000	Depreciation £'000	Total £'000
266	Coldstream	0	30	(10)	286
0	Duns	0	0	0	0
2	Eyemouth	0	0	0	2
628	Galashiels	0	163	(54)	737
4,402	Hawick	0	49	(64)	4,387
483	Innerleithen	0	94	(31)	546
529	Jedburgh	0	35	(12)	552
887	Kelso	0	182	(61)	1,008
1,603	Lauder	0	114	(36)	1,681
25	Melrose	0	16	(3)	38
891	Peebles	0	260	(78)	1,073
3,793	Selkirk	0	365	(110)	4,048
13,509		0	1,308	(459)	14,358

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

As at 31 March 2021 Total RESTATED		As at 31 March 2022		
£'000		Land & Buildings at Net Book Value £'000	Heritage Assets £'000	Total Long Term Assets £'000
266	Coldstream	286	0	286
0	Duns	0	0	0
2	Eyemouth	2	0	2
628	Galashiels	737	0	737
4,402	Hawick	4,384	3	4,387
483	Innerleithen	546	0	546
529	Jedburgh	552	0	552
887	Kelso	989	19	1,008
1,603	Lauder	1,681	0	1,681
25	Melrose	38	0	38
891	Peebles	1,071	2	1,073
3,793	Selkirk	4,047	1	4,048
13,509		14,333	25	14,358

Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets have been transferred from Scottish Borders Councils' Balance Sheet to the Common Good Funds as a prior period adjustment. These assets amount to a value of £421k as at 1 April 2020. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets by the Council and remain on the Councils' balance sheet at a carrying value of £10,261k. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made following agreement.

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	Total Investment £'000	As at 31 March 2022		
		Additional Investments / (Disinvestment) £'000	Aegon Unrealised (Loss) £'000	Total Investment £'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
2,857		48	(3)	2,902

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
24		0	(19)	5

9 Debtors

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

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
28		44

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)
(3,980)		(36)	(3)	(4,019)

13 Revaluation Reserve

Balance at 31 March 2021 RESTATED £'000		SOFA (Surplus) / Loss £'000	Balance at 31 March 2022 £'000
(144)	Coldstream	(20)	(164)
0	Duns	0	0
(1)	Eyemouth	0	(1)
(475)	Galashiels	(109)	(584)
(4,268)	Hawick	15	(4,253)
(348)	Innerleithen	(63)	(411)
(526)	Jedburgh	(23)	(549)
(887)	Kelso	(121)	(1,008)
(1,600)	Lauder	(78)	(1,678)
(7)	Melrose	(13)	(20)
(841)	Peebles	(182)	(1,023)
(3,772)	Selkirk	(255)	(4,027)
(12,869)		(849)	(13,718)

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

2020/21 £'000 RESTATED		2021/22 £'000
166	Net income/(expenditure) for the year ended 31 March	888
	<i>Adjustments for:</i>	
459	Depreciation charges	459
(443)	(Gains) / losses on Investments	3
(120)	Dividends and interest	(148)
1	(Increase) / decrease in debtors	(3)
(19)	Increase / (decrease) in creditors	16
(87)	Other non-cash item (revaluation/recognition of fixed asset)	(1,308)
(43)	Net cash provided by / (used in) operating activities	(93)

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

17 Restatement of prior year balances

The published figures for 2020/21 have been restated to recognise that assets belonging to the Common Good Funds which were previously included within the Scottish Borders Council accounts have now been transferred to the Common Good Funds. The opening balances as at 1 April 2020 have increased by a total of £421k in recognition of assets and corresponding reserves belonging to Hawick £23k, Kelso £6k, Lauder £298k and Peebles £94k.

STATEMENT OF FINANCIAL ACTIVITIES	2020/21 published accounts £'000	2020/21 restated balances £'000
Income from:		
Donations and legacies	3	3
Investments	120	120
Charitable activities	287	287
Total Income	410	410
Expenditure on:		
Raising funds	(610)	(628)
Charitable activities	(92)	(92)
Other: governance costs	(54)	(54)
Total Expenditure	(756)	(774)
Gains/(Losses) on investments assets - unrealised	443	443
Profit/(Loss) on Revaluation of Fixed Assets	0	87
Net Movement in Funds	97	166
Reconciliation of Funds		
Total funds brought forward	16,262	16,683
Total Funds Carried Forward	16,359	16,849

BALANCE SHEET	2020/21 published accounts £'000	2020/21 restated balances £'000
Long Term Assets		
Tangible fixed assets – Land & buildings	12,994	13,484
Tangible fixed assets – Heritage assets	25	25
Investments	2,857	2,857
Long term loan to third party	24	24
Total Long Term Assets	15,900	16,390
Current Assets		
Debtors	57	57
Short term investment in SBC loan fund	430	430
Total Current Assets	487	487
Current Liabilities		
Creditors: Amounts falling due within 1 year	(28)	(28)
Net Current Assets	459	459
Total Net Assets	16,359	16,849
The Funds of the Charity		
Restricted income funds	(3,980)	(3,980)
Revaluation reserve	(12,379)	(12,869)
Total Charity Funds	16,359	16,849

CASH FLOW STATEMENT	2020/21 published accounts £'000	2020/21 restated balances £'000
Cash Flows from Operating Activities		
Net cash provided by / (used in) operating activities	(43)	(43)
Cash flows from Investing Activities		
Dividends and Interest	120	120
(Purchase) of tangible fixed assets	0	0
(Purchase) of investments	(79)	(79)
Movement in short term investments	(29)	(29)
Net Cash Flows from Investing Activities	12	12
Cash Flows from Financing Activities		
Cash Received from Loans	31	31
Net Cash Flows from Financing Activities	31	31
Net Movement in Cash	0	0

INDEPENDENT AUDITOR'S REPORT

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Common Good Funds for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2022 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charity's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities,

the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

Other information

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

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

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

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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

Matters on which I am required to report by exception

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

- proper accounting records have not been kept; or

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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

Contact us at Suzy Douglas, Acting Chief Finance Officer, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk

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Scottish Borders Council Welfare Trust

Charity Registration Number: SC044765

annual report and financial statements

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 disportion 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
- 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 - During the period of these financial statements, the Chief Executive of Scottish Borders Council was Netta Meadows; at the date the audited accounts are authorised for issue, the Director Finance & Corporate Governance, David Robertson, is covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Welfare Trust. All financial transactions go through the Council's books of account and their Bankers are the 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.

Euan Jardine
Trustee
Scottish Borders Council Welfare Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2022

2020/21 £		2021/22 £	Notes
	Income From:		
500	Donations and legacies	500	3
28,072	Investments	33,337	1
28,572	Total Income	33,837	
	Expenditure on:		
0	Raising funds	0	
(625)	Charitable activities	(15,174)	2
(500)	Other: Governance costs	(500)	3
(1,125)	Total Expenditure	(15,674)	
99,000	Gain / (loss) on investment assets	(636)	
126,447	Net Income / (Expenditure)	17,527	
	Other Recognised Gains / (Losses)		
0	Recognition of Investments	0	
126,447	Net Movement in Funds	17,527	
	Reconciliation of Funds		
660,089	Total funds brought forward	786,536	
786,536	Total Funds Carried Forward	804,063	8

BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
626,213	626,213	Fixed Assets			
		Investments	626,205		4
				626,205	
2,250	160,323	Current Assets			
		Debtors	2,972		5
158,073		Short term investment in SBC loans fund	174,886		6
				177,858	
		Current Liabilities			
	0	Creditors:			
		Amounts falling due within 1 year		0	7
	160,323	Net Current Assets		804,063	
	786,536	Total Net Assets		804,063	
		The Funds of the Charity			
(786,536)		Restricted income funds	(804,063)		8
	(786,536)	Total Charity Funds		(804,063)	

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 and the audited accounts were authorised for issue on 24 November 2022.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Welfare Trust

ACCOUNTING POLICIES

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

Basis of Preparation

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

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

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

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

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

Income Recognition

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

Full recognition criteria are:

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

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

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

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2020/21 £		2021/22 £
144	Bank Interest Receivable	87
27,928	Income from Investment Portfolio	33,250
28,072		33,337

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
2,250		2,972

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
0		0

8 Restricted Funds

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

The restrictions for each are shown in the table below. The purpose of these funds are:

- a) The prevention or relief of poverty
- b) The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage or
- c) The advancement of health, including the advancement of education in health

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
786,536			33,837	(15,674)	(636)	804,063

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Welfare Trust for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2022 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charity's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities,

the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

Other information

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

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

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

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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

Matters on which I am required to report by exception

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

- proper accounting records have not been kept; or

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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

Contact us at Suzy Douglas, Acting Chief Finance Officer, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk



Scottish Borders Council Education Trust

Charity Registration Number: SC044762

annual report and financial statements

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 - During the period of these financial statements, the Chief Executive of Scottish Borders Council was Netta Meadows; at the date the audited accounts are authorised for issue, the Director Finance & Corporate Governance, David Robertson, is covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Education Trust. All financial transactions go through the Council's books of account and their Bankers are the 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.

Euan Jardine
Trustee
Scottish Borders Council Education Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2022

2020/21 £		2021/22 £	Notes
	Income from:		
500	Donations and legacies	500	3
502	Investments	556	1
1,002	Total Income	1,056	
	Expenditure on:		
0	Raising funds	0	
0	Charitable activities	0	2
(500)	Other : Governance costs	(500)	3
(500)	Total Expenditure	(500)	
802	Gain / (loss) on investment assets - unrealised	(5)	
1,304	Net Income / (Expenditure)	551	
	Other Recognised Gains / (Losses)		
0	Recognition of Investments	0	
1,304	Net Movement in Funds	551	
	Reconciliation of Funds		
6,648	Total funds brought forward	7,952	
7,952	Total Funds Carried Forward	8,503	7

BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
5,074	5,074	Fixed Assets			
		Investments	5,074		4
				5,074	
18	2,878	Current Assets			
		Debtors	24		5
2,860		Short term investment in SBC loans fund.	3,405		6
		Total Current Assets		3,429	
	7,952	Total Net Assets		8,503	
	(7,952)	The Funds of the Charity			
		Restricted income funds		(8,503)	7
	(7,952)	Total Charity Funds		(8,503)	

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 and the audited accounts were authorised for issue on 24 November 2022.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Education Trust

ACCOUNTING POLICIES

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

Basis of Preparation

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

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

Funds Structure

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

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

Income Recognition

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

Full recognition criteria are:

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

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

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

Resources Expended

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

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2020/21 £		2021/22 £
3	Bank Interest Receivable	2
499	Income from Investment Portfolio	554
502		556

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
18		24

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
7,952		1,056	(500)	(5)	8,503

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Education Trust for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2022 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charity's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities,

the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

Other information

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

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

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

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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

Matters on which I am required to report by exception

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

- proper accounting records have not been kept; or

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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

Contact us at Suzy Douglas, Acting Chief Finance Officer, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk



Scottish Borders Council
Community Enhancement Trust
Charity Registration Number: SC044764

annual report and financial statements

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 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 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
- 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

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

Trustees

The Trustees of this charity for the year to 31 March 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 - During the period of these financial statements, the Chief Executive of Scottish Borders Council was Netta Meadows; at the date the audited accounts are authorised for issue, the Director Finance & Corporate Governance, David Robertson, is covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
 102 West Port
 Edinburgh
 EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Community Enhancement Trust. All financial transactions go through the Council's books of account and their Bankers are the 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.

Euan Jardine

Trustee

Scottish Borders Council Community Enhancement Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2022

2020/21 £		2021/22 £	Notes
	Income from:		
500	Donations and legacies	500	3
7,619	Investments	9,181	1
20	Charitable activities	40	
8,139	Total Income	9,721	
	Expenditure on:		
0	Raising funds	0	
(579)	Charitable activities	(4,105)	2
(500)	Other : Governance Costs	(500)	3
(1,079)	Total Expenditure	(4,605)	
28,142	Gain / (loss) on investment assets - unrealised	(181)	
35,202	Net Income / (Expenditure)	4,935	
	Other Recognised Gains / (Losses)		
0	Recognition of Investments	0	
35,202	Net Movement in Funds	4,935	
	Reconciliation of Funds		
172,011	Total funds brought forward	207,213	
207,213	Total Funds Carried Forward	212,148	7

BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
178,011	178,011	Fixed Assets			
		Investments	178,009		4
		Current Assets		178,009	
640		Debtors	845		5
28,562		Short term investment in SBC loans fund	33,294		6
	29,202			34,139	
	207,213	Total Net Assets		212,148	
		The Funds of the Charity			
(207,213)		Restricted income funds	(212,148)		7
	(207,213)	Total Charity Funds		(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 and the audited accounts were authorised for issue on 24 November 2022.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Community
Enhancement Trust

ACCOUNTING POLICIES

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

Basis of Preparation

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

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

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

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

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

Income Recognition

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

Full recognition criteria are:

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

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

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

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2020/21 £		2021/22 £
23	Bank Interest Receivable	15
7,596	Income from Investment Portfolio	9,166
7,619		9,181

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 7 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
640		845

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
207,213			9,721	(4,605)	(181)	212,148

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Community Enhancement Trust for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2022 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charity's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities,

the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

Other information

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

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

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

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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

Matters on which I am required to report by exception

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

- proper accounting records have not been kept; or

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

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Community Enhancement Trust, please contact:

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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

Contact us at Suzy Douglas, Acting Chief Finance Officer, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk



Scottish Borders Council
Ormiston Trust for Institute
Charity Registration Number: SC019162

annual report and financial statements

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 - £540,216

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 - During the period of these financial statements, the Chief Executive of Scottish Borders Council was Netta Meadows; at the date the audited accounts are authorised for issue, the Director Finance & Corporate Governance, David Robertson, is covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Ormiston Trust for Institute. All financial transactions go through the Council's books of account and their Bankers are the Royal Bank of Scotland, Newtown St Boswells.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2022

2020/21 £		2021/22 £	Notes
	Income from:		
500	Donations and legacies	500	4
416	Investments	504	1
916	Total Income	1,004	
	Expenditure on:		
(55,000)	Raising funds	(128,333)	2
(416)	Charitable activities	(504)	3
(500)	Other : Governance costs	(500)	4
(55,916)	Total Expenditure	(129,337)	
	Other Recognised Gains/(Losses)		
0	Gains on Revaluation of Fixed Assets	349,333	
1,554	Gain / (loss) on investment assets - unrealised	(10)	
(53,446)	Net Movement in Funds	220,990	
	Reconciliation of Funds		
372,672	Total funds brought forward	319,226	
319,226	Total Funds Carried Forward	540,216	10, 11

BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
		Fixed Assets			
309,000		Tangible assets	530,000		5
9,833		Investments	9,833		6
	318,833			539,833	
		Current Assets			
35		Debtors	46		7
519		Short term investment in SBC loans fund.	532		8
	554	Total Current Assets		578	
		Current Liabilities			
		Creditors:			
	(161)	Amounts falling due within 1 year		(195)	9
	393	Net Current Assets		383	
	319,226	Total Net Assets		540,216	
		The Funds of the Charity			
(61,824)		Restricted income funds	(61,814)		10
(257,402)		Revaluation reserve	(478,402)		11
	(319,226)	Total Charity Funds		(540,216)	

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 and the audited accounts were authorised for issue on 24 November 2022.

Suzanne Douglas CPFA
Acting Chief Financial Officer

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute

ACCOUNTING POLICIES

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

Basis of Preparation

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

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

Funds Structure

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

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

Income Recognition

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

Full recognition criteria are:

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

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

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

Resources Expended

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

Tangible Fixed Assets and Depreciation

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

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the last revaluation being undertaken in 2021/22. 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
416		504

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 £
Opening Balance at 1 April 2021	190,000	119,000	309,000
Gain on revaluation of assets	349,333	0	349,333
Depreciation for year	(128,333)	0	(128,333)
Closing Balance at 31 March 2022	411,000	119,000	530,000

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
35		46

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
161		195

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
61,824		1,004	(1,004)	(10)	61,814

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 £
Opening Balance at 1 April 2021	138,402	119,000	257,402
Gain on revaluation of assets	349,333	0	349,333
Depreciation for year	(128,333)	0	(128,333)
Closing Balance at 31 March 2022	359,402	119,000	478,402

12 Related Party Transactions

Due to the nature of the operations and composition of the SBC Ormiston Trust for Institute (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	0

INDEPENDENT AUDITOR'S REPORT

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Ormiston Trust for Institute for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2022 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charity's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on other requirements

Other information

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

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

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

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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

Matters on which I am required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Suzy Douglas, Acting Chief Finance Officer, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk

Scottish Borders Council Charitable Trusts

Charity Registration Number: SC043896

annual report and financial statements

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

Charity Name	Scottish Borders Council Charitable Trusts
Charity registration number	SC043896
Business Address	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Trustees

The Trustees of this charity for the year to 31 March 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 - During the period of these financial statements, the Chief Executive of Scottish Borders Council was Netta Meadows; at the date the audited accounts are authorised for issue, the Director Finance & Corporate Governance, David Robertson, is covering the duties undertaken by the Chief Executive.

Auditor Audit Scotland
 102 West Port
 Edinburgh
 EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Charitable Trusts. All financial transactions go through the Council's books of account and their Bankers are the 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.

Euan Jardine
Trustee
Scottish Borders Council Charitable Trusts

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements; and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2022

2020/21 £		2021/22 £	Notes
	Income from:		
500	Donations and legacies	500	3
25,089	Investments	35,514	1
25,589	Total Income	36,014	
	Expenditure on:		
(9,901)	Charitable activities	(13,208)	2
0	Raising funds	0	
(500)	Other : Governance Costs	(500)	3
(10,401)	Total Expenditure	(13,708)	
32,130	Gain / (loss) on investment assets - unrealised	(206)	
47,318	Net Movement in Funds	22,100	
	Reconciliation of Funds		
247,785	Total funds brought forward	295,103	
295,103	Total Funds Carried Forward	317,203	8

BALANCE SHEET as at 31 March 2022

as at 31 March 2021			as at 31 March 2022		Notes
£	£		£	£	
203,233		Fixed Assets			
		Investments	203,230		4
	203,233			203,230	
		Current Assets			
730		Debtors	964		5
91,140		Short term Investment in SBC loans fund	113,009		6
	91,870	Total Current Assets		113,973	
		Current Liabilities			
		Creditors:			
	0	Amounts falling due within 1 year		0	7
	91,870	Net Current Assets		113,973	
	295,103	Total Net Assets		317,203	
		The Funds of the Charity			
(295,103)		Restricted income funds	(317,203)		8
	(295,103)	Total Charity Funds		(317,203)	

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 and the audited accounts were authorised for issue on 24 November 2022.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Charitable Trusts

ACCOUNTING POLICIES

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

Basis of Preparation

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

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

Funds Structure

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

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

Income Recognition

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

Full recognition criteria are:

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

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

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

Resources Expended

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

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2020/21 £		2021/22 £
79	Bank Interest Receivable from SBC Loans Fund	48
25,010	Income from Investment Portfolio	35,466
25,089		35,514

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
730		964

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
0		0

8 Restricted Funds

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

2020/21 Balance	Fund	Income	Expendi- ture	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
295,103		36,014	(13,708)	(206)	317,203

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Charitable Trusts for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2022 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charity's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on other requirements

Other information

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

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

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

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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

Matters on which I am required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

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

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

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

ADDITIONAL INFORMATION

Contact Details

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

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Contact us at Suzy Douglas, Acting Chief Finance Officer, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk



annual report and financial statements

Bridge Homes LLP

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

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

Designated Members

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

Scottish Borders Council

Scottish Future Trust Investments Ltd

The Council has two votes and Scottish Futures Trust has one vote as per the Members Agreement resulting in Scottish Borders Council having a 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. 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
24th November 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. As the intention is to liquidate Bridge Homes, members have used a basis other than going concern.

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	(79,613)	2
204,390	Gross Profit	168,370	
(14,023)	Administrative Expenses	(17,685)	3
0	Revaluations	0	
190,366	Operating Profit	150,685	
(110,873)	Interest Payable & Similar Expenses	(109,640)	4
	Loss On Disposal of Property	(42,889)	
79,493	Profit/(Loss) For The Financial Year Available For Discretionary Division Among Members	(1,844)	5
	Other Comprehensive Income		
140,000	Revaluation Reserve Realised	1,611,279	
219,493	Total Comprehensive Income	1,609,435	

The LLP's turnover and expenses all relate to continuing operations throughout the year. With the sale of the properties these will no longer be continuing operations.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 15 form part of these Financial Statements.

BALANCE SHEET as at 31 March 2022

2020/21		2021/2022		Notes
£		£	£	
7,877,889	Fixed Assets			
	Property, Plant and Equipment		0	5
	Current Assets			
37,249	Debtors	67,508		6
298,710	Cash at Bank	321,822		
335,959		389,330		
	Creditors			
(25,438)	Amounts falling due within 1 year	(37,764)		7
310,520	Net Current Assets		351,565	
8,188.409	Net Assets attributable to Members		351,565	
	Represented By:			
5,611,982	Loans and Other Debts due to Members		0	8
	Members' Other Interests			9
894,002	Capital Account	2		
71,146	Profit and Loss Reserve	351,563		
1,611,279	Revaluation Reserve	0	351,565	
8,188.409	Total Members' Interests		351,565	

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 15 form part of these Financial Statements.

These financial statements were approved by the members and authorised for issue on 24th November 2022 and are signed on their behalf by:

David Robertson CPFA
Designated Member
Scottish Borders Council
24th November 2022

Company Registered Number: SO304775

CASH FLOW STATEMENT for the year ended 31 March 2022

2020/21 £		2021/22 £
	Reconciliation of Profit to Net Cash Flow from Operating Activities	
79,493	Profit/(Loss) for the Financial Year	(1,844)
110,873	Adjustments to Profit for Non Cash Movements	152,529
15,625	(Increase)/Decrease in Debtors	(30,259)
(735)	Increase/(Decrease) in Creditors due within 1 year	12,326
205,256	Net Cash Inflow from Operating Activities	132,752

2020/21 £		2021/22 £
	Cash Flow Statement	
	Net Cash Inflow from Operating Activities	132,752
205,256	Investing Activities	
	Disposal of Investment Properties	7,835,000
	Net Cash Inflow/(Outflow) from Investing Activities	7,835,000
	Financing Activities	
0	Balance of Sales Proceeds Paid to Members	(1,329,000)
0	Capital Repayment	(894,000)
0	Loan Repayment	(5,611,982)
(110,873)	Interest Payable	(109,640)
(110,873)	Net Cash Inflow/(Outflow) from Financing Activities	(7,944,640)
94,383	Increase/(Decrease) in Cash	23,112
94,383	Movement in Cash in Period	23,112

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 15 form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 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	8,188,409
Profit/(Loss) For The Year Available for Discretionary Division Among Members	0	(1,844)	0	0	(1,844)
Repaid to SBC	(894,000)			(5,611,982)	(6,505,982)
Revaluation Reserve transferred following disposal	0	1,611,279	(1,611,279)	0	0
Balance of Sales Proceeds Paid to Members				(1,329,017)	(1,329,017)
Balance at 31 March 2022	2	1,680,580	0	(1,329,017)	351,565

	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	7,968,917
Profit For The Year Available for Discretionary Division Among Members	0	79,493	0	0	79,493
Revaluations	0	0	140,000	0	140,000
Balance at 31 March 2021	894,002	71,146	1,611,279	5,611,982	8,188,409

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 15 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).

Basis Other than 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. As a result of the disposal of the properties and the intention to cease trading, the financial statements have been prepared on a basis other than going concern. Bridge Homes LLP continues in existence albeit as a non-trading company. There were no adjustments necessary for the Assets and Liabilities as a result of the basis other than going concern.

Accruals of Income and Expenditure

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

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

Turnover

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

Tangible Fixed Assets

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

With the sale of the Properties, Bridge Homes no longer has fixed assets reported on the Balance Sheet as at 31st 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
275,055		247,983

2 Cost of Sales

2020/21 £		2021/22 £
68,314	Management Charges	76,908
669	Insurance	866
876	Landlord Registration	0
(152)	Other	879
960	Utilities	960
70,666		79,613

3 Administrative Expenses

2020/21 £		2021/22 £
543	Accountancy and Legal	685
13,480	Audit	17,000
14,023		17,685

4 Interest Payable & Similar Charges

2020/21 £		2021/22 £
49	Bank Charges	30
110,824	Interest Payable to Local Authority	109,610
110,873		109,640

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	(7,877,889)
140,000	Revaluation Gains Credited to the Revaluation Reserve	0
7,877,889	NBV at 31 March 2022	0

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
37,249		67,508

7 Creditors: Amounts Falling Due Within One Year

2020/21 £		2021/22 £
2,454	Management Charges	6,348
0	Repairs & Maintenance	6,832
0	Utilities	0
13,000	Audit	14,400
2,492	Accountancy	2,542
3,234	Legal Fees	3,299
4,259	Miscellaneous	4,344
25,438		37,764

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
894,002		2

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 £
Loan	(5,611,982)	0
Capital Grant	(894,002)	(2)
Revenue Grant	10,184	(10,184)
Service Charge	(10,184)	10,184
Balance of Sales Proceeds	(1,329,017)	(1,329,017)
Loan Interest	(109,610)	0
	(7,944,611)	(1,329,019)

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

Opinion

We have audited the financial statements of Bridge Homes LLP ("the LLP") for the year ended 31 March 2022, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity, and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1.3 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in the respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud:

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of members as to the LLP's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Used analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue comprises of simple transactions and is being collected monthly by a third party.

We did not identify any additional fraud risks.

We also assessed significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the LLP is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the LLP is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, residential tenancy regulations, recognising the financial nature of the LLP's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the members and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The members are responsible for the members' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in these respects.

Member's responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
Date:

CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

Suzy Douglas	Telephone: 01835 – 825881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

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Scottish Borders Council
Lowood Tweedbank Limited
Charity Registration Number: SC615148

members' report and financial statements

for the year ended 31 March 2022

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Reference and Administrative Information

Company Name	Lowood Tweedbank Limited
Company Registration Number	SC615148
Registered Office	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Designated Members

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

Scottish Borders Council

Professional support

The Council provides the Administrative, Legal and Financial support and advice to Lowood Tweedbank Limited.

Principal Activity

Lowood Tweedbank Limited was established on 30 November 2018. Its principal activity is to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements.

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2022

	2021/22	Notes
Turnover	42,643	1
Cost of Sales	(42,643)	2
Gross Profit	0	
Operating Profit	0	

BALANCE SHEET as at 31 March 2022

	2021/2022		Notes
	£	£	
Fixed Assets		0	
Current Assets			
Debtors	1		3
Cash at Bank	37,055		
Creditors			
Amounts falling due within 1 year	(37,055)		4
Net Current Assets		1	
Net Assets attributable to Members		1	
Represented By:			
Capital Account	1		5
Profit and Loss Reserve	0		
Total Members' Interests		1	

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

For the financial year 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 24th November 2022.

**David Robertson CPFA
Designated Member
Scottish Borders Council
24th November 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
	42,643

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)
	(42,643)

3 Debtors

	2021/22 £
Unpaid Rental Income	0
Share Issue	1
	1

4 Creditors: Amounts Falling Due Within One Year

	2021/22 £
Unpaid Rental Income due to Scottish Borders Council	(37,055)
	(37,055)

5 Members' Capital

	2021/22 £
Initial Capital - Scottish Borders Council	1
	1

CONTACT INFORMATION

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