



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

Scottish Borders Council

Annual Accounts 2021/22

Foreword by the Leader of the Council	3
Management Commentary	4
Statement of Responsibilities	29
Annual Governance Statement	31
Remuneration Report	36
Movement in Reserves Statement	46
Comprehensive Income and Expenditure Statement	47
Balance Sheet	49
Cash Flow Statement	51
Notes to the Core Financial Statements	52
Supplementary Financial Statements	103
Council Tax Income Account	103
Non-Domestic Rate Income Account	104
Trust Funds	106
Common Good Funds	108
Group Accounts	110
Notes to the Group Accounts	118
Glossary of Terms	119

Foreword by the Leader of the Council

Welcome to the Annual Accounts for Scottish Borders Council for the year ended 31 March 2022. These have been produced to provide the public, Elected Members and other stakeholders with information concerning the financial management, administration and performance of the Council in the financial year 2021/22.

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

The management commentary on performance of the Council accompanying the Annual Accounts outlines:

- what we do as a Council;
- what our strategy and priorities are;
- how we are organised to deliver our priorities;
- the risks we face as an organisation;
- our financial position for 2021/22;
- key aspects of our performance during 2021/22; and
- our plans for the future.

Highlights of 2021/22

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

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

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

Our Plans for 2022/23

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

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

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

Councillor Euan Jardine

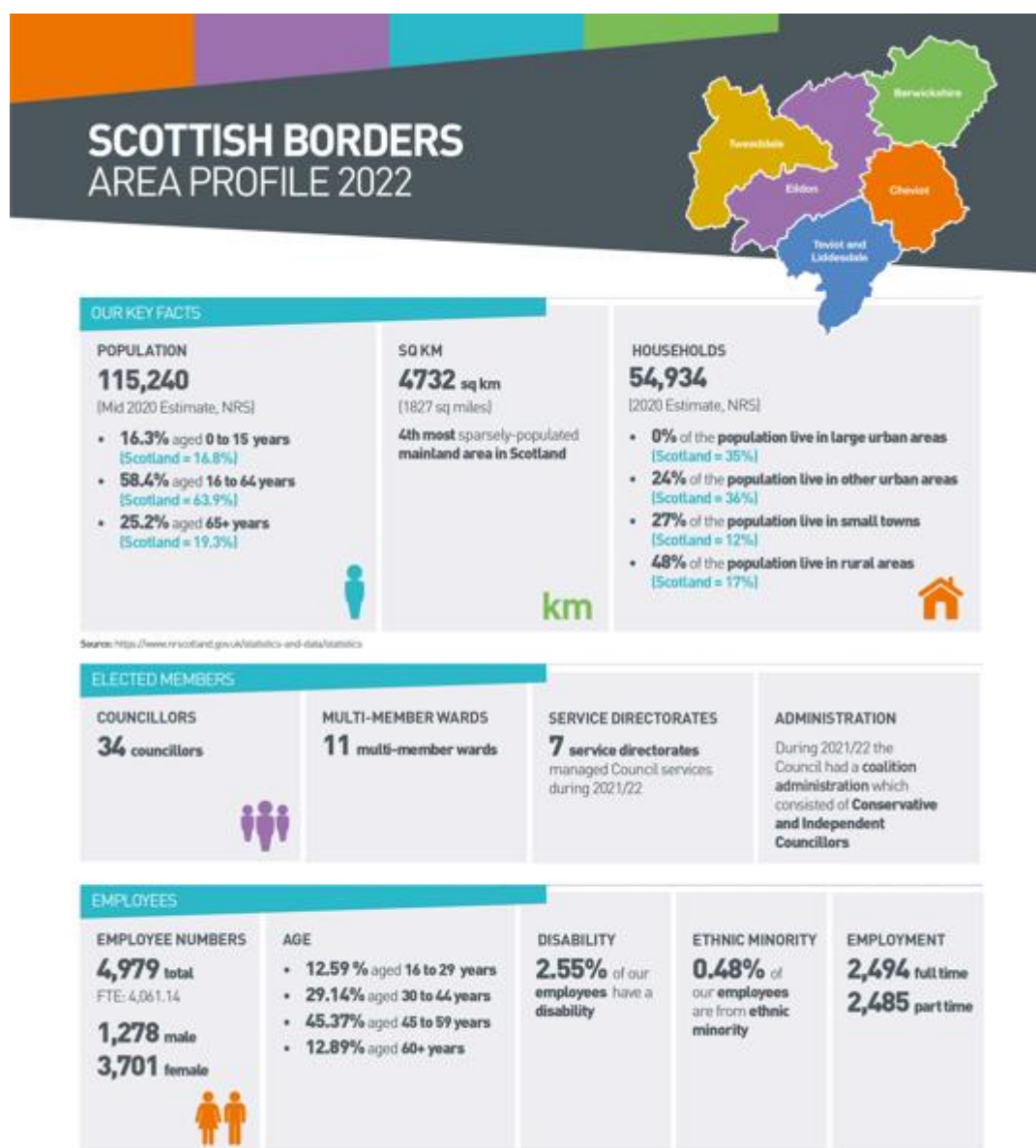
Leader, Scottish Borders Council

Management Commentary

Introduction

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

About Scottish Borders Council



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.



•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



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



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



•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



•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



•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



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



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



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



Empowered, vibrant communities

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



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

- 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
- Roll out of Free School Meals – P4-P5
- Development of a new DSM 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
- 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
- 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
- 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 has met its objectives during 2021/22 in supporting the delivery of the Council's Priorities and Corporate Plan. In order to support the delivery of the Council's priorities, including the Fit for 2024 Programme, the Financial Strategy has:-

- a) **ensured funding is in place** to meet approved service levels in the most effective manner;
- b) **managed the effective deployment of those funds** in line with the Council's corporate objectives and approved service plans; and
- c) **provided stability** in resource planning and service delivery.

The Strategy is influenced by the need to ensure that the Council's budget is targeted so that it:

- provides the most effective possible **stimulus to the wider economy**;
- **protects the environment** of the Borders;
- **protects** those who are **most vulnerable** in society;
- seeks to **focus spend on prevention** designed to reduce future demand for Council services by stopping problems arising or by addressing problems early on;
- maximises the contribution from **local collaboration** arrangements; and
- recognises the need to continue to **maximise efficiency and provide good value** for money.

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

Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2021/22 and future years. This approach seeks to quantify the risks facing the Council's finances, including over optimistic saving assumptions, unplanned employment and pension costs, the failure by managers to enact effective budgetary control, severe weather events, an economic downturn, potential contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances.

This approach, despite being subject to an element of informed judgement, reflects the risks inherent in setting the revenue budget, the scale and complexity of the organisation and the reasons reserves are held in the first place. The accumulated financial risk in the 2021/22 Risk Register was assessed to be £12.895m and the projected usable General Fund balance, at £6.315m, was sufficient to cover 49% of risks identified.

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

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

Financial Plans

The Revenue and Capital Financial Plan provides a financial representation of the Council's priorities and Corporate Plan covering 5 and 10 years respectively. These Financial Plans can be found on the Council's website: <http://www.scotborders.gov.uk>

2021/22 represented the fourth year of the current 5 year Revenue Financial Plan, the first plan was published in 2013/14. The plans have been amended and updated each year since 2013/14, and to date, permanent savings of £66m have been delivered in a planned manner. Despite the resource challenges facing the Council and wider public services, the approach to financial planning has so far delivered balanced budgets and small underspends in each year.

The Capital Investment Strategy (CIS), which highlights the capital investment priorities and explains how these priorities will assist with the delivery of the Council's Corporate Plan, was approved with the budget papers in February 2022. The document brings together the Council's 10 year Capital Investment Plan 2021 – 2031 and also the 10 year Treasury Strategy which sets out how the investment plans can be funded.

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

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

Equalities Mainstreaming

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

The report covers previous progress made in advancing equalities, and contains an action plan to further embed equalities and human rights into the work of the Council.

Key elements of the action plan are:

- Better equality performance indicators in relation to performance data.
- More effective training of Council employees and Elected Members in relation to equalities.
- Ensuring service business plans and commissioned services are fully embedding equalities in their development and implementation.
- Greater effort to be made to engage with equality groups in the development of plans and policies.

The Council also promotes the Fairer Scotland duty, which places a legal responsibility on the Council to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions.

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

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

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

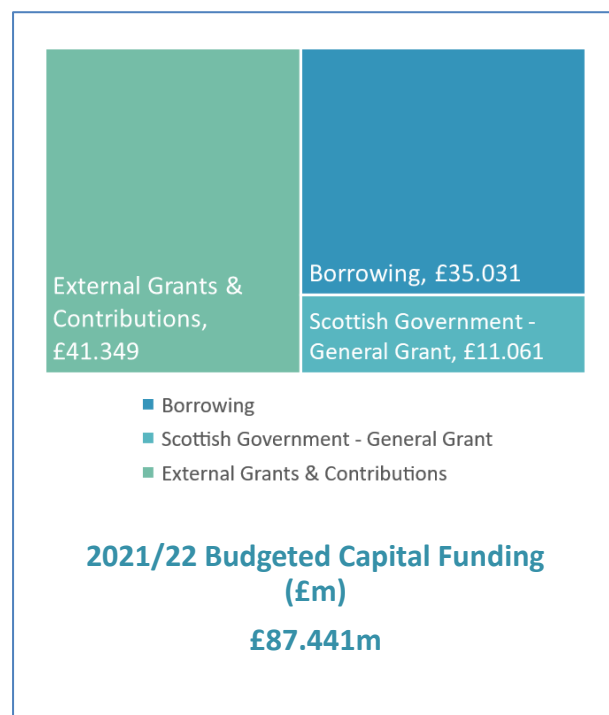
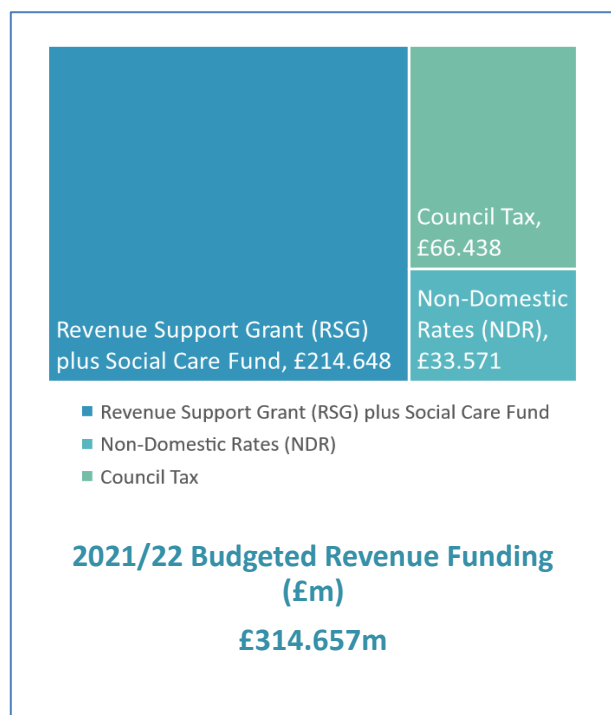
[Equality and diversity/Fairer Scotland Duty | Scottish Borders Council \(scotborders.gov.uk\)](https://www.scotborders.gov.uk/equality-and-diversity/fairer-scotland-duty)

How are we are doing? - Financial Performance

2021/22 Financial Resources Available

The financial resources of the Council are categorised into Revenue and Capital budgets. Expenditure on recurring day to day costs of providing the Council's services (e.g. salaries) is Revenue, whereas spending on the creation or enhancement of assets (e.g. school buildings) that have a useful value to the Council over multiple years is referred to as Capital. The financing of Revenue and Capital Expenditure, in general, comes from different sources.

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



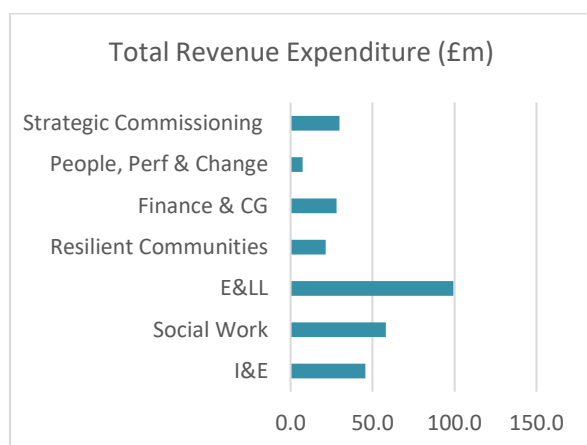
Financial Position at 31 March 2022

The approved budget was subject to a number of amendments during the year, as service pressures and savings were identified, additional grant revenue income was received and budget adjustments including Earmarked Balances were approved.

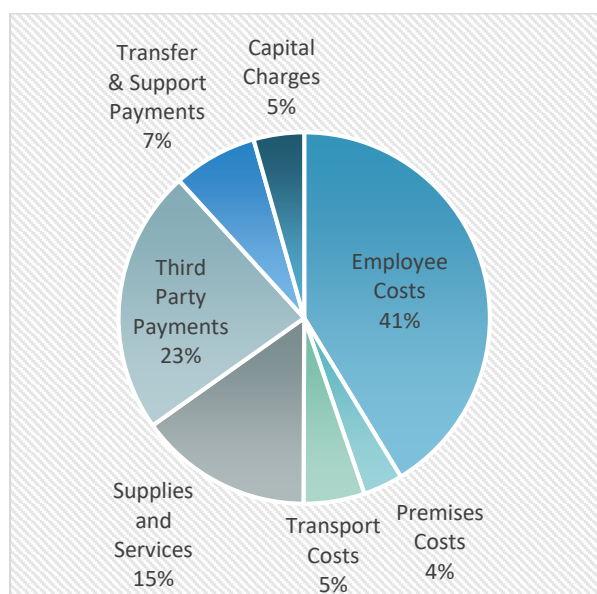
Revenue

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

The following chart analyses the revenue spend by Council department:

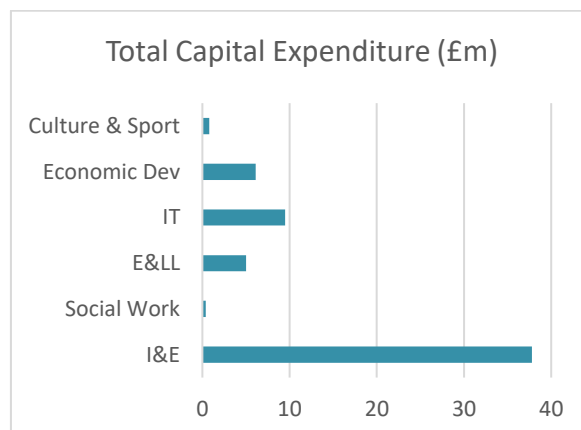


Revenue net expenditure of £289.6m for the year includes income of £167.4m, and gross expenditure of £457m as analysed in the chart below:



Capital

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



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

Infrastructure & Environment

• Flood Protection Works	£20m
• Roads & Bridge Maintenance	£10.9m
• Land & Property Infrastructure	£4.5m
• Plant & Vehicle	£1.9m

Education & Lifelong Learning & Social Work

• School Estate Block	£1.1m
• Galashiels Academy	£1.4m
• Peebles High School	£1.4m
• Social Care Infrastructure	£0.4m

IT/Econ Dev/Culture & Sport

• ICT Transformation	£9.5m
• Economic Regeneration	£5.9m
• Culture & Sport	£0.8m

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

During 2021/22 the Council continued to administer a number of grants on behalf of the Scottish Government as well as providing the normal services. These grants are not included within the financial statements due to this being an agency type arrangement. More details in relation to these grants can be found below.

	£ thousands
	Amount of grant paid out by Scottish Borders Council
-	
Additional £400 secondary teachers & lecturers	253
Childcare Sector Omicron Impacts	96
Low Income Pandemic Payments	1,199
Self Isolation Support	553
Spring 2021 Child Bridging Payment	257
Summer 2021 Child Bridging Payment	235
Autumn 2021 Child Bridging Payment	340
Winter 2021 Child Bridging Payment	352
Spring 2022 Child Bridging Payment	294
Business Grant Scheme	18,744
Coronavirus (COVID-19): £500 payment for health and social care staff	1,337
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 47. It should be noted that the net impact of these Statutory Adjustments have no impact on the Council Taxpayer.

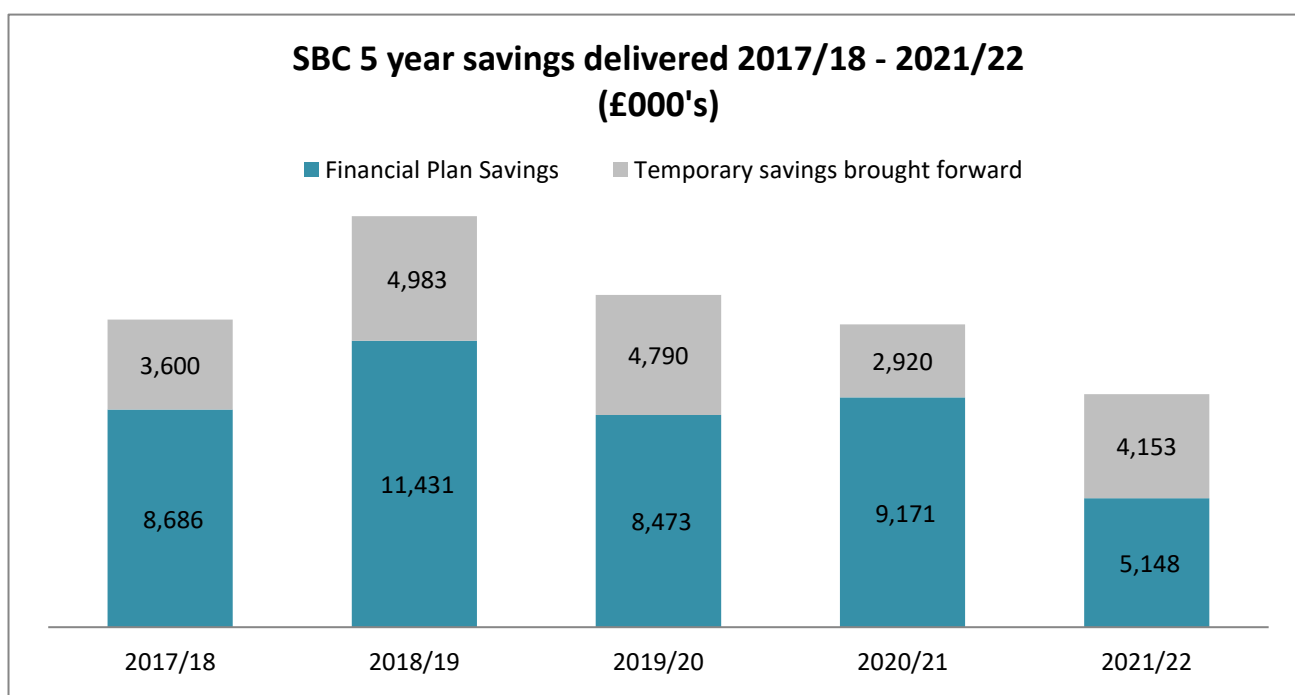
Net Surplus on Revenue Out-turn	(1.427)
Net Statutory Adjustments to Net Cost of Services (inc. Depreciation/Impairment on Revaluation/Loan Charges/PPP/Non Distributed Costs)	25.463
Other Asset (Gains)/Losses	6.567
Net Interest Costs	9.917
Net Changes on Pension Assets/Liabilities (IAS19 at 31 st March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

Delivery of Targeted Savings

Overall, Financial Plan savings of £9.301m were delivered during 2021/22 in order to balance the costs of delivering services and the available resources. The regular budget monitoring reports to the Executive Committee tracked the delivery of these savings against the Financial Plan proposals.

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

The chart below highlights the level of savings being delivered within the Council on an ongoing basis, demonstrating the scale of change undertaken within the Council over the last 5 years. The savings are categorised into those established as part of the Financial Plan in each year and those brought forward from previous years for permanent delivery.



To date the Council's approach to longer term financial planning has delivered **permanent** savings of £66m. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required in 2022/23 and beyond and the challenges now posed through COVID-19 recovery and current economic challenges.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 47 shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management outturn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2021/22 (the Code).

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

(Surplus)/Deficit on the Provision of Services

Further statutory adjustments are then made as summarised below and shown on page 47. These include net gains/losses on disposal and revaluation of assets and interest payable. These accounting adjustments result in an overall Deficit on the Provision of Council Services for the year of £6.457m. This deficit arises as a result of disposal of assets following a judicial review published in August 2020, which required Councils in Scotland to identify and transfer assets built on Common Good land to the relevant Common Good Funds.

This position and its impact on the General Fund is reflected in the following table showing the cumulative surplus on the General Fund of £51.992m as at 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	289,604	33,272	322,877
Other Income and Expenditure	(305,155)	(11,263)	(316,418)
(Surplus) or Deficit on Provision of Services	(15,550)	22,009	6,457

Opening Balance on General Fund

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

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

Closing Balance on General Fund

(36,441)
6,457
(22,009)
(51,992)

Note 5 – Expenditure and Funding Analysis on pages 64 – 67 explains the movement in further detail.

Other Comprehensive Income and Expenditure

This position needs to be finally adjusted to reflect Actuarial (Gains)/losses on the Pension Fund Net Assets/Liabilities (£87.2m) calculated on an IAS19 basis at the balance sheet date of 31st March 2021. This revises the £6.457 deficit position on the Provision of Council Services to a Net Comprehensive Income surplus of £84.355m (deficit of £42.541m in 2020/21).

Balance Sheet

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

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

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

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

Treasury and Debt Management

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

Cash Management

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. A major aspect of the treasury management operations during the year was to ensure that the cash flow was adequately planned, with cash being available when needed. Any surplus monies were invested in instruments appropriate for the Council's low risk appetite and which meet the criteria set within the Investment Strategy.



Debt Management

The Council continued to maintain an under-borrowed position, this means that the capital financing need was not fully funded by external loan debt and instead internal cash supporting the Council's reserves, balances and cash flow has continued to be used as a temporary tactical measure. This strategy remains both prudent and cost effective in an environment where investment returns are low and counterparty risk is high.

External Debt

The Council's outstanding external debt as at 31 March 2022 was £215m. Additional long term borrowing was undertaken during the year amounting to £20m, with no requirement for short term borrowing during the 2021/22 year. The average rate of interest paid on outstanding external debt was 4.42%.

Reserves

The Council maintains two types of reserves – usable and unusable – and the movement in these reserves are set out in the Movement in Reserves Statement (page 46).

Unusable Reserves – result from accounting adjustments and cannot be spent

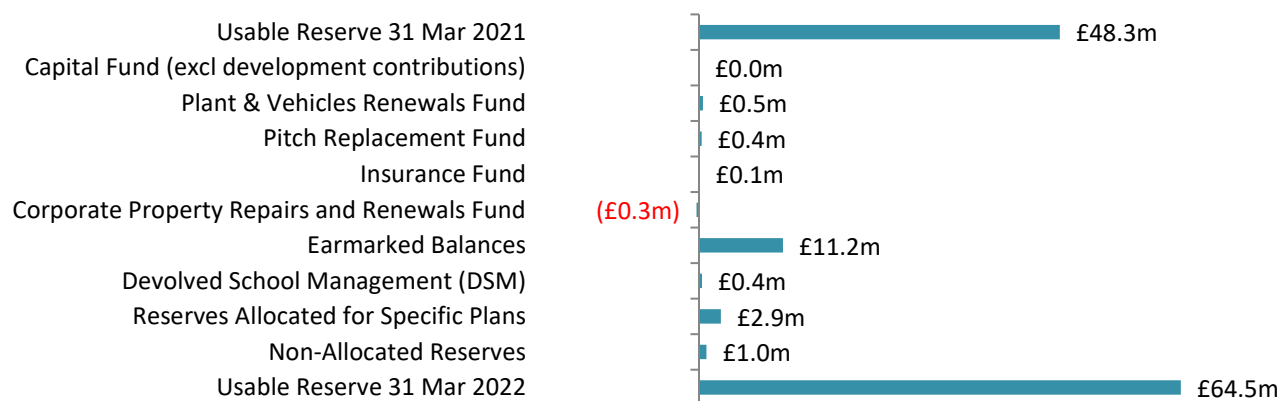
Usable Reserves – result from the Council’s activities and can be spent in the future

Note 31, page 98 provides additional information on the movement of the usable and unusable reserves held by the Council.

The Council’s principal usable reserve is the General Fund Reserve and is maintained for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and provide financial resilience to the Council;
- A contingency to cushion the impact of unexpected events or emergencies; and
- Earmarked balances to meet known or predicted liabilities.

As at 31 March 2022 the total Usable Reserves Balance is £64.5m (£48.3m at 31 March 2021) a net increase of £16.2m during the year. The net increase, as can be seen from the chart below, can mainly be attributed to an increase in Earmarked balances, which have increased by £11.2m and Reserves for specific plans which have increased by £2.9m. There have been increases of £1m in non-allocates reserves, £0.5m in the Plant & Vehicles Renewals Fund, £0.4m in Pitch Replacement Fund, and £0.4m increase in Devolved School Management.



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

Reserves Allocated for Specific Plans - net effect of:

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

Non-Allocated Reserves

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

Scottish Borders Council Group Accounts

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

Subsidiaries

- SBC Common Good Funds (*Registered Charity*)
- SBC Trust Funds:
 - *Registered Charities:*
 - SBC Charitable Trust
 - SBC Community Enhancement Trust
 - SBC Welfare Trust
 - SBC Education Trust
 - Ormiston Trust for Institute *and*
 - 39 Non-Registered Trusts
- Bridge Homes LLP
- Live Borders

Joint Ventures

- Scottish Borders Health and Social Care Partnership

How are we doing?

Performance against our corporate priorities

The Council reports and presents its performance information relating to each corporate priority on a quarterly basis to the Strategic Leadership Team and the Executive Committee of the Council. Below is a summary of the key performance information for 2021/22 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed.

OUR SERVICES FOR YOU

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



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

Planning Permission # Local – Non Householder
6.5 weeks – average time to determine **LOCAL DEVELOPMENTS – NON HOUSEHOLDER** during 2020/21

Down from 8.0 in 19/20 (Yr)

Planning Permission # Local – Householder
9.1 weeks – average time to determine **LOCAL DEVELOPMENTS – HOUSEHOLDER** during 2020/21

Up from 6.2 in 19/20 (Yr)

Waste Recycling Household Recycling

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

Up from 52.79% in 12 mths ended Dec-20

Waste Recycling Household 'Other' Treatment

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

Down from 46.95% in 12 mths ended Dec-20

Energy Use (26 key sites) Electricity

8,823,213 kilowatt hours of Electricity used

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

Waste Recycling Household Landfilled

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

Up from 0.27% in 12 mths ended Dec-20

Waste Recycling Community Recycling Centres

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

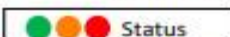
Up from 75.21% in 12 mths ended Dec-20

Energy Use (26 key sites) Gas

16,277,895 kilowatt hours of Gas used

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

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



For more on performance visit www.scotborders.gov.uk/performance 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

● ● ● 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
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**



Freedom of Information Requests (FOI)

83% of FOI requests were completed on time

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

SBC Absence Rate – Staff

Annual absence rate **5.49%**

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

Council Tax Valuation List Time to add new properties

92% of new properties added to list within 3 months of the date of occupation/completion and the issue of the banding notice

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

SBC Absence Rate – Teaching Staff

Annual absence rate **3.44%**

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

Valuation Roll (Non Domestic) Time to amend valuation roll

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

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

Status

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)

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 Attendance Secondary Schools

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

Down from 97.9% 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 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

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

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

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

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

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**



Social Care Care at Home

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

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



Mediation Service

14.8% of cases showing agreement or improvement after mediation

Down from 63.3% at end of 20/21

Social Care Self Directed Support

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

Down from 96% at end of Mar-21

Bed Days Associated With Emergency Admissions

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

Up from 3,285.38 19/20

Delayed Discharges From Hospital

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

Down from 656 during 19/20

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



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

Business Gateway Businesses Supported

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

1,497 in 18/19

Affordable Homes

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

Invoices Paid

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

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

Occupancy Rates

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

Down from **91%** 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

3 are rated Amber *

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

0 are rated Red *

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

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)



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

EMPOWERED VIBRANT COMMUNITIES

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



Context Indicators Update

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

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

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

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

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

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

748 (844)
Parking tickets issued

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

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

277 (284)
Static road checks

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



Asset Transfer Requests

1 asset transfer request was
Received

Down from 3 in 20/21

1 asset transfer request was
Agreed

Up from 0 in 20/21

0 asset transfer requests were
Refused

Remains the same from 0 in 20/21

Community Resilience SB Alert Registrations

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

Up from 6,458 at end Mar-21

Community Participation

0 participation requests were
Received

Remains the same from 0 in 20/21

0 participation requests was
Agreed

Remains the same from 0 in 20/21

0 participation request was
Refused

Remains the same from 0 in 20/21

Community Benefit Clauses 21 contracts awarded with community benefit clauses

Up from 14 in 20/21

Employment and Skills opportunities

15 opportunities delivered as
a result of community benefit
clauses

Down from 39 in 20/21



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

Our Plans for the Future

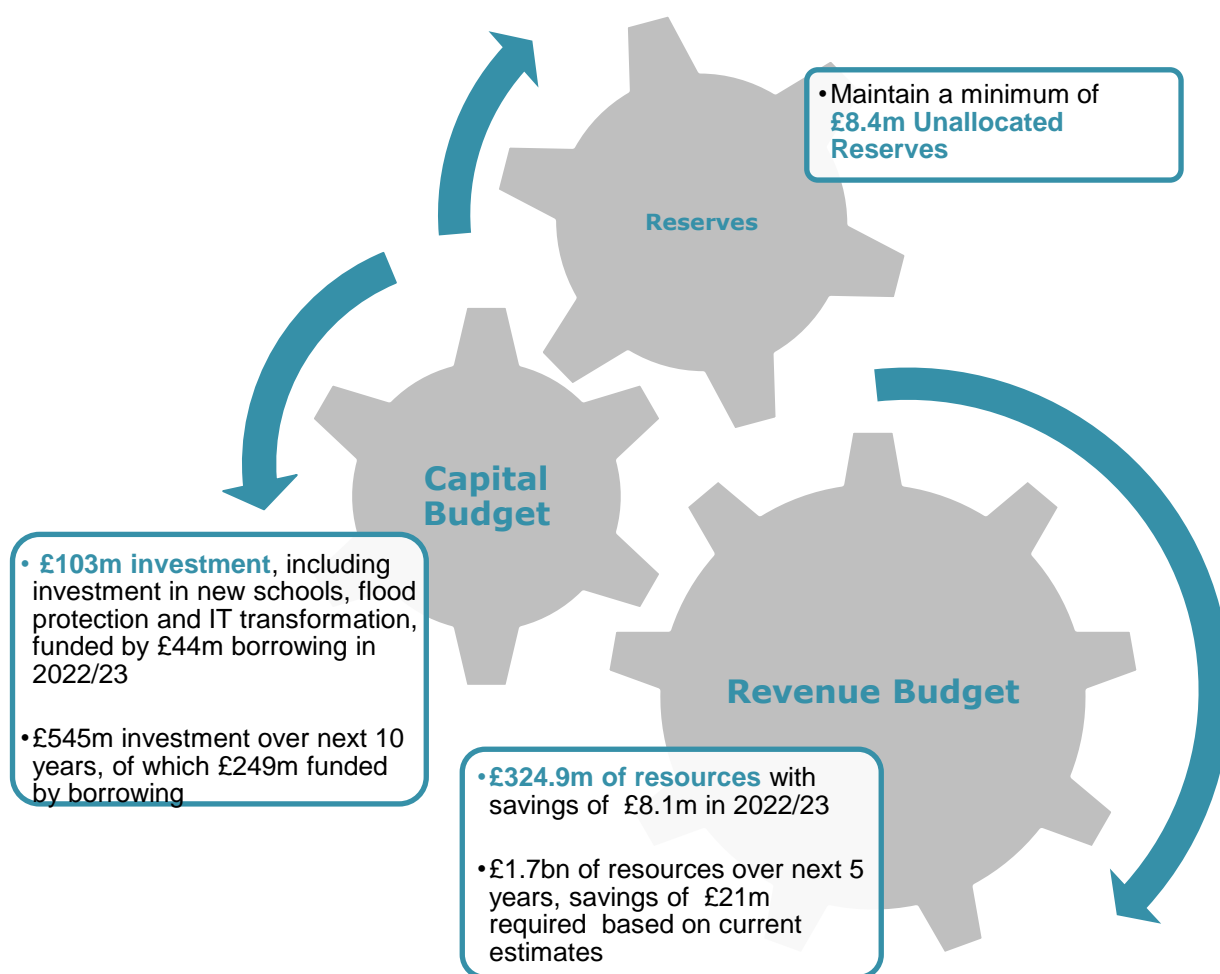
The Council has successfully delivered £66m of savings over the past 9 years through a Corporate Transformation Programme. The current Fit for 2024 programme was launched at the start of 2019/20 to deliver significant savings, ensure sustainability and deliver service improvements over the 5 years from 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, the South of Scotland Enterprise (SOSE), the Edinburgh and South East Scotland Regional City Deal and the Borderlands Inclusive Growth Deal. There will also be opportunities arising from the New UK Community Renewal Fund. These initiatives combined with the Council's planned investment in infrastructure of the Borders and our annual procurement spend provide huge opportunities for economic growth and the creation of high quality employment in the South of Scotland. The Council will continue to work with our all community planning partners and National Government to ensure we maximise this potential for our communities.

The challenges posed by COVID-19, constrained Scottish Government funding and cost pressures from pay and price inflation all continue to affect the Council's finances. The Council's transformation programme remains the key focus of activity in balancing pressures with available resources. The Council, despite ongoing challenges, has met the aims of its Financial Strategy and again delivered its planned services within budget with significant investment in new and improved facilities. Scottish Borders Council remains financially sound and well placed to serve the people of the Scottish Borders in the future.

David Robertson CPFA
Director
Finance & Corporate Governance

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Director Finance & Corporate Governance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Audit and Scrutiny Committee at its meeting on 27 June 2022.

The Director Finance & Corporate Governance responsibilities:-

The Director Finance & Corporate Governance is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Director Finance & Corporate Governance has:

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

The Director Finance & Corporate Governance has also:-

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

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2022.

David Robertson CPFA
Director
Finance & Corporate Governance

Independent Auditor's Report

This page has been left blank intentionally

Annual Governance Statement 2021/22

Introduction

The Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31 March 2022, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Scottish Borders Council's affairs and facilitating the exercise of its functions in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with and, where appropriate, lead communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively, and ensuring that appropriate arrangements are in place for the management of risk.

The system can only provide reasonable and not absolute assurance of effectiveness.

Framework for Good Governance

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (Spring 2016) is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The CIPFA/SOLACE Framework defines the seven core principles of good governance, namely:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Council's Local Code of Corporate Governance, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework and the supporting guidance notes for Scottish authorities (November 2016), was approved by Council on 28 June 2018. It is recognised that the Local Code needs to be reviewed and updated, and submitted for approval to ensure it continues to be relevant in the ever-changing operating environment and sets out the framework of governance and control for the conduct of the Council's business.

Annual Governance Statement

The Governance Framework

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

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

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

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

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

The Council seeks feedback from the public through its complaints and comments procedures for Corporate and Social Work (statutory) service areas, responds to the outcomes, as appropriate, and reports the results annually.

Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work and Public Protection Officer (CSWO). The CSWO promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc.

B. Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality. When meetings are held remotely they are live-streamed to ensure public access, recordings can be accessed from the Council's website and are available for 180 days.

Unless confidential, decisions made by Council, the Executive Committee or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users, for example via Citizen Space. The Scottish Borders CPP Community Engagement Framework (2015) sets out principles for engagement and the Toolkit shares best practice methods.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Community Planning Partnership, of which the Council is a partner, has a Community Plan approved in May 2018 (the Local Outcomes Improvement Plan (LOIP)) supplemented by 5 Locality Plans which were developed through Area Partnerships in 2019. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the Corporate Plan 2018-2023 which suggests where individuals, families, businesses, partners and communities can "play their part" to improve outcomes for the Scottish Borders #YourPart.

Asset management planning (which continues to be developed) and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council has put arrangements in place to comply with key elements of the Community Empowerment Act.

Integrated impact assessments as well as environmental, sustainability and rural implications are considered during the decision making process to promote fair access to services.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the implications associated with the proposals covering financial, risks and mitigations, integrated impact assessment, acting sustainably, carbon management, rural proofing, and changes to schemes, by way of the compulsory sections of the Committee report.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan.

Annual Governance Statement

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The corporate management structure consists of the Chief Executive and eight Directors. The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the new appraisal process that was launched during the year.

The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.

The Elected Members Induction Programme is periodically supplemented by additional training and an annual programme of learning and development and briefings. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

F. Managing risks and performance through robust internal control and strong public financial management

The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The Executive Committee is the key decision-making and monitoring committee and the Audit and Scrutiny Committee (Scrutiny function) for reviewing policy decisions.

The Council has a risk management policy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.

The Director Finance & Corporate Governance (the Section 95 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.

The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively.

A Medium Term Financial Strategy, and associated Risk Register, and plans for revenue (5-year) and capital (10-year) based on corporate priorities are developed, led by the Corporate Management Team, and presented for approval by Council prior to the end of March each year.

Revenue and Capital Budget Monitoring reports are presented to the Executive Committee on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The independent and objective audit opinion of the Chief Officer Audit & Risk (Chief Audit Executive) is stated within the Internal Audit Annual Assurance Report. This is based on work carried out by an in-house team in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit and Scrutiny Committee (Audit function) is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Quarterly Performance Reports are presented to the Executive Committee for monitoring and control of the achievement of strategic priorities and key performance indicators.

The Annual Accounts and Report sets out the financial position in accordance with relevant accounting regulations.

Annual Governance Statement

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

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

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

The conclusion from the review activity outlined above is that in 2021/22 the Council continued to demonstrate improvements to its governance arrangements by way of progressing the implementation of actions associated with the 10 improvement areas of governance within the previous year's annual governance statement.

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

In respect of the other three improvement areas of governance identified by the Council in 2020/21 (nos. 8-10), there have been developments during the year. Specifically, the refocussed and themed Fit for 2024 transformation programme to ensure the Council builds on all transformational benefits that the pandemic has presented including digital advancements, the strategic policy research and planning to influence the refresh of the Council Plan and the ongoing enhancement of the Performance Management Framework, and review and updates of some service and corporate policies, procedures and guidelines. These improvement areas of governance are not fully implemented and therefore continue to be noted in the section below, with enhancements added relating to nos. 8-10.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made.

The implementation of the remainder of the actions in the Best Value Audit Implementation Plan to fully address the recommendations (1-7 below) in order to demonstrate Best Value:

- (1) Embed a culture of Continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.
- (2) Seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Integration Joint Board.
- (3) Improve how the Community Planning Partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment Act.
- (4) Establish a structured programme of ongoing staff consultation and engagement.
- (5) Update its people plan for 2017-21 and ensure longer-term workforce plans are reflected in service and financial plans.
- (6) Support members' Continuing Professional Development by tailoring training to meet their individual needs and use technology to make training more accessible.
- (7) Ensure performance reports to members and the public are more comprehensive, balanced and that they cover service performance and the delivery of the Fit for 2024 programme.

Progress updates on the implementation of the remainder of the actions in the Best Value Audit Implementation Plan will continue to be presented to the Audit and Scrutiny Committee.

Annual Governance Statement

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

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

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

Conclusion and Opinion on Assurance

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects. Systems are in place to regularly review and improve governance and systems of internal control.

Remuneration Report

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

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

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

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

Remuneration Policy

Remuneration of Senior Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Convener, Senior Councillors or Councillors. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2021/22 the salary for the Leader of Scottish Borders Council is £37,213. The regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors shall not exceed £325,598. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convener, is £305,277. Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members of the pension scheme.

The Remuneration for Members scheme which encompasses the salaries of all Elected Members including the Leader and Senior Councillors, was agreed at a meeting of the full Council on 24 May 2012 and then amended at the meeting of the Council on 30 August 2012 to take account of changes to the Scheme of Administration. At the Scottish Borders Council meeting on 27 August 2020 a new Scheme of Payment for Senior Councillors was agreed to take account of changes to portfolio titles and responsibilities.

Remuneration Report

Remuneration of Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services provides a Scheme of Salaries & Conditions of Service that provides a basis for determining the salaries of Chief Executives of Scottish local authorities. Teaching staff salaries are set by the Scottish Negotiating Committee for Teachers (SNCT).

A senior employee is any employee who:

- Has responsibility for the management of the local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons; or
- Holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any annual remuneration from a local authority subsidiary body, is £150,000 or more.

Remuneration Disclosures

General Disclosure by Pay Band

The Local Authority Accounts (Scotland) Regulations 2014 also requires information to be provided on the number of persons whose remuneration was £50,000 or more. This information is to be disclosed in bands of £5,000. The numbers of employees at Scottish Borders Council whose remuneration was £50,000 or more, excluding employer's pension and national insurance contributions, is shown in the following table:

Remuneration Bands	Chief Officer		Teachers		Other Staff		Total	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£50,000 - £54,999	-	-	91	88	16	35	107	123
£55,000 - £59,999	-	-	58	67	22	24	80	91
£60,000 - £64,999	1	-	31	24	-	3	32	27
£65,000 - £69,999	3	1	11	11	7	8	21	20
£70,000 - £74,999	-	4	1	1	-	-	1	5
£75,000 - £79,999	2	-	3	4	-	1	5	5
£80,000 - £84,999	3	4	1	1	-	-	4	5
£85,000 - £89,999	3	4	3	3	-	-	6	7
£90,000 - £94,999	2	1	-	-	-	-	2	1
£95,000 - £99,999	-	1	-	-	-	-	-	1
£100,000 - £104,999	-	-	-	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	2	1	-	-	-	-	2	1
£115,000 - £119,999	1	-	-	-	-	-	1	-
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-	-	-
£135,000 - £139,999	-	1	-	-	-	-	-	1
£140,000 - £144,999	-	-	-	-	-	-	-	-
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
9,529	T Miers	Executive Member for Planning & Environment to 26 August 2020	0		0
19,462	J Fullarton	Area Partnership Chair	20,279		20,279
23,621	R Tatler	Executive Member for Community Development and Localities (also Area Partnership Chair for full year)	24,444	162	24,606
19,462	N Richards	Area Partnership Chair	20,279		20,279
22,130	S Hamilton	Executive Member for Transformation & Service Improvement (also continuing as Area Partnership Chair)	24,444	283	24,727
293,193		Total Other Senior Councillor Remuneration	303,884	1,185	305,069
355,691		Total Senior Councillor Remuneration	369,111	1,275	370,386

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	NamePost Title		2021/22				
Total Remuneration £			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

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

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
80,991	Ewan Jackson	Chief Executive Officer	83,687	0	0	83,687	14,578	15,044	Pension	25,478	2,484
									Lump Sum	16,409	508

Remuneration Report

Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Pension benefits for Councillors are based on a career average pay. The pay for Councillors for each year or part year ending 31 March increases by the cost of living, as measured by the appropriate index between the end of the year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees, there is a career average pension scheme. This means that pension benefits are based on the career average pay and the number of years the employee has been a member of the scheme.

The normal retirement age under the scheme for both Councillors and employees is now as per the state pension.

From 1 April 2009, a five tier contribution system was introduced with contributions from scheme members being based on how much of their pay falls into each tier. The tiers and members contributions rates for 2021/22 were as follows:

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

If the employee works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

Following the changes in 2009, there is no longer an automatic entitlement to a lump sum. Members of the Pension Fund may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

The value of accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive pension benefits on retirement without reduction (where benefits are paid on earlier than "normal date of retiral") and without the exercise of any option to commute pension entitlement into a lump sum and without any adjustment for the effects of inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

Remuneration Report

Pension Benefits of Senior Councillors

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

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
					-	-
KD Robertson	Director - Finance & Corporate Governance (from 1 September 2021); Executive Director, Finance & Regulatory (to 31 August 2021)	20,028	20,295	Pension Lump Sum	49,357	3,323
					70,259	1,179
J Craig	Director - Resilient Communities (from 1 September 2021); Service Director Customer & Communities (to 31 August 2021)	16,220	16,400	Pension Lump Sum	44,186	2,596
					65,655	721
C Hepburn	Director - People, Performance & Change (from 1 September 2021); Service Director HR and Communications (to 31 August 2021)	15,870	16,137	Pension Lump Sum	21,961	2,355
					2,984	49
CS Easingwood	Director - Social Work & Practice (from 1st September 2021); Service Director Social Work & Public Protection (to 31st August 2021)	14,705	15,523	Pension Lump Sum	29,678	3,084
					31,462	1,657
LH Munro	Director - Education & Lifelong Learning (from 1 September 2021); Service Director Young People Engagement & Inclusion (from 8 June 2020 to 31 August 2021)	12,858	16,050	Pension Lump Sum	43,232	41,767
					-	-
JM Holland	Director - Strategic Commissioning & Partnerships (from 1 September 2021); Chief Operating Officer SB Cares (to 31 August 2021)	16,609	17,320	Pension Lump Sum	4,623	2,103
					-	-
JR Curry	Director - Infrastructure & Environment from 1st October 2021	-	8,007	Pension Lump Sum	936	936
					-	-
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.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Balances of the General Fund line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked Balances of the General Fund undertaken by the Council. Further detail on the movement in reserves can be found at Note 31 on page 98.

Movement in reserves during 2020/21

General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2020	(19,179)	(9,544)	(1)	(1,397)	(30,121)	(96,386)	(126,507)

Movement in reserves during 2020/21

Total Comprehensive Income & Expenditure	(14,194)	-	-	-	(14,194)	56,736	42,541	C I & E
Adjustments between accounting basis & Funding basis under regulations	(3,068)	(385)	(361)	(136)	(3,949)	3,950	1	31
(Increase) or Decrease In 2020/21	(17,262)	(385)	(361)	(136)	(18,144)	60,686	42,542	
Balance at 31/03/2021 carried forward	(36,441)	(9,929)	(362)	(1,532)	(48,264)	(35,700)	(83,965)	

Movement in reserves during 2021/22

General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2021	(36,441)	(9,929)	(362)	(1,532)	(48,264)	(35,700)	(83,965)

Movement in reserves during 2021/22

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Restated 2020/21				2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
88,465	(18,118)	70,348	Infrastructure & Environment	91,219	(15,845)	75,374	
46,399	(3,549)	42,850	Strategic Commissioning & Partnerships	44,346	(2,303)	42,043	
135,699	(82,934)	52,765	Social Work & Practice	141,806	(79,852)	61,954	
112,841	(21,333)	91,507	Education & Lifelong Learning	119,791	(21,208)	98,583	
40,825	(26,277)	14,548	Resilient Communities	40,906	(24,405)	16,501	
17,789	(3,082)	14,707	Finance & Corporate Governance	39,395	(25,927)	13,468	
8,089	(236)	7,853	People Performance & Change	9,164	(652)	8,511	
1,824	-	1,824	Non-Distributed Costs	6,443	-	6,443	
451,929	(155,529)	296,400	Net Cost of Services	493,070	(170,193)	322,877	
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	10,926	(730)	10,196	
			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)	20
17,902	(14,524)	3,378	Net Interest Expense on the Net Defined Benefit Liability	19,426	(14,853)	4,573	
			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
	-				-		
486,189	(500,384)	(14,194)	(Surplus)/Deficit on Provision of Services	538,993	(532,536)	6,457	

Comprehensive Income and Expenditure Statement

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

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'.

2020/21 £'000		2021/22 £'000	Notes
397,328	Property Plant and Equipment	389,079	12
27,517	Other Land and Buildings	30,814	
133,554	Vehicle, Plant, Furniture & Equipment	136,316	
5,425	Infrastructure	6,615	
42,600	Surplus Assets	53,247	
1,014	Assets Under Construction	1,014	13
1,182	Heritage Assets	882	14
6,711	Intangible Assets	1,106	29
615,331	Long Term Debtors	619,073	
-	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
(23,348)	Capital Grants Receipts in Advance	(25,391)	
(309,094)	Long Term Liabilities	(322,456)	
299,631	Net Assets excluding pension liability	327,801	
(215,666)	Pension Liability	(159,481)	20
83,965	Net Assets/(Liabilities) including pension liability	168,320	

Balance Sheet

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

The unaudited accounts were issued on 27 June 2022.

David Robertson CPFA
Director - Finance & Corporate Governance

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2020/21 £'000		2021/22		Notes
		£'000	£'000	
(14,194)	Net (Surplus) or deficit on the provision of services		6,457	
(51,192)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(85,674)		32
31,064	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	43,309		32
(20,128)	Net Cash Flows From Operating Activities		(42,365)	
	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 (CI&ES) for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amounts at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Notes to the Core Financial Statements

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Notes to the Core Financial Statements

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

Government Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payment.
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement of Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events is capitalised when it will bring benefits to the Council for more than one financial year.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

The balance is amortised to the relevant service line in the Comprehensive Income and Expenditure Statement over its useful life. The amortisation basis is reviewed on an annual basis to ensure any impairment is identified.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Leases

Notes to the Core Financial Statements

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

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

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

The Council as Lessee

Finance Leases

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

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

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

Operating Leases

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

The Authority as Lessor

Operating Leases

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

Private Finance Initiative (PFI)

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

Notes to the Core Financial Statements

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

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

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

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

Property, Plant and Equipment

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

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

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

Measurement: assets are initially measured at cost, comprising:

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

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

- Infrastructure, vehicles, plant, furniture & equipment and assets under construction – depreciated historical cost.
- Surplus Assets – fair value estimated at highest and best use from market participants perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Notes to the Core Financial Statements

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where material impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulative gains).
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation: depreciation is provided for on all Property, Plant and Equipment assets by allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is calculated on the following bases

- Land and Buildings
 - Land is not depreciated
 - Buildings are written off over their estimated life.
- Vehicles, Plant, Furniture and Equipment
 - Historic costs are written off over each asset's estimated life.
- Infrastructure
 - Historic costs are written off over the estimated useful life of the asset.
- Surplus Assets
 - Land is not depreciated
 - Buildings are written off over their estimated life.

Notes to the Core Financial Statements

Where an asset has major components with different estimated useful lives, these are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the accounts when:

- The Council has a present obligation (legal or constructive) as a result of a past event.
- It is probable that a transfer of economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – when it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle the provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement of Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Notes to the Core Financial Statements

Note 1 First Time Adoption of Accounting Standards

There has been no first time adoption of Accounting Standards during 2021/22.

Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The following Adopted International Financial Reporting Standards (IFRS) have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

Definition of a Business: Amendments to IFRS 3 Business Combinations

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming year is as follows;

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending in repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.

It is acknowledged that the COVID-19 and Brexit situation has and will continue to have an effect on the property markets. Although there is some uncertainty in the national and local markets it is considered that this would appear to have not had any significant effect on the valuations or valuation process relating to financial year 2021/22.

Notes to the Core Financial Statements

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted process in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Significant changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for both surplus and financial assets.

Information about the valuations techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 12 and 29.

Provisions

The authority has made a provision of £0.008m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the authority or that precedents set by other authorities in the settlement of claims will be applicable. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.0008m to the provision needed.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £17.001m. However, the assumptions interact in complex ways. During 2021/22, the authority's actuaries advised that the net pension liability had decreased by £56.185m as a result of estimates being revised and updating assumptions.

Arrears

At 31 March 2022, the authority had Accounts Receivable debtors due of £5.359m, Council Tax debtors of £25.997m and Non Domestic Rate debtors of £3.399m. Provision for bad debts amounted to £0.891m, £11.639m and £3.399m respectively. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, an increase in bad debts of 10% would require an additional £0.090m for Accounts Receivable debtors, £1.164m for Council Tax debtors and £0.334m for Non Domestic Rate debtors.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Restated					
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	24,226	70,338	45,575	29,799	75,374
34,211	8,639	42,850	29,683	12,360	42,043
51,115	1,588	52,704	58,127	3,827	61,954
93,863	(2,355)	91,507	99,371	(788)	98,583
13,122	1,496	14,618	21,437	(4,936)	16,501
29,879	(15,172)	14,707	27,994	(14,526)	13,468
7,342	511	7,853	7,418	1,093	8,511
-	1,824	1,824	-	6,443	6,443
275,643	20,757	296,400	289,604	33,272	322,877
(292,905)	(17,689)	(310,594)	(305,155)	(11,263)	(316,418)
(17,262)	3,068	(14,194)	(15,551)	22,009	6,457
(19,179)		Opening General Fund Balance	(36,441)		
(17,262)		Less/Plus (Surplus) or Deficit on General Fund Transfer (to)/from reserves	(15,551)		
(36,441)		Closing General Fund as 31 March	(51,992)		

Notes to the Core Financial Statements

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis. This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Infrastructure & Environment	14,289	7,347	(458)	21,179	8,621	29,799
Strategic Commissioning & Partnerships	8,876	3,980	(132)	12,724	(364)	12,360
Social Work & Practice	312	3,751	(27)	4,036	(209)	3,827
Education & Lifelong Learning	2,221	5,230	43	7,494	(8,282)	(788)
Resilient Communities	459	2,661	(13)	3,108	(8,044)	(4,936)
Finance & Corporate Governance	(16,699)	2,346	(123)	(14,476)	(50)	(14,526)
People, Performance & Change	-	1,110	(14)	1,095	(2)	1,093
Non Distributed Costs	6,443	-	-	6,443	-	6,443
	15,901	26,425	(724)	41,602	(8,330)	33,272
Other income and expenditure from the Expenditure and Funding Analysis	(23,888)	4,573	2,589	(16,726)	5,463	(11,263)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(7,987)	30,998	1,865	24,877	(2,868)	22,009

Adjustments between Funding and Accounting Basis 2020/21 - Restated

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Infrastructure & Environment	15,026	2,999	(559)	17,467	6,760	24,226
Strategic Commissioning & Partnerships	7,138	1,783	80	9,001	(362)	8,639
Social Work & Practice	441	1,480	(159)	1,761	(173)	1,587
Education & Lifelong Learning	1,834	1,938	168	3,940	(6,296)	(2,355)
Resilient Communities	350	1,184	(35)	1,500	(3)	1,497
Finance & Corporate Governance	(15,979)	1,002	(50)	(15,027)	(145)	(15,172)
People, Performance & Change	-	458	56	514	(3)	511
Non Distributed Costs	1,824	-	-	1,824	-	1,824
	10,634	10,844	(499)	20,979	(222)	20,757
Other income and expenditure from the Expenditure and Funding Analysis	(20,731)	3,378	(336)	(17,689)	-	(17,689)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(10,097)	14,222	(835)	3,290	(222)	3,068

Notes to the Core Financial Statements

(Note 1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for those which conditions were satisfied in the year.

(Note 2) Changes for Pension Adjustments

Net change for the removal of pension contributions and addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with the current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

(Note 3) Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** – the other statutory adjustments column recognises adjustment to the General Fund for the timing differences for premiums and discounts.

(Note 4) Other Non-Statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- **For financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for interest income and expenditure and changes in the fair values of investment properties.
- **For taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for non ring-fenced government grants.

It should be noted that the tables on page 65 are analysed as per the Council's management reporting structure.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis

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

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

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations during the year.

Note 7 Prior Year Adjustments

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

Note 8 Significant Trading Operation

SBc Contracts is the only 'Significant Trading Operation' at Scottish Borders Council in terms of the Local Government (Scotland) Act 2003. The financial performance for external works is summarised below:

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

Notes to the Core Financial Statements

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

SBc Contracts undertakes a wide range of activities including:

- Revenue and Capital works for Council Services including
 - Highway and Bridge construction
 - Planned and reactive maintenance
 - Flood Prevention and Repair works
 - Public Realm and Cycleway works
 - Construction and Maintenance works to Council Buildings and Property
- External contracts for other local authorities and the Scottish Government
- Sub-contractor on a number of public contracts
- A wide range of external contracts for the private sector

SBc Contracts employs 138 manual workers and 21 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. The organisation continued to contribute strongly to Council resources both directly and indirectly through:

- Supporting additional high added-value jobs in the Vehicle Maintenance trading operation
- Maintaining very competitive charge-out rates to offer “Best Value” for Council Revenue and Capital projects

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

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

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

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

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

Notes to the Core Financial Statements

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2021/22 Scottish Borders Council received £0.369m in commission from Scottish Water as part of the agency agreement. This amount is set in legislation by the new Water Order which came into force in April 2014 covering the period April 2014 to March 2022.

During 2021/22, the Council received a range of funding from Scottish Government in response to the COVID-19 pandemic. For a number of these grants the Council has acted as an intermediary of the Scottish Government by administering the receipt and payment process to the ultimate recipient of the funding ie targeted business support. The Council provided these grants to the recipient to the level and criteria set by the Scottish Government and had no discretion around the payments. The amount of these agency grants and payments in 2021/22 is £23.66m including £20.081m in Business Grants.

Note 10 Related Parties

The Council is required to disclose material transactions with related parties, that is bodies and individuals that have the potential to control or influence the Council or be controlled and influenced by the Council.

Central Government ie the Scottish Government has effective control over the general operations of the Council by providing the statutory framework in which the Council operates, the majority of the Council's funding by providing grants and prescribes the nature of many of the transactions the Council has with third parties, e.g. Housing Benefit.

Members of the Council have direct control over the financial and operating policies of the Council. A review of the interests declared in the Members' Register of Interests confirmed that the Council had no material transactions with any company in which any member had an interest. The total value of transactions between the Council and companies in which members have an interest in 2021/22 was £0m (2020/21: £0m). The Remuneration Report shows the total allowances paid to Senior Members in 2021/22. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

A review by departments of their registers of interests confirmed that there were no material transactions between the Council and any company in which any officer had an interest. The total value of transactions between the Council and companies in which Officers have an interest is £0.134m (2020/21: £0.020m).

The Council is the administering authority for the Scottish Borders Council Pension Fund. As administrator for the fund the Council is considered to have direct control over the fund, and the fund is therefore deemed to be a related party. During 2021/22, the Scottish Borders Council Pension Fund had an average balance of £1.40m (2020/21: £1.43m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.001m (2020/21: £0.005m). In addition the Council charged the Pension Fund £0.320m (2020/21: £0.281m) in respect of expenses incurred in administering the Fund. There are no additional related party transactions that require to be disclosed. The Pension Fund balance due from Scottish Borders Council to the Pension Fund at the balance sheet date and disclosed in the net assets statement is as follows:

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

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

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

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

Notes to the Core Financial Statements

The Council works closely with NHS Borders in order to provide a range of services across health and social care pathways. In terms of social care specifically, NHS Borders contributes towards the cost of the services provided in four main ways.

Resource Transfer – a total of £2.594m (2021/21: £2,555m) was transferred from NHS Borders and utilised as follows:

	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. At 31st March 2022 a debtor of £0.028m and creditor figure of £1.064m between the Board and Scottish Borders Council was outstanding.

Scottish Borders Council is a corporate member of Bridge Homes LLP, which has been established to assist in the delivery of affordable housing, in accordance with the Scottish Government's National Housing Trust (NHT) initiative. The Council has consent to borrow (from the Scottish Government) to finance loans to Bridge Homes LLP in respect of housing units.

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

Notes to the Core Financial Statements

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 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 Councils Group Accounts on the basis of materiality.

Common Good and Trusts

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

Note 11 Audit Remuneration

In 2021/22 the agreed audit fee for the year was £0.293m in respect of services provided by Audit Scotland (2020/21 £0.288m). Within this fee, £6k is in respect of services provided by Audit Scotland in relation to the audit of Scottish Borders Council Common Good and Trust Funds Annual Accounts (£6k in 2020/21).

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2021/22

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

* VPFE – Vehicles, Plant, Furniture and Equipment

Notes to the Core Financial Statements

Comparative Movements in 2020/21

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

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	60,990

Valuation and Depreciation

Land and Buildings

- The Council has adopted a 5-year rolling programme of revaluations whereby each individual asset will be examined during that term in line with events and planned Capital expenditure. During 2021/22 the fixed assets relating to Social Work, Resources and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. In accordance with IFRS13 Fair Value measurement, Surplus assets are now valued at highest and best use. Properties were valued by the Council's Estates Strategy Manager, N.Curtis MRICS.

Vehicles, Plant, Furniture and Equipment

- All Vehicles and Plant were valued at depreciated historic cost.

Infrastructure

- Infrastructure was valued at depreciated historic cost.

Depreciation

- Land has not been depreciated
- Buildings and Surplus Properties have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the valuer
- Vehicles, Plant, etc. have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the Transport Manager
- Furniture & Fittings are depreciated over 5 years
- IT equipment is depreciated between 3 and 5 years
- Roads infrastructure has been depreciated, using the straight-line method, over 25 years
- Infrastructure flood works have been depreciated over 40 years
- IT infrastructure has been depreciated over 5 years

Depreciation has been directly charged to services.

Notes to the Core Financial Statements

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluation Cycle

The groups of land and buildings revalued in each of the last five years were:

- 1 April 2021 – Social Work, Resources and Surplus Properties
- 1 April 2020 – Technical Services and Surplus Properties
- 1 April 2019 – Common Good, Trust and Surplus Properties
- 1 April 2018 – Planning, Economic Development, and Surplus Properties
- 1 April 2017 – Education & Lifelong Learning and Surplus Properties

Education & Lifelong Learning Properties will be revalued as at 1 April 2022 with the resulting adjustments incorporated into the 2022/23 accounts of the Council.

	Property Plant & Equipment						
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Assets £'000
Carried at Historical Cost	410,452	93,324	270,751	54,174	15,693	1,036	845,430
New Certified Valuation							
1st April 2021	3,634	-	-	-	(4,249)	-	(615)
1st April 2020	(137)	-	(106)	-	412	(22)	147
1st April 2019	681	-	-	-	(1,155)	-	(474)
1st April 2018	1,194	-	-	-	218	-	1,412
1st April 2017	36,465	-	-	-	(4,178)	-	32,286
Gross book value (GBV) at 31 March 2021	452,289	93,324	270,645	54,174	6,741	1,014	878,187

Notes to the Core Financial Statements

Note 13 Heritage Assets

	Museum Collection £'000	Fine Arts Collection £'000	Monuments, Memorials & Statues £'000	Totals Tangible Fixed Assets £'000	Total Heritage Assets £'000
Cost or Valuation at 31 March 2020	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	(22)	(22)	(22)
Cost or Valuation at 31 March 2021	161	771	82	1,014	1,014
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	-	-	-
Cost or Valuation at 31 March 2022	161	771	82	1,014	1,014

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

The Council accepts the general principle that it is its responsibility to ensure to the best of its ability that all of the Collections in its care are adequately housed, professionally cared for, conserved and documented in line with their cultural and historic importance to the Communities of the Scottish Borders. The Collection Policy approved in September 2010 can be obtained from the Education & Lifelong Learning Department of the Council.

Museum Collection

This collection is held for display in the various Museum Service venues throughout the Scottish Borders. Those items not on display are held in secure store in various locations.

Fine Arts Collection

This collection is on display at a number of Council owned locations in the Scottish Borders and through loan at other locations containing National Collections. It comprises pictures by leading Border artists including Tom Scott and Anne Redpath and pictures of Border subjects.

Archive Centre Collection

The collecting policy for the papers and recordings in these growing collections is set out on the Heritage Hub website and a full index of papers held is available at the Archive Centre. All of the material is available for public access and relates to Scottish Borders families, locations and institutions.

Monuments, Memorials and Statues Collection

This collection is recorded in the Property Services of the Infrastructure & Environment Department and includes the numerous War Memorials throughout the Borders, the monuments on Council land and the statues located in the parks and streets of the villages and towns of the Borders.

Notes to the Core Financial Statements

Note 14 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounts for as part of the hardware item of Property, Plant and Equipment. Intangible assets in the form of purchased software are amortised on a straight line basis over the estimated useful life of the asset, which is estimated at 3 to 5 years.

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

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

Note 15 Assets Held for Sale

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

Note 16 Private Finance Initiatives and Similar Contracts

During 2006/07, the Council entered into a Public Private Partnership (PPP) for the provision of new secondary schools in Earlston, Duns and Eyemouth. These assets are recognised on the Council's Balance Sheet. During 2017/18 the Council entered into an agreement for the provision of a new secondary school in Kelso, this has also been recognised as an asset on the Council's Balance Sheet.

The new Jedburgh Intergenerational Community Campus, which was also subject to provision from a PPP agreement, became operational in 2020/21 and has also been recognised as a net asset on the Balance Sheet.

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

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

Notes to the Core Financial Statements

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

Further details of the arrangements under Private Finance Initiatives can be found in our Accounting Policies on pages 58 and 59.

Note 17 Leases

Council as Lessee

Finance Leases

The net book value of assets held under finance leases at the Balance Sheet date is as follows:

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

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)	-	
37,154	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)	(7,775)	
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		161,744
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 2021	2021/22	
%	£'000		%	£'000
45	339,069	Equities	40	309,823
-	-	Gilts	-	-
21	155,499	Other Bonds	20	156,690
11	82,460	Property	15	118,962
2	13,613	Cash	4	29,861
13	95,746	Multi-Asset Fund	12	92,180
-	-	Private Credit	-	-
8	59,663	Infrastructure	9	69,564
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

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

Note 24 Inventories

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

Note 25 Provisions

Provisions are recognised in the accounts when:

- The Council has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Where it is estimated that a provision will be utilised within 12 months of the Balance Sheet date it is included within current liabilities.

	Contractual Claims £'000	Equal Pay £'000	Voluntary Severance / Early Retirement £'000	Asset Decommissioning £'000	Total £'000
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 £322,797, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £47,509 at the Balance Sheet date.
- There has been a European Court of Justice ruling relating to workers annual leave payment entitlement. The financial implications of this judgement for Scottish Borders Council are unclear at present and therefore this has been included as a contingent liability in this years' annual accounts.
- The Council has agreed to act as guarantor for Live Borders with regards to their admission to the Scottish Borders Pension Fund. Should Live Borders be unable to meet their pension obligations, Scottish Borders Council as guarantor would be liable to do so. Our Actuary has provided figures based on the projected bond level that would be needed to be established to reflect these pension fund liabilities, for those employees that transferred over to Live Borders, it is £2.937m.
- On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. However due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on Scottish Borders Council at this time.
- There has been a legal case regarding pension obligations relating to Civil Partnerships, it is too early to assess what the financial implications of this will be on Local Government Pension Schemes.

Note 27 Contingent Assets

The following Contingent Assets are noted:

- The European Commission issued a decision which found that European truck manufacturers had engaged in price fixing and other cartel activities over a 14 year period between 1997 and 2011 in relation to trucks over six tonnes. Scottish Borders Council is joining with other Scottish Local Authorities and public bodies to raise legal actions seeking compensation for losses it has suffered as a result of this illegal activity.

Notes to the Core Financial Statements

Note 28 Grant Income

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

Restated 2020/21 £'000		2021/22 £'000
	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	(17,581)
(24,970)	Resilient Communities	(22,757)
(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 £000	31 March 2022 £000	31 March 2021 £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			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 £'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		
	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:

	31 March 2021		31 March 2022	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'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 £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'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	3,058
Between one and two years			79,540	20	1,778	0
Between two and seven years			79,540	20	27,047	0
Between seven and fifteen years			79,540	20	7,500	0
More than fifteen years	79,540	20	397,700	100	155,955	0
Total					220,793	3,058

Market Risk

There are three main market risks to which the Council is exposed:

(i) **Interest Rate Risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise, and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Notes to the Core Financial Statements

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central Treasury Team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investment	220
Decrease in fair value of fixed rate borrowing liabilities (No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	56,689

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. However, given the low interest rates currently available on deposits, it may simply mean then that no interest would be available. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

- (ii) **Price Risk** - The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.
- (iii) **Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies at the Balance Sheet date. It therefore has no exposure to loss arising from movements in exchange rates.

Notes to the Core Financial Statements

Note 30 Debtor and Creditor Analysis

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

Debtors

2020/21 £'000		2021/22 £'000
19,859	Trade Receivables	18,033
3,912	Prepayments	9,109
31,874	Other Receivable Amounts	34,080
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	25,667
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.

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

Notes to the Core Financial Statements

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

This details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

A summary of all reserves movements are shown below:

Adjustments between accounting basis & funding basis under regulations 2020/21

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(31,464)	-	-	-	(31,464)	31,464	-	12 & 14
Impairment losses (charged to CI&ES)	(1,233)	-	-	-	(1,233)	1,233	-	
Revaluation Losses	(2,982)	-	-	-	(2,982)	2,982	-	
Capital grants and contributions applied	30,896	-	-	-	30,896	(30,896)	-	28
Employee Statutory Adjustments	(401)	-	-	-	(401)	401	-	
Profit/(Loss) on disposal of assets	(401)	(1,915)	-	-	(2,316)	2,316	-	
Revenue Exp Funded From Capital under Statute	(1,710)	-	-	-	(1,710)	1,710	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	319	-	-	-	319	(319)	-	
Net retirement charges per IAS 19	(27,533)	-	-	-	(27,533)	27,533	-	
Loans Fund principal repayments and Statutory premia	12,654	-	-	-	12,654	(12,654)	-	
Capital Expenditure charged to General Fund balance	2,487	-	-	-	2,487	(2,487)	-	
Employers contribution payable to Pension Fund	13,311	-	-	-	13,311	(13,311)	-	
Net Transfers to or (from) other reserves	2,990	1,530	(361)	(136)	4,024	(4,023)	1	
Total in year adjustments	(3,068)	(385)	(361)	(136)	(3,949)	3,950	1	

Notes to the Core Financial Statements

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

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(33,920)	-	-	-	(33,920)	33,920	-	12 & 14
Impairment Losses (charged to CI&ES)	(1,995)	-	-	-	(1,995)	1,995	-	
Revaluation Losses	(4,244)	-	-	-	(4,244)	4,244	-	
Capital grants and contributions applied	42,522	-	-	-	42,522	(42,522)	-	28
Employee Statutory Adjustments	135	-	-	-	135	(135)	-	
Profit/(Loss) on disposal of assets	(10,196)	(730)	-	-	(10,926)	10,926	-	
Revenue Exp Funded From Capital under Statute	(2,683)	-	-	-	(2,683)	2,683	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	308	-	-	-	308	(308)	-	
Net retirement charges per IAS 19	(44,981)	-	-	-	(44,981)	44,981	-	
Loans Fund principal repayments and Statutory premia	14,693	-	-	-	14,693	(14,693)	-	
Capital Expenditure charged to General Fund balance	2,015	-	-	-	2,015	(2,015)	-	
Employers contribution payable to Pension Fund	13,983	-	-	-	13,983	(13,983)	-	
Net Transfers to or (from) other reserves	2,356	(157)	311	(91)	2,419	(2,419)	-	
Total in year adjustments	(22,008)	(887)	311	(91)	(22,675)	22,675	-	

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	(4,954)
(27,609)		(42,143)
(8,832)	Non-Earmarked Balances of the General Fund	(9,850)
(36,441)	Total General Fund Reserve	(51,992)

Unusable Reserves

Unusable reserves are those that the Council is not able to use to provide services.

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Revaluation Reserve

The Revaluation Reserve contains the gains made by an Authority arising from increases in the value of its Property Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Employee Statutory Adjustment Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Notes to the Core Financial Statements

Note 32 Cash Flow

2020/21		2021/22
£'000	Reconciliation to General Fund Surplus	£'000
(14,194)	Net (Surplus) or deficit on the provision of services	6,457
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(31,429)	Depreciation	(33,521)
(4,216)	Impairment & Revaluation Loss through I & E	(6,239)
(34)	Amortisation of intangible assets	(398)
(14,222)	Movement in pension liability	(30,998)
(401)	Gain/Loss on carrying amounts of assets disposed	(10,196)
693	Net movement in inventories charged to I & E	(200)
(2,736)	Net movement in debtors charged to I & E	6,695
1,003	Net movement in creditors charged to I & E	(10,705)
150	Net movement in provisions charged to I & E	(112)
(51,192)		(85,674)
	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
(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 £6.239m within the Net Cost of Services. This includes a reversal of £0.723m against losses in previous years.

Note 34

Cash and Cash Equivalents

The balance of the cash and cash equivalents is made up of the following elements:

2020/21		2021/22
£'000		£'000
30	Cash held by officers	20
2,387	Bank current accounts	398
25,000	Short term deposits	45,500
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			(70,242)	
8,175		Discounts and Exemptions	8,407	
807		Allowance for Impairment	812	
-		Miscellaneous		
	14,907			(61,023)
	(60,215)			(61,023)
	(60,215)	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 £207.36 for water and £240.75 for waste water.

Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2020/21			2021/22	
£'000	£'000		£'000	£'000
	(52,679)	Gross Rates Levied & Contribution in Lieu		(50,282)
	(3,952)	Prior Year Adjustments		-
27,708		Less: Reliefs and Other Deductions	23,377	
253		Write-offs of uncollectable debts & allowance for impairment	322	
-		Interest paid on overpaid rates	-	
	27,960			23,698
	(28,671)			(26,583)
	(28,671)	Net Non-Domestic Rate Income		(26,583)
	-	- Adjustment to Previous Years National Non-Domestic Rates		-
	(28,671)	Contribution to National Pool		(26,583)
	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	(221)	(34)	(255)
	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	(138)	22	(116)
(1,195)	(Surplus) brought forward	(727)	(563)	(1,290)
(145)	Funding (brought forward/carried forward) to Revaluation Reserve	93	(56)	37
309	Transfer to Capital Reserve	(1)	(1)	(2)
(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	402	1,570	1,972
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	1,754	2,853	4,607
	Financed by			
(1,290)	Revenue Reserve	(773)	(598)	(1,371)
(1,335)	Capital Reserve	(631)	(702)	(1,333)
(1,866)	Revaluation Reserve	(350)	(1,553)	(1,903)
(4,491)		(1,754)	(2,853)	(4,607)

Common Good Funds

The Council administers the Common Good Funds for twelve towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2022, for each of the funds. The accounting policies applied are those as set out in pages 52 to 61.

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

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

Comprehensive Income and Expenditure Statements

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

Common Good Funds

Balance Sheet

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

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and relevant accounting standards, require local authorities to consider all their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiary and associated entities and joint arrangements. The Local Authority group is defined as the Local Authority and its interests in entities which would be regarded as its subsidiaries or associates or joint arrangements were it subject to the Companies Act. The Code requires that group financial statements include the following statements along with the appropriate notes:

- a Group Movement in Reserves Statement
- a Group Comprehensive Income and Expenditure Statement
- a Group Balance Sheet
- a Group Cash Flow Statement

The Group Accounts and Notes are set out on pages 112 to 118.

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

For the purposes of consolidation and incorporation within the Local Authority group, the Council has consolidated the following entities:

Subsidiaries

Subsidiary entities are those over which the Council has been deemed to have control. The following bodies have been recognised as subsidiaries of Scottish Borders Council:

- Common Good Funds
- Charitable Trust Funds
- Bridge Homes LLP
- Live Borders

The Council is the sole trustee of the Common Good Funds and the Charitable Trust Funds and summary financial results for these entities appear on pages 107 to 109. Bridge Homes LLP, a partnership between the Council and Scottish Futures Trust Investments Ltd, created to invest in residential property and in which the Council is entitled to 99.999% of the profits and equally exposed to 99.999% of the losses, is also treated as a subsidiary body.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1 April 2016. Services provided by the trust include Arts, Libraries, Archives, Museums, and Galleries, Sport and Leisure facilities.

Live Borders accounts can be obtained from their Headquarters at Melrose Road, Galashiels, TD1 2DU.

Lowood Tweedbank Limited, has been excluded from the Group accounts in 2020/21 and 2021/22. This is in relation to the materiality threshold as agreed with Audit Scotland.

Group Accounts

Associates

Associate entities are those over which the Council has been deemed to exercise significant influence. The following body has been recognised as an associate of Scottish Borders Council:

Jedburgh Leisure Facilities Trust, has been excluded from the Group accounts in 2020/21 and 2021/22. This is in accordance to the materiality threshold as agreed with Audit Scotland.

Joint Arrangements

Joint arrangements can be either joint operations or joint ventures. Joint operations are joint arrangements where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The following body has been recognised as a Joint Venture.

- Scottish Borders Health and Social Care Partnership

The Council commenced a joint arrangement with NHS Borders to establish The Scottish Borders Health and Social Care Partnership on 6 February 2016. This is a partnership set up to bring about change in the way health and social care services are planned, commissioned and delivered from 1 April 2016.

The Board's draft Comprehensive Income & Expenditure Statement show gross expenditure of £216.182m and income of £232.540m for the year of which £88.298m and £80.120m has been recognised in the SBC Accounts. In the Group Accounts, 50% of the net result and net assets has been included on the equity basis method. Both the Balance Sheet and Movement in Reserves Statement show a net position of £26.598m for 2021/22.

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

Group Movement In Reserves Statement

Movement in reserves during 2020/21

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2020	(30,121)	(10,762)	(40,883)	(96,386)	(12,645)	(109,031)	(149,914)

Movement in reserves during 2020/21

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

Movement in reserves during 2021/22

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

Group Comprehensive Income and Expenditure Statement

Restated 2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
88,573	(17,914)	70,659	Infrastructure & Environment	91,219	(15,845)	75,374
49,488	(7,587)	41,901	Strategic Commissioning & Partnerships	48,963	(5,860)	43,103
135,188	(82,934)	52,254	Social Work & Practice	141,806	(79,852)	61,954
112,841	(21,333)	91,507	Education & Lifelong Learning	119,791	(21,208)	98,583
41,228	(26,480)	14,747	Resilient Communities	40,906	(24,405)	16,501
17,874	(3,357)	14,517	Finance & Corporate Governance	39,491	(26,175)	13,316
8,089	(236)	7,853	People Performance & Change	9,164	(652)	8,511
1,824	-	1,824	Non-Distributed Costs	6,443	-	6,443
756	(290)	466	Common Good	1,288	(235)	1,053
182	(23)	159	Trust Funds	313	(43)	270
-	(3,249)	(3,249)	Share of Operating Results Of Associates & Joint Ventures	-	(8,178)	(8,178)
456,041	(163,404)	292,637	Services provided by the Council	499,384	(182,454)	316,930
456,041	(163,404)	292,637	Net Cost of Services	499,384	(182,454)	316,930
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	10,926	(730)	10,196
			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			339

Group Comprehensive Income and Expenditure Statement

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

Group Balance Sheet

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

Group Balance Sheet

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

The unaudited accounts were issued on 27 June 2022.

David Robertson CPFA
Director - Finance & Corporate Governance

Group Cash Flow Statement

Restated 2020/21 £'000		2021/22 £'000 £'000	
(18,072)	Net (Surplus) or deficit on the provision of services		(29,639)
3,249	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	-	
(51,177)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(50,031)	
31,064	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	43,309	
(34,936)	Net Cash Flows From Operating Activities		(36,361)
	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	162	
(23,771)	Other Items which are Investing Activities	(51,992)	
26,476	Net Cash Flows from Investing Activities		6,170
	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 52 to 61.

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

Note 2 Group Cash Flow

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

Restated 2020/21 £'000		2021/22 £'000
	Reconciliation to General Fund Surplus	
(18,072)	Net (Surplus) or deficit on the provision of services	339
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	(35,074)
(4,216)	Impairment & Revaluation Loss through I & E	(6,239)
(34)	Amortisation of intangible assets	(398)
(14,665)	Movement in pension liability	(31,932)
(401)	Gain/Loss on carrying amounts of assets disposed	(10,196)
663	Net movement in inventories charged to I & E	(167)
(2,710)	Net movement in debtors charged to I & E	6,745
2,454	Net movement in creditors charged to I & E	(10,813)
150	Net movement in provisions charged to I & E	(112)
(51,177)		(88,186)
	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	(44,538)

Note 3 Financial Impact of Group Consolidation

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

Glossary of Terms

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

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

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

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

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

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

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

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

Capital Financed From Current Revenue (CFCR): this is expenditure on capital assets that is financed from the revenue account in the current financial year.

Capital Fund: Established under the Local Government (Scotland) Act 1975. This fund is credited with the receipts of property sales and developer contributions. It can be used to fund capital expenditure or make payments of loan principal.

Capital Grants: grants from bodies such as the European Union and Scottish Government can fund capital projects as can contributions from other organisations.

Capital Receipt: a capital receipt arises when the Council sells a surplus asset, e.g. a piece of land or a building and this can be used to finance further capital expenditure or repay existing debt.

Carrying Amount: the value at which an asset or liability is shown on the Balance Sheet.

Glossary of Terms

Common Good Funds: have been accumulated by former burghs since their foundation from the 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.

